



South Gippsland
Shire Council

Come for the beauty, Stay for the lifestyle

COUNCIL MINUTES

**ORDINARY MEETING NO. 386
WEDNESDAY 26 NOVEMBER 2014
COUNCIL CHAMBER, LEONGATHA
COMMENCED AT 2PM**

PRESENT:

Mayor: Cr Jeanette Harding
Deputy Mayor: Cr Nigel Hutchinson-Brooks
Councillors: James Fawcett, Mohya Davies, Kieran Kennedy, Robert Newton,
Lorraine Brunt, Andrew McEwen and Don Hill.

OFFICERS:

Mr Tim Tamlin	Chief Executive Officer
Anthony Seabrook	Director Engineering Services
Jan Martin	Director Community Services
June Ernst	Director Corporate Services
Bryan Sword	Director Development Services
Luke Anthony	Manager Governance Services
Natasha Berry	Governance Officer
Heather Williams	Council Support Officer
Paul Stampton	Manager Strategic Planning and Development

MISSION

To effectively plan and provide for the social, built, economic and natural environments that ensure the future wellbeing of South Gippsland Communities.

SOUTH GIPPSLAND SHIRE COUNCIL

**ORDINARY MEETING NO. 386
WEDNESDAY 26 NOVEMBER 2014
COUNCIL CHAMBER, LEONGATHA
COMMENCED AT 2PM**

INDEX

SECTION A - PRELIMINARY MATTERS	1
SECTION B - NOTICES OF MOTION AND/OR RESCISSION	6
B.1 NOTICE OF RESCISSION NUMBER 673 – CAPITAL WORKS PROGRAM PROCEDURE	6
B.2 NOTICE OF MOTION NUMBER 674 – CAPITAL WORKS PROGRAM PROCEDURE	8
SECTION C - COMMITTEE REPORTS	20
SECTION D – PROCEDURAL REPORTS	21
D.1 QUARTERLY PERFORMANCE REPORT JULY TO SEPTEMBER 2014	21
D.2 REPORT ON ASSEMBLY OF COUNCILLORS - OCTOBER 2014.....	25
D.3 COUNCILLOR DISCRETIONARY FUND ALLOCATION REPORT	33
D.4 DOCUMENTS SEALED AND CONTRACTS AWARDED UNDER CHIEF EXECUTIVE OFFICER DELEGATION - OCTOBER 2014	35
D.5 COUNCILLOR EXPENDITURE REPORT - 30 SEPTEMBER 2014.....	38
SECTION E - COUNCIL REPORTS.....	41
E.1 PETITION RESPONSE – POOWONG LOCH NYORA SEWERAGE SCHEME PAYMENT PLAN FOR VOLUNTARY SERVICE AREAS.....	41
E.2 ECONOMIC DEVELOPMENT AND TOURISM STRATEGY ADOPTION	46
E.3 CORNER INLET DRAINAGE AREA ADVISORY (SPECIAL) COMMITTEE	49
SECTION F - URGENT OR OTHER BUSINESS	55
SECTION G – GENERAL QUESTION TIME	56
G.1 QUESTION TIME	62
G.2 ANSWERS TO PREVIOUS QUESTIONS ON NOTICE	64

CLOSED SESSION73

ITEM 2 AWARD OF TENDER SGC15/19 - victory avenue
RECONSTRUCTION, FOSTER.....73

ITEM 3 AWARD OF TENDER SGC15/18 - DESIGN AND CONSTRUCTION
OF ALLAMBEE ESTATE ROAD BRIDGE at HALLSTON..... 73

SECTION H - MEETING CLOSED.....747

Tim Tamlin
Chief Executive Officer

SECTION A - PRELIMINARY MATTERS

A.1 WELCOME

Please ensure Mobile phones remain 'off' during the Council Meeting.

A.2 OPENING PRAYER

We pray to God to guide us so that the thoughts we have and the decisions made this day, are in the best interests of the people of the South Gippsland Shire.

Amen

A.3 ACKNOWLEDGEMENT OF TRADITIONAL CUSTODIANS

The South Gippsland Shire Council respectfully acknowledges the Traditional Custodians of this Land, Elders past and present, their Spirits and Ancestors.

A.4 APOLOGIES

Nil

A.5 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the South Gippsland Shire Council Ordinary Meeting No. 385, held on 22 October 2014 in the Council Chamber, Leongatha and the Minutes of Special (Statutory) Meeting of Council held on Wednesday 5 November 2014 in the Council Chamber, Leongatha be confirmed.

MOVED: Cr Kennedy

SECONDED: Cr Newton

THAT THE MINUTES OF THE SOUTH GIPPSLAND SHIRE COUNCIL ORDINARY MEETING NO. 385, HELD ON 22 OCTOBER 2014 IN THE COUNCIL CHAMBER, LEONGATHA AND THE MINUTES OF SPECIAL (STATUTORY) MEETING OF COUNCIL HELD ON WEDNESDAY 5 NOVEMBER 2014 IN THE COUNCIL CHAMBER, LEONGATHA BE CONFIRMED.

CARRIED UNANIMOUSLY

A.6 REQUESTS FOR LEAVE OF ABSENCE

Nil

A.7 DECLARATION OF CONFLICT OF INTEREST FOR COUNCILLORS

Any interest that a Councillor or staff member has deemed to be significant and has disclosed as either a direct or an indirect interest is now considered to be a conflict of interest. Conflict of interest legislation is in sections 77A, 77B, 78, 78A-D and 79 of the Local Government Act 1989. This legislation can be obtained by contacting the Council's Corporate Services Directorate (Governance Services) or by accessing the Victorian Legislation and Parliamentary Documents website at www.legislation.vic.gov.au. An interest may be by close association, financial, conflicting duties or receipt of gifts.

If a Councillor or staff member discloses any interest in an item discussed at any Council Meeting (whether they attend or not) they must:

- Complete a disclosure of interest form prior to the Meeting (forms are available from the Organisational Development Department – Governance).
- Advise the Chair of the interest immediately before the particular item is considered (if attending the Meeting).
- Leave the Council Chamber or Meeting room while the item is being discussed and during any vote taken (if attending the Meeting).

The Councillor or staff member will be advised to return to the Council Chamber or Meeting room immediately after the item has been considered and the vote is complete.

Councillors should check the Minutes of the Council Meeting to ensure their disclosure is recorded accurately.

Councillors are not required to disclose conflict of interest in relation to matters only considered at Meetings they do not attend.

Detailed information is available in Conflict of Interest – A Guide for Councillors June 2011.

Type of Interest		Example of Circumstance
Direct Interest		Reasonably likely that your benefits, obligations, opportunities or circumstances will be directly altered. Reasonably likely to receive a direct benefit or loss measurable in money. Reasonably likely that your residential amenity will be directly affected.
Indirect Interest	Close Association	A member of your family has a direct interest or an indirect interest. A relative has a direct interest. A member of your household has a direct interest.
	Indirect financial Interest	Likely to receive a benefit or loss, measurable in money, resulting from a change to another person's interest. Holding shares in a company or body that has a direct interest (subject to threshold) When a person with a direct interest owes money to you.
	Conflict of Duty	Manager or member of the governing body of an organisation with a direct interest. Trustee for a person with a direct interest. Past dealings in relation to the matter as duty to another person or body.
	Applicable Gift	Gifts valued at \$500 in previous 5 years. Election donations valued at or above \$500 in previous 5 years. Gifts other than election campaign donations that were received more than 12 months before a person became a Councillor are exempt.
	Party to the Matter	Initiated or became party to civil proceedings in relation to the matter.

Privacy

Council is required to keep minutes of each Council meeting. The minutes contain details of proceedings which may include personal information about community members disclosed as part of presentations, submissions and questions. The minutes of Council meetings are a public record and can be inspected by members of the public.

Council undertakes audio recordings of Council Meetings as a contribution to good governance and accuracy of minutes. An audio recording of this meeting is being made for the purpose of verifying the accuracy of minutes of the meeting. In some circumstances the recording may be disclosed, such as where Council is compelled to do so by court order, warrant, and subpoena or by any other law such as the Freedom of Information Act 1982. It should be noted that other people present at the meeting may be recording the meeting and Council has limited power to regulate this. Council has developed a policy to regulate recordings, "Sound Recording of Council Meetings". A copy of this policy is located on Council's website www.southgippsland.vic.gov.au. Further information or a copy of the policy or can be obtained by contacting Council's Organisational Development Department (Governance).

Councillor Fawcett declared an indirect conflict of interest in Council Reports – E.1 PETITION RESPONSE – POOWONG LOCH NYORA SEWERAGE SCHEME PAYMENT PLAN FOR VOLUNTARY SERVICE AREAS, as he has a conflicting duty in that he is a Director of South Gippsland Water.

A.8 DECLARATION OF CONFLICT OF INTEREST FOR STAFF

Sections 80B and 80C of the Local Government Act 1989 require members of Council staff who have delegated functions and /or provide advice to Council or a Special Committee to disclose conflicts of interest. If Council staff have written, provided information/advice or approved a Council Report and have a conflict of interest it is the responsibility of that staff member to disclose the interest. Guidance to identifying and disclosing a conflict of interest is contained in Department of Planning and Community Development in '*Conflict of Interest A Guide for Council staff*', October 2011.

Two Staff members involved in the preparation of Closed Session Item 1 Confidential Report – 2014/2015 COMMUNITY GRANTS ROUND 1 have disclosed an indirect conflict of interest by way of close association with applications assessed.

Noted.

A.9 PETITIONS

Petitions (and Joint letters) are written requests that have been signed by a number of community members. According to the Local Law No.3 2010 petitions may be presented to Council by a Councillor. A petition presented to the Council must lay on the table until the next Ordinary Meeting of the Council and no motion, other than to receive the petition, may be accepted by the Chair unless the Council agrees to deal with it earlier.

The lead petitioner or person organising the petition may in presenting the petition to a Councillor at the Council Meeting speak briefly to its contents. At the same meeting a Councillor would accept the petition and introduce it to Council for formal noting and actioning by Council.

The Councillor presenting the petition is responsible for ensuring that they are familiar with the contents and purpose of the petition and that it is not derogatory or defamatory.

Nil

A.10 COUNCILLOR REPORTS

Cr Brunt addressed Council regarding attendance at Loch Memorial Reserve Remembrance Day and noted it was one of the best days at Council that she has attended. Cr Brunt relayed a story from one of those who had served at Vietnam and the deep impact it made on his life. Councillor Brunt further impressed the importance of Remembrance Day.

Cr Hill addressed Council by commenting on the 'Our Say' Budget community engagement program by noting the Workshop held on Tuesday 25 November and the number of online respondents being 700. Cr Hill commented that it was an amazing number, and hoped for future increases of respondents and noted that it was a good start to the engagement process.

Cr Hutchinson-Brooks addressed Council regarding attendance at:

- **Turtons Creek Land Care Committee meeting and noted that two talks will be conducted in January and March 2015 with the aim to preserve the Turtons Creek Valley and led by Jenny O'Sullivan.**
- **Workshop for the Leongatha Education Precinct (LEP) and noted that the Board is determining a new way forward as much of the focus on building development is complete, that management issues still exist particularly around communication between each campus and noted that another half day workshop will be undertaken in the new year.**
- **Municipal Emergency Management Planning Committee (MEMPC) meeting and noted the good work of guest speaker Ms Renae Littlejohn, Council's Business Liaison Officer on how businesses recover from a catastrophic event. Cr Hutchinson-Brooks described that Council can assist small businesses when faced with such an event.**

Cr Harding addressed Council regarding attendance at:

- **Loch Memorial Remembrance Day and noted that it was a moving event.**
- **Foster RSL Dinner and noted that the event and program was well put together and included guest speaker Mr Tim Whitford who spoke about his experiences of his relative who was in World War I.**

Cr Harding addressed Council regarding the attendance of the Hon Peter Ryan MP in South Gippsland and noted the importance of a Skate Park in Leongatha for our youth and congratulated the Committee on the ongoing work they have done including the raising of funds by the community.

Cr McEwen left the Meeting at 2.14pm.

SECTION B - NOTICES OF MOTION AND/OR RESCISSION

B.1 NOTICE OF RESCISSION NUMBER 673 – CAPITAL WORKS PROGRAM PROCEDURE

PURPOSE

The motion as passed fails to address adequately the transparency and governance issues identified within the original motion passed in May 2014.

The motion mentions of the financial strategies being a requirement to be followed yet the flow chart clearly shows these strategies can be avoided by including items with only an initial costing done, which is the current procedure. This allows over-estimated amounts to be placed into the forward budgets. It is still possible for items of expenditure to be placed into the 15 year budget without a full life cycle costing being conducted.

With this motion, the CEO is able at his discretion to override any agreed policy without Council approval. This is a worse governance outcome than the current procedure.

The public would see no increased transparency from this motion. It would still be possible to increase overall expenses by any amount without any report being made to the public allowing for informed scrutiny to take place. All the public would see would be higher than necessary rate rises but without the reason for this occurrence.

This motion therefore does not satisfy the requirements of the motion passed in May 2014.

MOTION

I, Councillor Don Hill advise that I intend to submit the following rescission motion to the Ordinary Council Meeting scheduled to be held on **26 November 2014**.

'That Council rescind motion E.4 CAPITAL WORKS PROGRAM PROCEDURE dated 22 October 2014:

THAT COUNCIL UTILISE THE CAPITAL WORKS PROGRAM REVIEW PROCEDURE CONTAINED IN ATTACHMENT 1 TO REVIEW THE CAPITAL WORKS PROGRAM AND THAT THIS PROCEDURE BE REFINED AS REQUIRED AS A CHIEF EXECUTIVE OFFICER APPROVED PROCEDURE.'

MOVED: Cr Hill

SECONDED: Cr Kennedy

**THAT COUNCIL RESCIND MOTION E.4 CAPITAL WORKS PROGRAM
PROCEDURE DATED 22 OCTOBER 2014:**

***‘THAT COUNCIL UTILISE THE CAPITAL WORKS PROGRAM
REVIEW PROCEDURE CONTAINED IN ATTACHMENT 1 TO REVIEW
THE CAPITAL WORKS PROGRAM AND THAT THIS PROCEDURE
BE REFINED AS REQUIRED AS A CHIEF EXECUTIVE OFFICER
APPROVED PROCEDURE.’***

Cr McEwen returned to the Meeting at 2.16pm.

Cr Brunt left the Meeting and returned at 2.22pm.

LOST

For: Crs Hill and McEwen.

**Against: Crs Fawcett, Kennedy, Brunt, Newton, Davies, Hutchinson-
Brooks and Harding.**

B.2 NOTICE OF MOTION NUMBER 674 – CAPITAL WORKS PROGRAM PROCEDURE

PURPOSE

This motion addresses point 2 of motion passed in May 2014 and rectify the shortcomings of the motion E.4 passed at 22 October 2014 Council meeting.

2. Such methods should be a clear and transparent process which allows for rigorous debate and informed decision making. All such processes must reflect the financial strategies of Council. Approved unanimously.

If this motion is passed today, all financial strategies would be supported with adequate governance and an improved level of transparency.

The public should be able to have confidence that Councillors are making informed evidence based decisions regarding the annual and the 15 year budgets and confirm these confidences in appropriate reporting procedures.

MOTION

I, Councillor Don Hill advise that I intend to submit the following notice of motion to the Ordinary Council Meeting scheduled to be held on **26 November 2014**:

‘THAT COUNCIL NOTE AND APPROVE THE INFORMATION IN ATTACHMENT 1’.

MOVED: Cr Hill

THAT COUNCIL NOTE AND APPROVE THE INFORMATION IN ATTACHMENT 1.

Cr Fawcett raised a Point of Order stating that B.2 NOTICE OF MOTION NUMBER 674 – CAPITAL WORKS PROGRAM PROCEDURE fails because B.1 NOTICE OF RESCISSION NUMBER 673 – CAPITAL WORKS PROGRAM PROCEDURE failed. The motion before us Item B.2 attempts to do the same thing as Item B.1.

MOVED: Cr Newton

SECONDED: Cr Fawcett

THAT STANDING ORDERS BE SUSPENDED.

CARRIED UNANIMOUSLY

MOVED: Cr Kennedy

SECONDED: Cr Newton

THAT STANDING ORDERS RESUME.

CARRIED UNANIMOUSLY

The Chief Executive Officer (CEO) confirmed for the Chair that Local Law clause 89 applied regarding a LOST Notice of Motion in that 'a similar motion must not be put before the Council for at least three months from the date it was last lost'.

Cr Hill raised a Point of Order on the Chair's ruling.

The CEO confirmed for the Chair that Local Law clause 71(a) applied regarding a Final Ruling on a Point of Order and read out the sub clauses:

- (a) The decision of the Chair in respect to a point of order raised will not be open for discussion and will be final and conclusive unless the majority of Councillors present pass a motion of dissent,*
- (b) A motion of dissent on a point of order must contain the provision, rule, practice or precedent in substitution for the Chair's ruling.*
- (c) A motion of dissent in relation to a point of order is not a motion of dissent in the Chair and the Chair must at all times remain in the Chair and he or she will maintain his or her right to a second vote.*
- (a) A motion of dissent on a point of order will take precedence over all other business and if carried must be acted on instead of the ruling given by the Chair.*

Attachment 1

INFORMATION/ PROCEDURES

This Capital Works Program Procedure (Procedure) contained in Attachment 1, is currently being used to review the Capital Works Program for the 2015-2016 Annual Budget. It is recommended Attachment 2 be supported by Council for the annual review of the Capital Works Program.

REPORT

Background

Council resolved the following motions at the 28 May 2014 Council Meeting:

That Council prepare a report on good governance procedure for the Capital Works Budget that:

- 1. Reviews the policy and methods to be employed to add future additional expenditure into the 15 year projections. Carried unanimously;**
- 2. Such methods should be a clear and transparent process which allows for rigorous debate and informed decision making. All such processes must reflect the financial strategies of Council. Carried unanimously.**

The report that accompanied the Notice of Motion that led to the above resolutions, expressed concerns that funds could be incorporated into the 15 year budget without a sufficient level of rigorous debate or reasoning to justify the decision. It supported the need for a transparent process to inform Council's decision making on capital works.

Council has annually reviewed the Capital Works Program (Program) to inform the annual budget and long term financial plan.

The Program incorporates a significant capital renewal program informed by the asset management plans for each class of asset. The renewal program aims to ensure Council's extensive infrastructure base is maintained and replaced with the equivalent standard of provision. This is the minimum level of asset management required by Council to fund. The majority of the Council Works Budget is utilised for renewal of existing assets.

An extension/upgrade program is in place for assets where the base level of provision is deemed no longer suitable to meet community needs or is required to meet changing legislative standards. These projects, once funded, increase the standard of service provided. It forms the new service level for future renewal requirements of these assets.

The Capital Works Program contains a section for new assets that have been incorporated to meet the **perceived** ever increasing needs and

expectations of the community.

The Capital Works Program includes both expenditure for assets and income from various sources that can help fund the Program. Income sources predominantly include developer contributions, grants, government funding allocations and special charge schemes. Currently, new items are not linked to funding sources and it is unclear how much of the new expenditure is funded from sources other than rate dollars.

The existing Capital Works Program review process is a subset of an integrated Annual Budget/Long Term Financial Plan development review process that occurs on a cyclical basis. The activities below outline the broader planning and development cycle, within which the Capital Works Program is considered on several specific occasions.

Previous Review Cycle:

June	An Annual Budget and 15 year Long Term Financial Plan is adopted by Council which includes a Capital Works Program.
*September	1st period Financial Performance report provides an update of the prior financial year-end results impact on the current budget. This report identifies capital projects and budgets carried forward from the previous financial year to the current financial year (projects not completed by 30 June).
October	Council briefing session provides a 'strategic financial update' discussing previous year financial performance, its impact on the current year's and forward budgets, including benchmarking of the Long Term Financial Plan to large rural council financial plans.
*November	Council briefing session - capital works program. Information provided to Council includes a proposed revised forward Capital Works Program (and associated capital income sources).
*December	2nd period Financial Performance report includes any agreed revisions made to the Capital Works Program arising from the November briefing session.
December	Council briefing session on the Financial Strategies.
October – January	Financial ramifications of any changes made to services/service standards are updated into the current and forward budget projections in the Long Term Financial Plan.

January – February Departments prepare budget estimates for recurrent service level requirements.

*March Council is provided two budget briefing sessions that review the Proposed Annual Budget / Long Term Financial Plan which incorporates recurrent operational and Capital Works Program funding requirements.

April Council formally prepares a Proposed Annual Budget / Long Term Financial Plan.

*May 4th period Financial Performance report focuses on projected financial outcomes for the current year including quantifying the budget carried forward impact (in particular the Capital Works Program) on the Proposed Budget.

*June Council considers public submissions made in respect to the 'Proposed Budget' and then formally adopts the Annual Budget / Long Term Financial Plan.

(Note: Items marked with an asterisk () denote that there is some specific form of consideration or focus on the capital works program).*

DISCUSSION

The annual review of the Capital Works Program can be complex, with many factors influencing the prioritisation and timing of works. In the past the process of reviewing the Program has been undertaken in a series of briefing sessions normally held in November each year to inform the draft Annual Budget. All components of the Program are covered at these briefings, however the process and ramifications of resolutions arising from those reviews may not have been clearly understood by all Councillors.

Insufficient time has been allocated in the current procedures for Councillors to be fully informed and significant changes have not been explicitly pointed out in the appropriate documents offered to Councillors as part of the process.

The resolutions of Council from the May 2014 Council Meeting seek to establish a good governance procedure within which the Program can be reviewed and rigorously debated using clear and transparent methods.

The Local Government Act 1989 has been amended in 2014 and now

requires the Annual Budget to be adopted by 30 June each year. In order to ensure this legislative requirement is met and to increase the time for Council to consider formal budget section 223 public submissions, the cyclical program has now been updated to achieve these requirements. The scheduled touch points to Council are now as follows:

June An Annual Budget and 15 year Long Term Financial Plan is adopted by Council which includes a Capital Works Program.

*September 1st period Financial Performance report provides an update of the prior financial year-end results impact on the current budget. This report identifies capital projects and budgets carried forward from the previous financial year to the current financial year (projects not completed by 30 June).

*September and October Council briefed on the Capital Works framework and proposed Program reviewed and finalised for inclusion in the draft budget.

October and November Council briefed on 2013-2014 financial results and comparative data, Financial Strategies, Council priorities, Long Term Financial Plan review and Annual Initiative proposals.

Departments prepare budget estimates for recurrent service level requirements.

Pre-budget community engagement and workshops conducted.

*December Council briefing on first draft Budget, draft Annual Initiatives and any refinements to the Council Plan.

February Council adoption of the Financial Strategies and review of revised draft Budget and Annual Initiatives.

*March Council meeting to endorse the Proposed Budget including Annual Initiatives, Capital Works Program and Fees and Charges, and any revisions to the Council Plan, for public comment.

April Formal consultation through the Section 223 submissions conducted.

*May Section 223 Submissions Hearing and a Council

- Briefing on the 4th period Financial Performance report focusing on projected financial outcome for the current year including quantifying the budget carried forward impact (in particular the capital works program) on the Proposed Budget.
- June Special Meeting to consider Section 223 Submissions.
- *June Adoption of the Budget including Annual Initiatives, Capital Works Program and Fees and Charges, and adoption of the Council Plan including the four year Strategic Resource Plan.

(Note: Items marked with an asterisk () denote that there is some specific form of consideration or focus on the capital works program).*

Financial Strategies and Capital Works Program

No matter what approach Council takes in determining its business needs (e.g. service driven budget versus rate rise driven budget) financial strategies ensure that the resulting annual and longer term forward budgeted financial statements are consistent with the principles of sound financial management.

There are a number of financial strategies that have direct association to capital funding considerations. These include:

- Strategy 1 Target consistent underlying surpluses that provide sufficient funds for both recurrent service level and asset renewal and upgrade requirements.
- Strategy 8 Service level funding gaps will be identified and classified as primary or secondary in nature to clearly distinguish the cash flow requirements of maintaining existing service levels (primary gaps) and for service level enhancements (secondary gaps).
- Strategy 10 The amount of asset renewal funding required to maintain specified service levels as documented in asset management plans will be updated into the Long Term Financial Plan, subject to the available resource requirements, to ensure that the financial integrity of the plan is not compromised.
- Strategy 11 Any new capital work (capital extension) proposals must include a lifecycle cost evaluation that identifies the asset's construction, maintenance and operating cash flow requirements as well as the depreciation

impact.

- Strategy 12 Capital income must only be utilised as a funding source for capital or 'one off' expenditure requirements.
- Strategy 13 Council consider borrowing for new capital projects only when consistent underlying operating surplus results are being achieved.
- Strategy 14 For borrowings to be considered, projects must have had a full lifecycle cost analysis undertaken, proving that future cash inflows will exceed the cash outlays, or alternatively that the additional costs are quantified in the Long Term Financial Plan and the integrity of the financial strategies are not compromised.

The connection of the abovementioned strategies to capital works is relatively straightforward with the exception of Strategy #8.

Strategy #8 emphasises the importance of identifying, quantifying and distinguishing between primary and secondary funding gaps for infrastructure assets and all services that Council provide. This reinforces the concept that current and future service level requirements should be driving the capital expenditure requirements.

Financial analysis of Capital Works Program

Capital expenditure makes up a significant component of annual budgeted cash outflows that is incorporated into budgeted financial statements.

A series of key financial performance indicators are used to analyse the financial integrity of the budgeted financial statements of the Long Term Financial Plan. Council would be familiar with the presentation of the ratios in table format that can be colour coded with either 'green', 'yellow' or 'red'. These tables are included in monthly updates and Quarterly Financial Reports to Council.

Financial modelling methodology process

Any financial modelling conducted on infrastructure asset funding requirements references the financial strategies. The integrity of the budgeted financial statements needs to be validated by the key financial performance indicators.

Council needs to ensure that it can responsibly and sustainably manage the Capital Works Program to ensure the integrity of the Long Term Financial Plan and the Financial Strategies are not compromised.

Modelling adjustments, monitoring actual against proposed income and expenditure, monitoring actual to predicted growth and providing capacity for emerging future growth provisions, all guide the practical management of a financially responsible Budget.

The inclusion of un-needed funds; over-estimated costs, and unrequired infrastructure initiatives in the 15 year Budget has a serious effect on the rate revenue required over the whole of the 15 years.

Proposal

Capital Works Program Review Methodology

Concerns raised regarding the Capital Works Program review process have led to a review of the current process and the development of a documented procedure that is currently being trialed in the development of the Capital Works Budget for 2015-2106. The Procedure is set out in **Attachment 1**. This procedure does not prevent the inclusion of the following issues;

- a. Over-estimating CPI going forward.
- b. Inclusion of infrastructure after a full cost life cycle review is conducted (as per financial strategies)
- c. Inclusion of funds which are not allocated to anything.

The Procedure requires that in the review of the Capital Works Program the following are considered and determined for inclusion in the Budget:

1. Resolutions of Council pertaining to Capital Work Projects;
2. Review of Asset Management Plans and related Service Level Statements;
3. Review of the Social Infrastructure Blue Print;
4. Review of Structure Plans and infrastructure requirements; and
5. Review of rate of Developments within the Shire and the impact on infrastructure.

The Procedure also incorporates a flowchart for Capital Works planning of major works and major new assets. The flowchart articulates the process for detailed planning that better informs the requirements and associated costs of major works for budgeting purposes.

It is proposed that Council utilise the Capital Works Program Procedure contained in **Attachment 2**, to review the Capital Works Program and that the following points are all enacted;

A summary document showing all capital works expenditure areas such as

buildings, bridges etc with their 15 year total spend at todays prices along with changes to totals from previously approved 15 year budget. (As currently occurs in the quarterly performance report for annual budget). This document is provided annually to ratepayers.

1. Document to indicate explanatory reasons for any significant changes; examples are change to CPI going forward, asset no longer needed, or inclusion of new items after Attachment 2 is followed.
2. A “reserve list” for new capital works as per attachment 2 to be made up of all new projects identified for inclusion within year 15-6 and that this list is approved annually via the capital works process. This document is provided annually to Councillors.
3. The reserve list of projects are not to be included in the 15 year budget until the Feasibility Study, Capital Works Project Scope Detailed Form, and project confirmed by Council, are all conducted and the full life cycle costings are completed.
4. Items approved of for inclusion in the 15 year budget are transferred into the 15 year budget at year 6 or earlier if agreed to by Council.
5. Items not on the reserve list can be placed within the 15 year budget but only if all other procedures are following as in point 4 above.

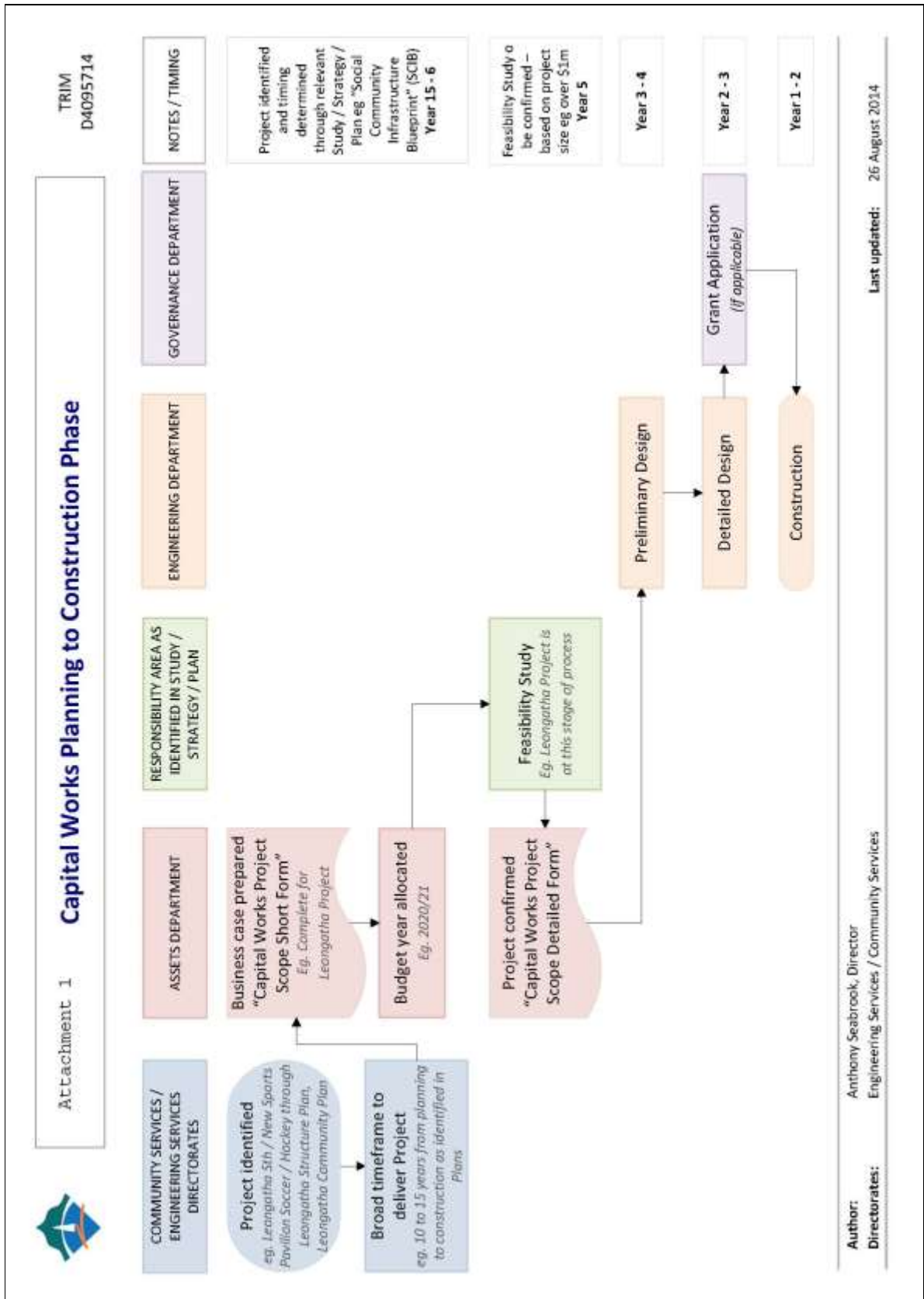
ALL FINANCIAL STRATEGIES MUST BE FOLLOWED

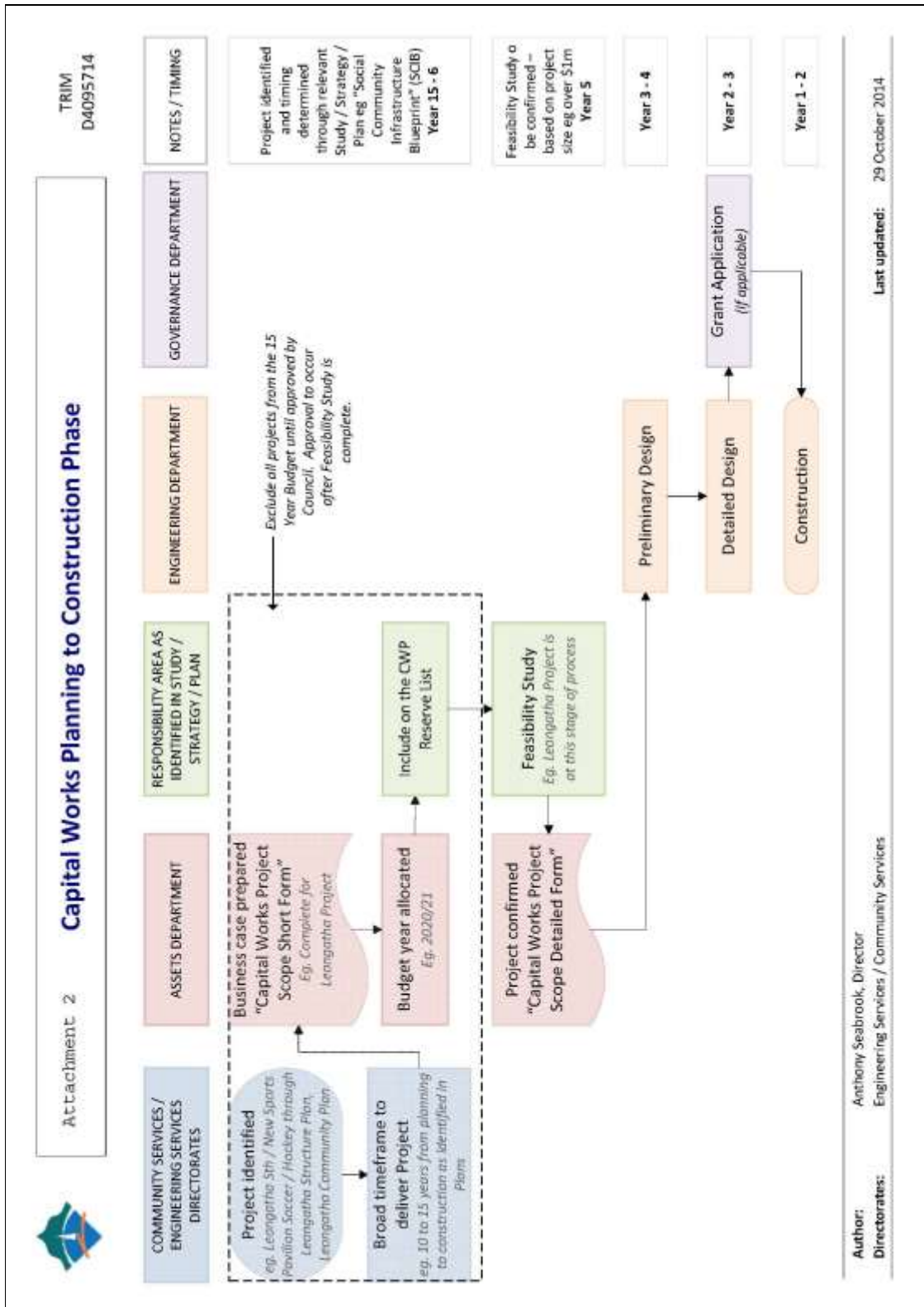
FINANCIAL CONSIDERATIONS

The financial implications with the establishment or use of this procedure are that ratepayers would be protected from future rate rises caused by the inclusion of un-needed infrastructure, the over-estimation of CPI going forwards, and the inclusion of large amounts of cash unassigned to any particular project.

CONCLUSION

It is important that all key stakeholders understand the integrated nature of how annual and longer term budgets are reviewed and developed over the course of a financial year from a whole of Council perspective. To this end, it is vital that Councillors are provided with sufficiently detailed and clear documents to enable them to make the informed decisions required from them so as to give clear directions to officers to provide further information and / or develop models. The final outcome of the process being an example of transparent good governance that the ratepayers can have confidence in.





Author: Anthony Seabrook, Director
Directorates: Engineering Services / Community Services

Last updated: 29 October 2014

SECTION C - COMMITTEE REPORTS

Nil

SECTION D – PROCEDURAL REPORTS

D.1 QUARTERLY PERFORMANCE REPORT JULY TO SEPTEMBER 2014

Corporate Services Directorate

EXECUTIVE SUMMARY

The organisational Quarterly Performance Report for the period July to September 2014 provides detailed reporting on Council's performance against the 2014-2015 Annual Plan and Department Budgets.

The report's Executive Overview provides a high level summary across the organisation, while the Directorate Overviews delve deeper into the key highlights, issues, updates and events that have occurred during this reporting period.

This report does not capture every achievement during the quarter. However, it focuses on key achievements that contribute to the delivery of the corporate priorities.

The organisational Quarterly Performance Report July to September 2014 is provided in **Appendix 1**.

Document/s pertaining to this Council Report

- **Appendix 1** - Quarterly Performance Report July to September 2014

A copy of the **Appendix 1 - Quarterly Performance Report July to September 2014** is available on Council's website:
www.southgippsland.vic.gov.au or by contacting 5662 9200.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

Local Government Act 1989, Sections 125, 127 and 223

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

2014-2015 Annual Budget incorporating 15 year Long Term Financial Plan and Key Strategic Activities

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation
Objective:	4.2	Pursue best practice in organisational development and operation of the organisation.
Strategy:	4.2.4	We will create an environment for people to be their best, to optimise the performance of the organisation and to deliver quality outcomes for the community.

CONSULTATION

Each Department across the organisation has contributed to the report; providing highlights, outcomes and updates for the reporting period.

The community was consulted during the preparation of the 2014-2015 Annual Budget.

Background

The 2014-2015 Annual Budget (inclusive of the Annual Plan) was adopted by Council on 25 June 2014. It sets the indicators and activities which are reported within the Quarterly Performance Report to Council (Appendix 1).

Discussion

The report provides Directorate overviews outlining key highlights, issues, updates and events that have occurred during this reporting period. Where possible, comparisons are made and reflected in graphs.

A number of significant highlights during the July to September 2014 period include:

COMMUNITY SERVICES

- Deputy Premier, Hon. Peter Ryan MLA announced Victorian State Government funding of \$1.6 million for the Korumburra Integrated Children's Centre. An application for Federal Government funding is currently being developed.
- Received notification of a successful grant application for \$18,200 to support the construction of a Reuse Shop at the Koonwarra Transfer Station.
- Council awarded a single contract for the management of four seasonal outdoor swimming pools and SG SPLASH to YMCA Victoria, creating the opportunity for a consistent level of service delivery across the Shire and budget savings.
- Provided detailed response to the Federal Government on the proposed changes to Home and Community Care Program under the Aged Care Reform advocating for the best outcomes for the community.

DEVELOPMENT SERVICES

- 152 planning applications were decided within the 60 day statutory timeframe. This was comparable with the regional Council average of 73%.
- South Gippsland businesses recognised at Gippsland Business Awards with four finalists and two category winners
- Coal Creek Community Park attained Museum Accreditation after 40 years of operations.
- Value of approved building work for the quarter was \$19.9 million, up 4% compared to the same quarter last year. Residential construction was \$15.1 million which is up 8% compared to the corresponding quarter.

ENGINEERING SERVICES

- Completion of Station Street, Korumburra road reconstruction.
- Yanakie Caravan Park had CCTV installed, solar hot water service installed, works program such as deep clean of cabins and amenities, 500 indigenous flora tubes planted, new mower/tractor purchased, major tree work completed. Seasonal positions advertised. Road re-sheeting booked, septic tank lid replaced, water storage tanks cleaned.
- Long Jetty Foreshore Caravan Park has had a shop/office refurbishment, disability access toilet provided onsite, tree work, deep clean of cabins and amenities, 200 indigenous flora tubes planted.
- The Engineering Department received 90 customer requests, achieving 97% on-time completion.
- The Assets Department received 48 customer requests, achieving 94% on-time completion.

CORPORATE SERVICES

- Launched Council's Official Facebook Page with approximately 300 likes in the first three months.
- A clear audit opinion was issued for the 2013-2014 Financial Statements.
- Launched Council's free public Wi-Fi trial in Leongatha, via a pop-up WiFi hotspot.
- Conducted a Civic Reception for South Gippsland Shire Glasgow Commonwealth Games participants

- Council's 2013-2014 Annual Report was completed and sent to the Minister for Local Government by 30 September 2014.

FINANCIAL CONSIDERATIONS

Activities within the Council 2014-2015 Annual Plan are funded through the 2014-2015 Annual Budget.

RISK FACTORS

The Quarterly Performance Report mitigates the risk of Annual Plan and Capital Works activities not being managed, as every Department is required to monitor and report on the progress of their respective responsibilities on a regular basis. It also provides Council and the community increased transparency in monitoring Council's performance in the achievement of its corporate objectives and adopted plans throughout the financial year.

CONCLUSION

It is recommended that Council receive and note the Organisational Quarterly Performance Report July to September 2014 in **Appendix 1**. The Report provides an overview of Council's performance against both Department Budgets and the Annual Plan for the period July to September 2014.

RECOMMENDATION

That Council receive and note the Organisational Quarterly Performance Report (Appendix 1) for the period July to September 2014

STAFF DISCLOSURE OF INTEREST

Nil

MOVED: Cr Kennedy

SECONDED: Cr Newton

THAT THE RECOMMENDATIONS IN ITEMS D.1, D.2, D.3, D.4 AND D.5 BE ADOPTED.

CARRIED UNANIMOUSLY

D.2 REPORT ON ASSEMBLY OF COUNCILLORS - OCTOBER 2014

Corporate Services Directorate

EXECUTIVE SUMMARY

As part of Council's ongoing efforts to enhance community engagement in Council processes, matters discussed at Councillor Briefing Sessions (other than those matters designated to be of a confidential nature) are reported on at Ordinary Council Meetings.

The matters listed in this report were presented or considered, at either an Advisory Committee Meeting, Councillor Strategic Briefing Session or Public Presentation Session in October 2014.

Copies of responses to written questions presented and asked, that were not answered at the meetings, will be either provided as an attachment to this report or to a subsequent Council Meeting, as is practicable, to enable the development of a proper and informed response.

Document/s pertaining to this Council Report

Nil

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

Local Government Act 1989, Section 3D and Section 80A

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation
Objective:	4.2	Pursue best practice in organisational development and operations of the organisation.
Strategy:	4.2.2	We will monitor corporate governance processes, including risk management and skills development with the aim of ongoing improvement.

REPORT

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 1 October 2014		
Draft Enforcement Policy	<p>Councillors Attending: Crs Hutchinson-Brooks, McEwen, Brunt, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on the proposed Enforcement Policy.</p>
Financial Sustainability Steering Committee	<p>Councillors Attending: Crs Hill, Harding, Brunt, Hutchinson-Brooks, Davies, Kennedy, Fawcett, McEwen and Newton.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Coal Creek Korumburra
Executive Update	<p>Councillors Attending: Crs Hutchinson-Brooks, McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Cr Fawcett left the meeting at 2.36pm and returned at 2.40pm as an item to do with South Gippsland Water was raised and he has an indirect conflict of interest as he is a Director of South Gippsland Water.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Mental Health First Aid – 3rd training • Leongatha Transfer Station • Marriage Equality Proclamation • Parks Victoria • GEO Work Camps • Petition - Loch Nyora Poowong Sewage Voluntary Scheme Payment Plan • Coal Creek Literary Festival • GLGN Participation in Government Consultation Program RE: Onshore Natural Gas In Victoria

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 1 October 2014		
Drug Information Session	<p>Councillors Attending: Crs Hutchinson-Brooks, McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on the drug 'ice' and the impact and effects it has on the community.</p>
Council Timetable for Oct/Nov 2014	<p>Councillors Attending: Crs Hutchinson-Brooks, McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on the Councillor timetable for October and November 2014.</p>
Planning Committee	<p>Councillors Attending: Crs Fawcett, Harding, Newton, Brunt, McEwen, Hutchinson-Brooks, Kennedy and Hill.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Minute correction 6 Aug 2014 • Council and VCAT decisions • Update on current Statutory Planning applications of significance and Strategic Planning projects • General business: Bald Hills, C89 Walkerville and Restlee Estate
Thursday 2 October 2014		
Korumburra Round Table	<p>Councillors Attending: Crs Newton, Brunt, and McEwen.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Participatory Budgeting • Gateway signage progress • Future Vision Workshop • Discussion with Korumburra retail sector • September Council Meeting update • Membership changes • Adoption of logo • Social media presence

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Saturday 4 October 2014		
Koonwarra Landfill Resident Meeting	<p>Councillors Attending: Crs Fawcett, McEwen, and Newton.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Current operations and future plans for the Koonwarra landfill with adjoining property owners.
Wednesday 15 October 2014		
Financial Sustainability Steering Committee	<p>Councillors Attending: Crs Hill, Harding, Brunt, Hutchinson-Brooks, Davies, Kennedy, Fawcett, Newton and McEwen.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • On-line community consultation program • Financial overview and comparative data with large rural Councils • Capital Works Program 2015-2030 Budget Review
Councillor Appointment to Committees Review	<p>Councillors Attending: Crs Davies, Harding, Kennedy, Brunt, McEwen, Newton, Fawcett, Hill, Hutchinson-Brooks</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on each internal and external Committee that require Councillor appointment and participation for 2014 – 2015.</p>
2014/2015 Community Grants - Round 1 Assessment	<p>Councillors Attending: Crs Davies, Harding, Kennedy, Brunt, McEwen, Newton, Fawcett, Hill, Hutchinson-Brooks</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on proposed Community Grant round 1 assessment.</p>

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 15 October 2014		
<p>Public Presentations</p> <p>OPEN DAY SESSION</p>	<p>Councillors Attending: Crs Davies, Harding, Kennedy, Brunt, McEwen, Newton, Fawcett, Hill, Hutchinson-Brooks</p> <p>Conflict of Interest: Nil disclosed.</p> <p>Presentations were made to Council by the following community members: Mr Syd Whyte and Mr Ian Cash regarding Shire consideration of auction of former Korumburra Saleyards site.</p> <p>Mr Paul Norton regarding Leongatha South Progress Association and Leongatha Alternate Vehicle Route – Accessible Footpath.</p>	
<p>Caravan Parks Update</p>	<p>Councillors Attending: Crs Davies, Harding, Kennedy, Brunt, McEwen, Newton, Fawcett, Hill, Hutchinson-Brooks</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on the status of activities and future plans at the Long Jetty Foreshore and Yanakie Caravan Parks (the Parks) for the period 1 October 2014 through 30 June 2015.</p>
<p>Council Agenda Topic Discussion 22 October 2014</p>	<p>Councillors Attending: Crs Davies, Harding, Kennedy, Brunt, McEwen, Newton, Fawcett, Hill, Hutchinson-Brooks</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Ordinary Council Agenda Topics 22 October 2014</p>
<p>Executive Update</p>	<p>Councillors Attending: Crs Davies, Harding, Kennedy, Brunt, McEwen, Newton, Fawcett, Hill and Hutchinson-Brooks.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • National Stronger Regions Fund • AusCamp • Korumburra Uniting Church Fundraiser for the Karmai Integrated Children’s Centre

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Tuesday 21 October 2014		
CEO Review Committee Meeting	<p>Councillors Attending: Crs Fawcett, Hill, Harding and Hutchinson-Brooks.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on Chief Executive Officer, Key Performance Criteria.</p>
Wednesday 22 October 2014		
Financial Sustainability Steering Committee	<p>Councillors Attending: Crs Hill, Harding, Brunt, Davies, Kennedy, Fawcett and McEwen.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Capital Works Program 2015-2030 Budget Review
<p>Public Presentation Session</p> <p>OPEN DAY SESSION</p>	<p>Councillors Attending: Crs McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Presentations were made to Council by the following community members:</p>
<p>Ms Wendy Davis, Mr David Arnault and Mr Phil Piper, regarding Council Agenda Item B.2 NOTICE OF MOTION NUMBER 671 – COAL SEAM GAS (CSG) AND FRACKING IN SOUTH GIPPSLAND.</p>		
Financial Sustainability Steering Committee	<p>Councillors Attending: Crs Hill, Harding, Brunt, Davies, Newton, Kennedy, Fawcett and McEwen.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Capital Works Program 2015-2030 Budget Review

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 22 October 2014		
SG SPLASH Stage 2 & 3 of Hydrotherapy Pool	<p>Councillors Attending: Crs McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Aquatic Strategy Review update and SG Splash Expansion proposal
Council Agenda Topic Discussion 22 October 2014	<p>Councillors Attending: Crs McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Ordinary Council Agenda Topics 22 October 2014</p>
Roadside Weed Management Plan Service Levels and Budget Implications	<p>Councillors Attending: Crs McEwen, Brunt, Newton, Fawcett, Harding, Davies, Hill and Kennedy.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed: Councillors were provided information on proposed initiative for 2015/16.</p>
Thursday 23 October 2014		
Korumburra Round Table	<p>Councillors Attending: Crs Brunt and Newton.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Korumburra community update • Council Meeting update 22 October 2014 • Gateway signage progress • Future Vision Workshop • Christmas celebrations in Korumburra • Discussion with Korumburra retail sector • New Director to be invited to the Korumburra Round Table • Korumburra Town Centre Framework Plan • Korumburra Facebook page • Community Engagement on-line – ‘Our Say’

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 29 October 2014		
Economic and Tourism Steering Committee	<p>Councillors Attending: Crs Hutchinson-Brooks, Harding, McEwen, Kennedy and Davies.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Confirmation of Minutes Collaboration and Engagement with Stakeholders Update • Draft Economic Development and Tourism Strategy • Visitor Information Centres Transfer to Committee • Report on Current Economic Development Projects • General Business
Financial Sustainability Steering Committee	<p>Councillors Attending: Crs Hill, Harding, Brunt, Davies, Kennedy, Fawcett, McEwen, Newton and Hutchinson-Brooks.</p> <p>Conflict of Interest: Nil disclosed.</p>	<p>Topics Discussed:</p> <ul style="list-style-type: none"> • Aquatic Strategy Review update and SG Splash Expansion proposal • Strategic Financial Analysis briefing and discussion on modelling of potential changes • Capital Works Program 2015-2030 Budget Review

RECOMMENDATION

That Council receive and note this report.

STAFF DISCLOSURE OF INTEREST

Nil

NOTE: The recommendation was CARRIED UNANIMOUSLY as part of a single motion, refer to page 24.

D.3 COUNCILLOR DISCRETIONARY FUND ALLOCATION REPORT

Corporate Services Directorate

EXECUTIVE SUMMARY

Each Councillor, subject to an annual budget and in accordance with the Councillor Discretionary Fund Policy, has the discretion to nominate Council funds to community groups and / or individuals in accordance with the guidelines developed for this purpose.

This report details Councillors allocations for the period between 30 September 2014 and 30 October 2014.

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

Councillor Discretionary Fund Policy 2014

COUNCIL PLAN

Outcome:	2.0	Closely Connected Communities
Objective:	2.1	Engage and work collaboratively with our community
Strategy:	2.1.3	We aim to minimise barriers and find ways to support our volunteers, community groups and committees to provide services beyond those that Council, by itself, can provide.

REPORT

The following applications have been allocated funding from the Councillor's 2014/2015 Discretionary Fund for the period between 3 September 2014 and 30 September 2014.

- Loch Memorial Reserve: To assist with costs of purchasing a plaque to honour the sacrifice made by Sergeant Brett Wood who was killed in Afghanistan May 2011.
Cr Lorraine Brunt - \$133
Cr Robert Newton - \$133
Cr Andrew McEwen - \$134
- Karmai Community Childrens Centre: To assist with the costs towards purchasing new uniforms for staff of the newly developed committee.
Cr Lorraine Brunt - \$333
Cr Robert Newton - \$334

Cr Andrew McEwen - \$333

- Lavenders Blue Steiner Playgroup - Kongwak: To assist with costs of marketing and rental assistance.

Cr Lorraine Brunt - \$270

Cr Robert Newton - \$272

Cr Andrew McEwen - \$270

FINANCIAL CONSIDERATIONS

Each Councillor is allocated \$4,000 from the Councillor Discretionary Fund in the 2014/2015 Financial Budget. An additional \$2,000 has been allocated to the Mayor to cover a broader focus across the entire Municipality.

CONCLUSION

The unexpended Councillor Discretionary Funds for the 2014/2015 Financial Year as at 30 September 2014 is as follows:

- Cr Mohya Davies - \$3,320
- Cr Jeanette Harding - \$2,900
- Cr Kieran Kennedy - \$2,250
- Cr Lorraine Brunt - \$1,089
- Cr Robert Newton - \$1,684
- Cr Andrew McEwen - \$1,783
- Cr James Fawcett - \$2,290
- Cr Don Hill - \$3,520
- Cr Hutchinson-Brooks - \$3,520
- Mayoral Fund - \$1,800

RECOMMENDATION

That Council receive and note this report.

STAFF DISCLOSURE OF INTEREST

Nil

NOTE: The recommendation was CARRIED UNANIMOUSLY as part of a single motion, refer to page 24.

D.4 DOCUMENTS SEALED AND CONTRACTS AWARDED UNDER CHIEF EXECUTIVE OFFICER DELEGATION - OCTOBER 2014

Corporate Services Directorate

EXECUTIVE SUMMARY

Under the Victorian Local Government Act, each Council is a body corporate and a legal entity in its own right. Each Council must have a common seal (like any corporate entity) that is an official sanction of that Council.

Sealing a document makes it an official document of Council as a corporate body. Documents that require sealing include agreements, contracts, leases or any other contractual or legally binding document that binds Council to another party.

Council's Procurement Policy requires that Council be advised of the award of contracts after a public tender process that fall within the Chief Executive Officer's delegation.

LEGISLATIVE/ ACTION PLANS/ STRATEGIES/ POLICIES

- Local Government Act 1989 - Section 5 and 186
- Local Law No. 3 2010
- South Gippsland Shire Council Procurement Policy
- South Gippsland Shire Council Instrument of Delegation to the Chief Executive Officer

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation
Objective:	4.2	Pursue best practice in organisational development and operations of the organisation.
Strategy:	4.2.2	We will monitor corporate governance processes, including risk management and skills development with the aim of ongoing improvement.

REPORT

Documents Sealed

The Local Government Act 1989 requires that every Council must have a common seal and all courts, judges and persons acting judicially must take judicial notice of the imprint of the common seal of a Council on any document.

Local Law No. 3 2010, Part 9, Section 107 (f) (iv) – The Common Seal of Council, states that ‘If the Chief Executive uses the Common Seal in a manner prescribed by sub-clause (c) then he/she must advise Council of such use on a regular basis’.

In accordance with the Local Law, the following are presented to Council as documents sealed in the month of October 2014.

1. Section 173 Agreement between South Gippsland Shire Council and the Owners of 8 Echo Street, Venus Bay in relation to the development of a dwelling – Seal Applied 6 October 2014
2. Section 173 Agreement between South Gippsland Shire Council and the Owners of 41 Waratah Avenue, Waratah Bay in relation to the construction of a dwelling – Seal Applied 6 October 2014
3. Section 173 Agreement between South Gippsland Shire Council and the Owners of 759 Lees Road, Venus Bay in relation to the construction of a dwelling – Seal Applied 6 October 2014
4. Section 173 Agreement between South Gippsland Shire Council and the Owners of 10 Louis Road, Venus Bay in relation to the construction of a dwelling – Seal Applied 6 October 2014
5. Lease Agreement between NBN Co. Ltd and South Gippsland Shire Council in relation to Part of 6 Port Welshpool Road, Port Welshpool in accordance with Council Resolution of 19 December 2012 and 27 March 2013 – Seal Applied 7 October 2014
6. Section 173 Agreement between South Gippsland Shire Council and the owners of 12 Burrows Way, Tarwin Lower in relation to the development of a dwelling – Seal Applied 27 October 2014
7. West Gippsland Regional Library Corporation Agreement between South Gippsland Shire Council, Bass Coast Shire Council and Baw Baw Shire Council to extend library service provision for a further 5 years
8. S6 Instrument of Delegation from Council to Staff adopted by Council 22 October 2014 – Seal Applied 28 October 2014

Contracts

Contracts Awarded Under Chief Executive Officer Delegation

The Chief Executive Officer's delegation of power from the Council allows the Chief Executive Officer to award contracts up to the value of \$250,000 (inclusive of GST) after a public tender process, subject to the exercise of this power being reported to the Council meeting after the contract is awarded.

All of the legislative requirements of section 186 of the Local Government Act 1989 and the requirements of Council's Procurement Policy are met in respect of the tender/s.

Procurement Policy requires recording in the Council Minutes all contracts over the statutory threshold set out in the Local Government Act 1989 (\$150,000 inclusive of GST for goods and services and \$200,000 inclusive of GST for works) for a public tender which shows the contracts purpose, a brief description of the goods, services and works that is being procured, the successful tenderer and the total contract price.

The following Contracts have been awarded under the Chief Executive Officer's delegation this month:

1. Contract Q2015/05 between South Gippsland Shire Council and Infrastructure Management Group Pty Ltd for the Provision of Road and Footpath Asset Condition Survey.

Contract variations approved by the Chief Executive

The following variations to contracts are reported to Council in accordance with a requirement of Council's Procurement Policy for variations which either exceed the total contract budget or involve significant changes to a contract scope or timelines in respect of contracts approved by Council.

There are no contract variations to report.

RECOMMENDATION

That Council receive and note this report.

STAFF DISCLOSURE OF INTEREST

Nil

NOTE: The recommendation was CARRIED UNANIMOUSLY as part of a single motion, refer to page 24.

D.5 COUNCILLOR EXPENDITURE REPORT - 30 SEPTEMBER 2014

Corporate Services Directorate

EXECUTIVE SUMMARY

The Councillor Expenditure Report (**Attachment 1**) provides Council with a quarterly update on Councillor Expenditure from 1 July 2014 to 30 September 2014, as resolved in 2003.

Document pertaining to this Council Report

- **Attachment 1** - Councillor Expenditure

LEGISLATIVE/ ACTION PLANS/ STRATEGIES/ POLICIES

Local Government Act - Section 75 Reimbursement of expenses of Councillors

Councillor Support and Expenditure Policy

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation
Objective:	4.2	Pursue best practice in organisational development and operations of the organisation
Strategy:	4.2.3	We will make informed decisions and provide opportunities for the community to participate in the decision making process.

REPORT

Background

The Councillor Expenditure Report (Attachment 1) provides Council with an update on Councillor expenditure from 1 July 2014 to 30 September 2014.

Councillor expenditure is reported on a cash basis, and no adjustments are made for 'pre-paid expenditure' except at financial year end.

FINANCIAL CONSIDERATIONS

Overall expenditure is in line with budget.

RISK FACTORS

Transparency in reporting is a risk management control measure that allows the community and Council to view the financial management and expenditure of Councillors.

RECOMMENDATION

That Council receive and note the Councillor Expenditure Report for the period 1 July 2014 to 30 September 2014.

STAFF DISCLOSURE OF INTEREST

Nil

NOTE: The recommendation was CARRIED UNANIMOUSLY as part of a single motion, refer to page 24.

**Attachment 1
Councillor Expenditure report 1 July 2014 to 30 September 2014**

Councillor Expenditure											
From 1 July 2014 to 30 September 2014											
Councillor	Car	Travel Expenditure				Other Expenditure					Total
		Councillor Car Operating Cost *	Other travel reimbursements **	Mobile Phone	Phone/Fax/ Modem	Training & Professional Development ***	Councillor Allowance	Remoteness Allowance	Printing & Stationery		
Cr. Robert Newton	Council	\$ 1,967	\$ -	\$ 56	\$ -	\$ -	\$ 8,103	\$ -	\$ -	\$ -	\$ 10,126
Cr. Lorraine Brunt	Council	\$ 2,268	\$ -	\$ 165	\$ -	\$ 124	\$ 8,103	\$ -	\$ 52	\$ -	\$ 10,712
Cr. Andrew McEwen	Personal	\$ -	\$ 1,107	\$ 103	\$ -	\$ -	\$ 8,103	\$ -	\$ -	\$ -	\$ 9,313
Cr. Kieran Kennedy	Council	\$ 2,420	\$ -	\$ 112	\$ -	\$ 873	\$ 8,103	\$ -	\$ -	\$ -	\$ 11,508
Cr. Mohya Davies	Council	\$ 1,908	\$ -	\$ 124	\$ -	\$ -	\$ 8,103	\$ -	\$ -	\$ -	\$ 10,135
Cr. Jeanette Harding	Council	\$ 1,950	\$ -	\$ 91	\$ -	\$ 671	\$ 8,103	\$ -	\$ -	\$ -	\$ 10,815
Cr. Nigel Hutchinson Brooks	Council	\$ 2,130	\$ -	\$ 98	\$ -	\$ 230	\$ 8,103	\$ -	\$ -	\$ -	\$ 10,561
Cr. Don Hill	Personal	\$ -	\$ 606	\$ 63	\$ 482	\$ -	\$ 8,103	\$ -	\$ -	\$ -	\$ 9,254
Cr. James Fawcett	Personal	\$ -	\$ -	\$ 77	\$ -	\$ -	\$ 25,072	\$ -	\$ -	\$ -	\$ 25,149
Total Actual (Year to date September 2014)		\$ 12,643	\$ 1,713	\$ 889	\$ 482	\$ 1,898	\$ 89,896	\$ -	\$ 52	\$ -	\$ 107,573
Total Budget (Year to date September 2014)		\$ 13,275	\$ 3,000	\$ 1,767	\$ 1,533	\$ 1,792	\$ 71,325	\$ 123	\$ -	\$ -	\$ 92,815
Variance		\$ 632	\$ 1,287	\$ 878	\$ 1,051	\$ 106	\$ 18,571	\$ 123	\$ 52	\$ -	\$ 14,758

* Notes to Councillor Car Operating Costs:
 -Car operating costs are for the 3 months period ended 30 September 2014;
 -Car Depreciation is based on 2 years useful life;
 -Depreciation is net of estimated sale value of car at the end of two years;
 -Car Insurance cost is based on average unit cost premium; and
 -Notional interest is calculated @ 3.5% per annum on Capital cost of car.

** Travelling expenditure for Councillors using private vehicles is at the prescribed rate of reimbursement . Reimbursements also include actual public transport costs.

*** Training & professional development includes accommodation, conference and parking expenses.

SECTION E - COUNCIL REPORTS

Councillor Fawcett left the Meeting at 2.46pm with a declared indirect conflict of interest in Council Reports – E.1 PETITION RESPONSE – POOWONG LOCH NYORA SEWERAGE SCHEME PAYMENT PLAN FOR VOLUNTARY SERVICE AREAS, as he has a conflicting duty in that he is a Director of South Gippsland Water.

E.1 PETITION RESPONSE – POOWONG LOCH NYORA SEWERAGE SCHEME PAYMENT PLAN FOR VOLUNTARY SERVICE AREAS

Development Services Directorate

EXECUTIVE SUMMARY

Council received a petition at its Ordinary Meeting held on 24 September 2014 seeking to have the Poowong Loch Nyora (PLN) voluntary sewerage scheme available for a payment plan, similar or the same as the \$800 compulsory sewerage scheme. The voluntary area is subsidised to a cost of \$5000 and covers approximately 140 existing houses.

Council has been advocating for the PLN sewerage scheme since 2006 and is supportive of any mechanism which encourages households to connect to the scheme. However, as Water Corporations are the responsible statutory bodies for providing water and sewerage services the petition was forwarded to South Gippsland Water (SGW) for consideration.

SGW have advised that:

"the cost to construct the scheme, including additional reticulation pipework for the Voluntary Area is in excess of \$40,000 per property. While we appreciate the community concern and desire to connect to the scheme, the Corporation must be mindful of the tariff implication for customers across the region as a result of increased expenditure and/or Corporation debt levels as a result of this already heavily subsidised scheme."

"Customers in the voluntary area have the choice whether to connect and secondly at a subsidised cost (\$5000), this is very competitive compared to a new on-site waste water treatment system or a user pays sewerage scheme."

This report recommends that Council advise the lead petitioner of SGW response.

Document/s pertaining to this Council Report

- **Attachment 1** - Letter to Philippe du Plessis, Managing Director, South Gippsland Water
- **Confidential Appendix 1** - Petition with signatories (approximately 160)

A copy of **Confidential Appendix 1** has been distributed separately to Councillors and the Executive Leadership Team.

COUNCIL PLAN

Outcome:	3.0	Integrated Services and Infrastructure
Objective:	3.1	Deliver affordable modern community services and facilities through an integrated approach to planning and infrastructure development.
Strategy:	3.1.2	We will collaborate with other agencies and service providers to focus attention on growth areas and avoid duplication of services.

CONSULTATION

The petitioners request was forwarded to South Gippsland Water (SGW) for consideration.

Refer to **Attachment 1** for a copy of the correspondence forwarded to SGW following receipt of the petition.

REPORT

Background

At its Ordinary Meeting on 24 September 2014, Council resolved to receive a petition from Mr Charlie Tagliaferro signed by approximately 160 people. The petition asked SGW to provide a payment plan option for those landowners in the designated 'Voluntary Services Areas' of the PLN sewerage scheme. The petitioners requested a payment plan option similar to that available to landowners in the designated \$800 mandatory connection service area. The voluntary area covers approximately 140 existing houses.

The PLN sewerage scheme has taken years to develop to its current form. Council has been involved in the process throughout, advocating for its provision. It has not had a direct role in relation to the funding of the scheme or levying of landowners. Council started advocating for sewerage provision to these towns in May 2006. This resulted in the towns being included as 'priority towns' eligible for subsidies via the Country Towns Water Supply and Sewerage Program.

This is a heavily subsidised sewerage scheme and it is unlikely that any future schemes will be subsidised to the same extent as those supported under the Country Towns Water Supply and Sewerage Program. Future schemes will more than likely be constructed under a full cost recovery/user pays model.

The current scheme has been formally approved and construction works have commenced. SGW has supplied landowners with information about the

scheme and the wider community may obtain further information from SGW or online at sgwater.com.au.

Discussion

As Water Corporations are the responsible statutory bodies for providing water and sewerage services, a copy of the petition was forwarded to South Gippsland Water (SGW) for consideration. Mr Tagliaferro also sent the petition directly to the corporation.

In summary, the reasons SGW offered for not providing a payment plan option to landowners in the voluntary connection area are:

1. The lots in the voluntary connection area are large enough to be capable of treating wastewater on site. (Note: Some lots would be able to be subdivided after sewerage is available, with a significant financial benefit to the owner).
2. The total sewerage scheme cost (i.e. design, pumps, network reticulation etc, plus the amount of individual site connection subsidies) costs \$40,000 per lot. Except for the \$800 (mandatory) and \$5,000 (voluntary) connection charges paid by landowners, the scheme plus its operating costs, is paid for by tariffs charged across SGW's region.
3. SGW must be mindful of the tariff implication for customers across the region as a result of increased expenditure and/or Corporation debt levels as a result of this already heavily subsidised scheme.
4. Customers in the voluntary area have the choice whether to connect and secondly at a subsidised cost (\$5,000), this is very competitive compared to a new on-site waste water treatment system or a user pays sewerage scheme.
5. SGW advises that some people may be eligible for no-interest or low-interest loans to assist with the \$5,000 connection charge via the 'Good Money' community finance partnership, which includes the State Government as a partner.

CONCLUSION

Council has advocated for the provision of reticulated sewerage to Poowong, Loch and Nyora since 2006 and is supportive of any mechanism which encourages households to connect to the sewerage scheme. The petition was forwarded to South Gippsland Water (SGW) for consideration.

It is accepted that the PLN scheme is heavily subsidised and the real cost to construct the scheme, including additional reticulation pipework for the Voluntary Area is in excess of \$40,000 per property. However, under this scheme, connection costs in the voluntary area are \$5,000 if owners connect prior to 30 June 2016.

Customers in the voluntary area have the choice whether to connect and secondly at a subsidised cost (\$5,000), this is very competitive compared to a new on-site waste water treatment system or a user pays sewerage scheme.

RECOMMENDATION

That Council advise the lead petitioner of South Gippsland Water's response to the petition received at its Ordinary Meeting on 24 September 2014.

STAFF DISCLOSURE OF INTEREST

Nil

MOVED: Cr Brunt

SECONDED: Cr Kennedy

THAT COUNCIL ADVISE THE LEAD PETITIONER OF SOUTH GIPPSLAND WATER'S RESPONSE TO THE PETITION RECEIVED AT ITS ORDINARY MEETING ON 24 SEPTEMBER 2014.

CARRIED UNANIMOUSLY

Attachment 1 - Letter to South Gippsland Water

Our ref: D5762614
D5397714



8 October 2014

Philippe du Plessis
Managing Director
South Gippsland Water
PO Box 102
FOSTER VIC 3960

Dear Philippe

Poowong, Loch and Nyora Sewerage Scheme - Petition for Payment Plan for Voluntary Service Areas

At its Ordinary Meeting on 24 September 2014, Council received a petition signed by approximately 160 people asking South Gippsland Water to provide a payment plan option for those landowners in the designated 'Voluntary Service Areas' of the Poowong, Loch and Nyora Sewerage Scheme. The petitioners are requesting a payment plan option similar to that available to landowners in the designated '\$800 Service Area'.

Specifically, the petitioners state:

"We the undersigned are petitioning to have the Loch, Nyora and Poowong sewerage voluntary scheme available for a payment plan, similar or the same as the compulsory Loch, Nyora and Poowong sewerage scheme."

A copy of the petition is attached.

After receiving the petition, Council resolved:

THAT COUNCIL:

- 1. RECEIVE AND NOTE THE PETITION; AND,**
- 2. THE PETITION LAY ON THE TABLE UNTIL THE COUNCIL MEETING OF NOVEMBER TO ENABLE OFFICERS TO PREPARE A REPORT TO COUNCIL.**

Consequently, I would be grateful if you could respond to the petition request by 22 October 2014 so that a report to Council can be finalised in readiness for Council's Ordinary Meeting in November 2014.

Yours sincerely

Tim Tamlin
Chief Executive Officer

Enc.

E.2 ECONOMIC DEVELOPMENT AND TOURISM STRATEGY ADOPTION

Development Services Directorate

EXECUTIVE SUMMARY

This report recommends the adoption of the Economic Development and Tourism Strategy.

The final Strategy incorporates feedback obtained through the public consultation process while on exhibition over a three month period from May 2014 and from Council's Economic Development and Tourism committee.

The Strategy will guide Council's Economic Development and Tourism direction for the next 5 years.

The goals of the Strategy will be implemented through an annual Action Plan.

Document/s pertaining to this Council Report

- **Appendix 1** - Economic Development and Tourism Strategy

A copy of the **Appendix 1 - Economic Development and Tourism Strategy** is available on Council's website: www.southgippsland.vic.gov.au or by contacting 5662 9200.

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

The Strategy will become Council's key strategic document relating to Economic and Tourism issues.

COUNCIL PLAN

Outcome:	1.0	A Prosperous Shire
Objective:	1.1	Work with the business community to support existing businesses, diversify employment opportunities and attract new businesses.
Strategy:	1.1.1	Raise the awareness of Local and Regional issues with State and Federal decision makers.

CONSULTATION

The Strategy was placed on public exhibition at all Council outlets as well as Council's website and Facebook page.

A copy of the Strategy was referred for comment to the Department of State Development, Business and Innovation, South Gippsland Towns and Districts Network, Leongatha Chamber of Commerce, Korumburra Round Table, Foster Chamber of Commerce, Meeniyan Tourism and Traders Association, Tarwin Valley Development Group, Mirboo Country Development

Incorporated, Destination Gippsland Ltd, Prom Country Regional Tourism and various businesses.

The majority of feedback received focused on layout or formatting improvements. Many of these were incorporated into the final draft reviewed by Council's Economic Development and Tourism Committee.

Background

A Prosperous Shire is a key outcome of the Council Plan. Additionally, an action of the Annual Plan is the 'review of the Economic Development and Tourism Strategy'. The approach of the strategy combining economic development and tourism reflects Council administrative structure and the direct and close relationship between the industry sectors. The Strategy will direct Council's Economic Development and Tourism direction for the next 5 years.

Discussion

A review of the Economic Development and Tourism Strategy was undertaken through Council's Economic Development and Tourism committee. A revised draft strategy was placed on public exhibition from May to September 2014.

Based on feedback received and discussion with the committee, some amendments were made. Notably was the inclusion of stronger emphasis of mainstreet development, the development of a Southern Gippsland Food Cluster and a stronger focus on collaboration and branding.

The Strategy outlines an economic overview, key economic trends and economic priorities. An annual action plan will be developed for implementation each year of the strategy. The Strategy is designed to assist maintaining South Gippsland as a great place to live, work, invest and visit.

Council's Economic Development and Tourism Committee will now oversee the implementation of the action plan.

Proposal

It is proposed that Council adopt the Economic Development and Tourism Strategy.

FINANCIAL CONSIDERATIONS

It is proposed under this Strategy that an annual Action Plan will be prepared to implement the goals of the Strategy. Any funding required through the Action Plan will be considered through Council's annual budget process.

CONCLUSION

Council seeks to develop a strong economy for our residents and enhance the experience for our visitors. The approach outlined in the Strategy will focus Council's economic development and tourism efforts on the areas of greatest impact. After consultation with internal and external stakeholders, the Strategy has been refined for adoption.

RECOMMENDATION

That Council adopt the Economic Development and Tourism Strategy.

STAFF DISCLOSURE OF INTEREST

Nil

MOVED: Cr Hutchinson-Brooks SECONDED: Cr McEwen

**THAT COUNCIL ADOPT THE ECONOMIC DEVELOPMENT AND
TOURISM STRATEGY.**

Cr Fawcett returned to the Meeting at 2.48pm.

CARRIED UNANIMOUSLY

E.3 CORNER INLET DRAINAGE AREA ADVISORY (SPECIAL) COMMITTEE

Corporate Services Directorate

EXECUTIVE SUMMARY

The purpose of this report is to provide Council with an update and recommendation in relation the Corner Inlet Drainage Area Advisory (Special) Committee (the Section 86 Committee).

On 19 March 2014, Council resolved to delay the revocation of the Section 86 Committee, until 30 November 2014, to allow time to consider the Ministerial response, in January 2014, to the Environment and Natural Resources Committee (ENRC) Inquiry into Rural Drainage in Victoria. This response indicated it was likely Council would be confirmed as the Responsible Authority for the Corner Inlet Drainage Area.

Subsequent liaison with the Municipal Association of Victoria (MAV) and the Department of Environment and Primary Industry (DEPI) has indicated that work implementing the recommendations of the Inquiry, including the commencement of development of a Rural Drainage Strategy and Guidelines to confirm local government's overarching responsibility for rural drainage, has been delayed until the first half of 2015.

As such, this report recommends that Council further delay consideration of the revocation of the Section 86 Committee, until the DEPI have developed a Rural Drainage Strategy and Guidelines to guide the development of an updated and refreshed Instrument of Delegation for the Committee.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

- Section 86 Local Government Act 1989

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

- Council Minutes 24 October 2012 - Report E.1 - Corner Inlet Seawalls
- Council Minutes 19 March 2014 - Report E.14 - Corner Inlet Drainage Area Advisory (Special) Committee

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation
Objective:	4.2	Pursue best practice in organisational development and operations of the organisation.
Strategy:	4.2.2	We will monitor corporate governance processes, including risk management and skills development with the aim on ongoing improvement.

CONSULTATION

Regular communications have been made with the MAV, which has liaised with DEPI who have been authorised by the State Government to implement the recommendations of the ENRC inquiry into Rural Drainage in Victoria.

The Section 86 Committee has also received updates as required and have been advised of this report. Council has received a recent update on this matter via Council's Internal Newsletter InfoSum.

REPORT

Background

October 2012

On 24 October 2012, Council resolved to revoke the Section 86 Committee on 24 April 2014 or earlier if an alternate arrangement was established. Council's resolution was informed by the ENRC Flood Mitigation Inquiry recommendations which indicated, at the time, it was probable the State Government would assign responsibility for rural drainage to Catchment Management Authorities (CMAs).

June 2013

ENRC released its report from the Inquiry into Rural Drainage in Victoria, making 32 recommendations to the State Government, including a recommendation which indicated the likelihood Council could be appointed responsible authority for the Corner Inlet Drainage Area.

January 2014

The State Government responded to the ENRC Inquiry into Rural Drainage and confirmed the responsibility for the support of local rural drainage committees, where beneficiaries are supported and prepared to fund schemes, will be consolidated with local government. Specifically it recommended that:

- Local government will have overarching responsibility for rural drainage, supported via legislative change and guidance documents.
- Landholders managing their own scheme may request local government assistance, including forming a Section 86 committee.
- The State will consider ways to sensibly manage Council liability, however, advised that full immunity is rarely appropriate.
- Confirmed drainage committees with beneficiaries and local government will determine how drainage charges will be set / collected.

- The State confirmed it would not provide an initial capital injection for rural drainage.

March 2014

As a result of the State Government Response to the ENRC Inquiry into Rural Drainage, Council, on 19 March 2014 resolved to:

1. *Delay the revocation of the Corner Inlet Drainage Area Advisory Committee (the Section 86 Committee) Instrument of Delegation, from 24 April 2014, as decided at the Ordinary Council Meeting 24 October 2012, until 30 November 2014;*
2. *Consider the State Government's response to the Environment and Natural Resources Committee (ENRC) Inquiry into Rural Drainage in Victoria (Appendix 1) and determine the implications to Council should it be confirmed as the Responsible Authority for the Corner Inlet Drainage Area;*
3. *Notify the Section 86 Committee of this decision and keep the Section 86 Committee informed of any developments in relation to this matter;*
4. *Further liaise with State Government, Municipal Association of Victoria, Insurers and Section 86 Committee to ensure legislation enacted is appropriate and adequate Council insurance is addressed; and*
5. *Receive another Council report, no later than the Council Meeting scheduled for 26 November 2014, to enable a further decision.*

July 2014

The Section 86 Committee at their AGM was re-formed and received an update on the progress of the development of the Rural Drainage Strategy.

Discussion

Since Council's 19 March 2014 resolution, Council has engaged in ongoing discussions with the MAV, who have been in liaison with DEPI. DEPI, working with the MAV and a working group of relevant councils have made significant progress implementing the recommendations of the prior ENRC Inquiry into Flood Mitigation Infrastructure which largely relates to flood infrastructure in Northern Victoria.

Subsequently, this has meant that work toward DEPI implementing the recommendations from the ENRC Inquiry into Rural Drainage, which directly relates to the Corner Inlet Drainage Area, did not commence as originally planned in the second half of 2014. The primary outcome of these recommendations was to develop a Rural Drainage Strategy and Guidelines to confirm local government's overarching responsibility for rural drainage and guide councils to effectively carry out their rural drainage responsibilities.

The MAV has recently advised that DEPI has now scheduled to commence this activity in the first half of 2015 and have foreshadowed that it is possible a MAV working group will be formed similar to the one formed for the Flood Mitigation Inquiry.

Options

Council has two options:

1. To further delay the consideration of the revocation of the Corner Inlet Drainage Area Advisory (Special) Committee Instrument of Delegation, until DEPI have developed a Rural Drainage Strategy and Guidelines.
2. To uphold the original Council resolution of 24 October 2012 to revoke the Special Committee.

Proposal

Option 1 is recommended, as this avoids unnecessarily disbanding the Section 86 Committee, only to need to re-instate it. This also ensures the drainage area retains active management whilst the Strategy is developed.

Option 2 is not recommended, as it results in the unnecessary revocation of the Committee and the drainage area being unmanaged in the interim.

FINANCIAL CONSIDERATIONS

The financial implications of this recommended course of action are minimal, in that there is currently no cost to Council, beyond the effort to prepare relevant reports and administer the Committee. There is a current balance of \$20,048.66 raised by the 2003 Special Charge scheme to conduct required Seawall maintenance in the interim.

If Council is confirmed as the Responsible Authority, the costs for administering and maintaining the drainage area, are intended to be fully covered by beneficiaries raised by a special charge.

RISKS

The risks of extending the operation of the Section 86 Committee under its current Instrument are minimal compared to the effort and community dissatisfaction with re-establishing the Committee if Council is confirmed the responsible authority. The risk of Council liability from Seawall failure in the interim is low, confirmed by a recent Condition Audit stating that the Seawall was in reasonable condition and is actively managed by the Section 86 Committee.

Further, the State Government has advised they 'will consider options to sensibly manage liability through the development of the VRDS'. However, under the Statutory Immunity Policy, immunity provisions are rarely

appropriate as they remove the legal rights available to a person who has suffered loss.

CONCLUSION

A delay in the State Government determining the final responsibilities for rural drainage areas, has led to a further delay in finalising the future of the Corner Inlet Section 86 Committee. At this stage it is deemed pertinent to retain the current Committee until the Government establishes its final decision.

RECOMMENDATION

That Council:

1. further delay the consideration of the revocation of the Corner Inlet Drainage Area Advisory Committee (the Section 86 Committee) Instrument of Delegation, until the Department of Environment and Primary Industry (DEPI) has developed a Rural Drainage Strategy and Guidelines;
2. receive a further report, by no later than 30 June 2015, providing an update on progress of the development by DEPI of the Rural Drainage Strategy and Guidelines and present further recommendations to Council for consideration;
3. notify the Section 86 Committee of this decision and keep the Section 86 Committee informed of any developments in relation to this matter; and
4. further liaise with the State Government, DEPI, the Municipal Association of Victoria, Insurers and the Section 86 Committee to ensure an adequate Rural Drainage Strategy and Guidelines are developed and adequate Council insurance is addressed.

STAFF DISCLOSURE OF INTEREST

Nil

MOVED: Cr Fawcett

SECONDED: Cr Davies

THAT COUNCIL:

- 1. FURTHER DELAY THE CONSIDERATION OF THE REVOCATION OF THE CORNER INLET DRAINAGE AREA ADVISORY COMMITTEE (THE SECTION 86 COMMITTEE) INSTRUMENT OF DELEGATION, UNTIL THE DEPARTMENT OF ENVIRONMENT AND PRIMARY INDUSTRY (DEPI) HAS DEVELOPED A RURAL DRAINAGE STRATEGY AND GUIDELINES;**
- 2. RECEIVE A FURTHER REPORT, BY NO LATER THAN 30 JUNE 2015, PROVIDING AN UPDATE ON PROGRESS OF THE DEVELOPMENT BY DEPI OF THE RURAL DRAINAGE STRATEGY AND GUIDELINES AND PRESENT FURTHER RECOMMENDATIONS TO COUNCIL FOR CONSIDERATION;**
- 3. NOTIFY THE SECTION 86 COMMITTEE OF THIS DECISION AND KEEP THE SECTION 86 COMMITTEE INFORMED OF ANY DEVELOPMENTS IN RELATION TO THIS MATTER; AND**
- 4. FURTHER LIAISE WITH THE STATE GOVERNMENT, DEPI, THE MUNICIPAL ASSOCIATION OF VICTORIA, INSURERS AND THE SECTION 86 COMMITTEE TO ENSURE AN ADEQUATE RURAL DRAINAGE STRATEGY AND GUIDELINES ARE DEVELOPED AND ADEQUATE COUNCIL INSURANCE IS ADDRESSED.**

CARRIED UNANIMOUSLY

SECTION F - URGENT OR OTHER BUSINESS

There are two basic parts to this section of the Agenda:

1. Urgent Business

Normally no motion should be debated by Councillors unless the matter is already included as an item on the Agenda. However in some circumstances it is possible to raise urgent motions.

The Meeting Procedure Local Law No.3 (Clause 46) allows for where a situation has not been provided for under the Local law, the Council may determine the matter by resolution. Established practice has provided for urgent motions to be raised at Council provided the matter cannot be dealt with at the next ordinary meeting of Council or by officers under delegation.

It is necessary for the Councillor wishing to raise a matter of urgent business to raise a motion similar to the following: 'That consideration of (*the issue*) be dealt with as a matter of urgent business and Councillorbe allowed a 'short period' to indicate the reason(s) why the matter should be considered as a matter of urgent business". If the Chairperson accepts the motion as meeting the urgent business criteria, normal meeting procedures in Local law 3 will apply.

If the motion to accept the item as a matter of urgent business is passed by Council, the motion relating to the specific issue can then be put and debated in the normal way.

2. Other Business

This provides an opportunity for Councillors to raise items of general interest to the Council and the community. It may relate to an up coming event or the outcomes of a recent meeting with a Minister etc.

RECOMMENDATION

That Item F.1 – KOONWARRA LANDFILL ALTERNATIVE DAILY COVER PROPOSAL be dealt with as a matter of urgent business as it applies to the consideration of a proposed landfill tarpaulin cover system which requires adequate time for an amendment to be made the 2014/15 Capital Works budget followed by an immediate tender to implement the system in 2014/15.

MOVED: Cr Hill

SECONDED: Cr Davies

THAT ITEM F.1 – KOONWARRA LANDFILL ALTERNATIVE DAILY COVER PROPOSAL BE DEALT WITH AS A MATTER OF URGENT BUSINESS AS IT APPLIES TO THE CONSIDERATION OF A PROPOSED LANDFILL TARPAULIN COVER SYSTEM WHICH REQUIRES ADEQUATE TIME FOR AN AMENDMENT TO BE MADE THE 2014/15 CAPITAL WORKS BUDGET FOLLOWED BY AN IMMEDIATE TENDER TO IMPLEMENT THE SYSTEM IN 2014/15.

CARRIED UNANIMOUSLY

F.1 KOONWARRA LANDFILL - ALTERNATIVE DAILY COVER PROPOSAL

Community Services Directorate

EXECUTIVE SUMMARY

The Koonwarra Landfill receives all of South Gippsland Shire's solid non-hazardous waste. Approximately 17,000 tonnes of waste is deposited at the landfill site annually. The site has been operating since October 2007.

The landfill licence requires that at the end of each day's operations a 300mm thick layer of soil is placed over the waste to contain odour and prevent windblown litter. Currently approximately 8,000 cubic metres of airspace is consumed each year through this practice.

The recently developed Koonwarra Landfill Master Plan identified that alternative methods of daily cover would reduce airspace consumption by approximately 6,000 cubic metres per year with an estimated value of \$816,000, extend the life of Stage 1 of the Landfill by four years and delay construction costs. Investigations have identified that a daily cover system utilising purpose made tarpaulins (tarps) is the most practical alternative to using soil.

This report recommends that Council amend the current 2014/15 Capital Works budget to include \$207,000 for the purchase and implementation of a landfill tarp cover system.

LEGISLATIVE/ ACTION PLANS/ STRATEGIES/ POLICIES

- Koonwarra Landfill EPA Licence - 84873
- EPA Victoria Publication 788.2 - Siting, design, operation and rehabilitation of landfills (Landfill BPEM)
- Koonwarra Landfill Master Plan (June 2014)

COUNCIL PLAN

Outcome:	1.0	A Prosperous Shire
Objective:	1.3	Improve the sustainability of the local and regional environment.
Strategy:	1.3.2	We will promote sustainable waste management practices, energy efficiency and management of our natural resources.

REPORT

Background

Traditional landfill management in Victoria and the Koonwarra Landfill's current EPA licence involves placing a 300mm thick layer of soil over each days waste at the end of the day's operations. Covering the waste daily reduces odour, windblown litter and vermin.

While some daily cover is able to be recovered by stripping it back at the commencement of the following day's operations a large amount of landfill airspace is lost to daily cover material.

Several alternatives to soil have been developed over recent years to be used as a daily cover on active landfills. Alternative cover systems claim to reduce the amount of soil used by approximately 75% leading to significant landfill airspace savings. Despite being used in other states and countries, until recently it has been difficult to have an alternative cover system approved by the EPA for use in Victoria.

Under EPA Best Practice Guidelines, approval to use alternative daily covers that consume less airspace (such as tarps and spray on covers) can be obtained if it can be demonstrated that they meet required performance standards.

The Koonwarra Landfill Master Plan identified the significant airspace savings that could be achieved through the use of an alternate daily cover. An alternate cover would extend the life of Stage 1 of the Landfill by four years, delaying construction costs and reducing airspace consumption by approximately 6,000 cubic metres per year equating to an estimated value of \$816,000 annually. The 3 most common options for alternative daily cover are tarp covers, spray on cover and rigid lift-on lift-off covers. Further investigations identified a tarp system as the preferred method due to its

performance in wet and dry conditions and the simplicity and speed in being placed over waste and retrieved.

Discussion

Generally, sites using alternative cover systems are still required to cover with 300mm of soil at the end of the week.

Tarp cover system suppliers indicate that soil use can be reduced by approximately 75%. In the case of the Koonwarra Landfill this equates to an annual airspace saving of approximately 6,000 cubic metres.

Council's Engineering Department has calculated that if a tarp system is implemented and used on an ongoing basis, the available airspace in Stage 1 of the Koonwarra Landfill will be extended by an additional 4 years when compared to current airspace consumption rates. The value of 4 years of airspace calculated using the current commercial waste disposal rate is more than \$13 million. The actual value will be higher by the time the space is utilised, due to annual increases in costs. This airspace will be utilised over the 4 year extended life of Stage 1 of the Landfill, as shown in Table 1. Table 1 compares airspace use with and without an alternative cover system for the remaining life of Stage 1 at the site. Figures are based on current airspace usage rates and current waste volumes.

In addition, implementing a landfill tarp cover system in the 2014/15 year will provide surety against Cell 3 being filled before Cell 4 is constructed and approved for the acceptance of waste. Based on current filling rates and approved final contours, there is currently no margin for delays in construction and approval time frames. Landfill airspace savings brought about through the implementation of a tarp system by February 2015 will ensure that there will always be approved airspace available for the acceptance of waste.

Table 1 - Landfill Airspace Use Comparison

Year	Annual Airspace Use Without Alternative Cover	Annual Airspace Use With Alternative Cover	Cumulative Airspace Saving
2015/16	24,000m ³	18,000m ³	6,000m ³
2016/17	48,000m ³	36,000m ³	12,000m ³
2017/18	72,000m ³	54,000m ³	18,000m ³
2018/19	96,000m ³	72,000m ³	24,000m ³
2019/20	120,000m ³	90,000m ³	30,000m ³
2020/21	144,000m ³	108,000m ³	36,000m ³
2021/22	168,000m ³	126,000m ³	42,000m ³
2022/23	192,000m ³	144,000m ³	48,000m ³
2023/24	216,000m ³	162,000m ³	54,000m ³
2024/25	240,000m ³	180,000m ³	60,000m ³
2025/26	264,000m ³	198,000m ³	66,000m ³
2026/27	288,000m³ (Stage 1 Full)	216,000m ³	72,000m ³
2027/28		234,000m ³	
2028/29		252,000m ³	
2029/30		270,000m ³	
2030/31		288,000m³ (Stage 1 Full)	

This analysis is the rationale for a recommendation for immediate purchase of a tarp cover system. Installation of the new cover system in early 2015 will result in the extension of the landfill by 4 years; delay construction costs for the next stage and immediately achieve a reduction in airspace consumption. The reduction in airspace consumption for the 2014/15 financial year is estimated at 500 cubic metres and valued at \$270,000. The annual ongoing reduction in airspace consumption is valued at over \$816,000 per year.

Options

Option 1 - Implement a tarp landfill cover system in the 2014/15 year.

Option 2 - Continue using soil as a daily cover material.

Proposal

It is proposed that Council amend the current 2014/15 capital works budget to include \$207,000 for the purchase and implementation of a landfill tarp cover system.

A cover system will be tendered immediately with EPA approval a condition of the tender.

FINANCIAL CONSIDERATIONS

The operating licence for the Koonwarra Landfill requires that at the end of each day, 300mm of soil is to be placed over the waste. This practice consumes approximately 30% (8,000 cubic metres) of the airspace used at the landfill each year. The estimated reduction in airspace consumption through an alternative cover system would be 6,000 cubic metres annually which equates to an annual value of airspace of approximately \$816,000.

Table 2 contains airspace used by the cover system and the related financial value of implementing an alternative cover system.

Table 2 - Airspace and Value

	Current Daily Cover System (300mm soil)		Alternative Cover System (4 days per week and 300mm soil cover at the end of each week = 75% reduction in soil use)	
	Airspace used due to cover (soil cover) m ³	\$ Value (Based on \$136 per tonne)	Airspace used due to cover	Value of airspace saved (Based on \$136 per tonne)
Per Year	8,000m ³	\$1.088M	2,000m ³	\$816K
Per Month	667m ³	\$90,712	167m ³	\$68K
Per Week	154m ³	\$20,808	39m ³	\$15,564

Operational savings will be achieved through reduced plant use and fuel consumption associated with the current practice of excavating, carting and spreading soil.

The value of landfill airspace achieved through reduced for 12 months of using the tarp system (\$816,000), far outweigh the capital setup costs of the system (\$207,000).

The \$207,000 cost of the tarp system will be achieved by amending the 2014/15 Capital Works budget. Savings achieved in bridge work will be applied to offset this new project

In addition to the upfront capital cost, provision for depreciation of the tarpaulins at \$35,000 per tarpaulin will need to be applied over their life cycle of approximately 5 years together with a minimal annual maintenance cost.

Replacement costs for tarpaulins will be factored into forward Capital Works budgets as set out below.

2018/19 - \$38,633 (one tarpaulin)

2023/24 - \$87,420 (two tarpaulins)

2028/29 - \$98,908 (two tarpaulins)

RISK FACTORS

Option 1 - Implement a landfill tarp cover system in the 2014/15 year

Table 3 contains the risks associated with implementing a tarp landfill cover system in the 2014/15 year and measures that will be taken to manage those risks.

Table 3 - Risks and Mitigation Measures Associated With Implementing a Tarp Landfill Cover System

Risk	Mitigation
EPA withdraw permission to use the system	<p>Current approvals issued by EPA Victoria have generally been for a 12 month period with potential for extensions. Even if only 12 months of approval is granted, airspace savings of approximately \$800,000 per year far outweigh the capital expenditure.</p> <p>If permission was withdrawn the site would revert back to using only soil and the system would be sold to recoup a significant portion of the capital costs.</p>
Damage to tarps	<p>Operators to be trained in placing and retrieving tarps to minimise the chance of damage.</p> <p>System comes with 3 tarps (only 2 tarps likely to be required at a time).</p>

Option 2 - Continue using soil as a daily cover material

Table 4 contains the risks associated with continuing to use only soil as cover material and measures that will be taken to manage the risk.

Table 4 - Risks and Mitigation Measures Associated With Continuing to Use Soil as a Daily Landfill Cover

Risk	Mitigation
Landfill airspace wasted on soil for which no income is received.	Recover and reuse as much cover as possible.
Shortened landfill cell lifespan compared to that of a tarp cover system.	Continue to closely monitor landfill airspace use and adjust cell construction capital works schedule as needed to ensure there is available landfill airspace at all times.
Shortened overall landfill lifespan compared to that of a tarp cover system.	Seek EPA Works Approval for Stage 2 of the site. Investigate possible alternative landfills or alternative waste processing facilities.

RECOMMENDATION

That Council amend the current 2014/15 Capital Works budget to include \$207,000 for the purchase and implementation of a landfill tarp cover system.

STAFF DISCLOSURE OF INTEREST

Nil

MOVED: Cr Fawcett

SECONDED: Cr Hill

THAT COUNCIL AMEND THE CURRENT 2014/15 CAPITAL WORKS BUDGET TO INCLUDE \$207,000 FOR THE PURCHASE AND IMPLEMENTATION OF A LANDFILL TARP COVER SYSTEM.

CARRIED UNANIMOUSLY

SECTION G – GENERAL QUESTION TIME

G.1 QUESTION TIME

Cr Hill addressed Council by asking the following questions.

Question 1

What powers via Notice of Motion (NOM) do Council have to limit a future percentage wage rise for employees of Council?

Response:

The Chief Executive Officer (CEO) responded with nil.

Question 2

Does Council, via a NOM have the ability to cap the total wage bill and/or reduce the total of the wage bill?

Response:

The CEO responded with no.

Question 3

Does Council, via a NOM have the ability to limit/cap/reduce the wage bill in a given service area or directorate of Council?

Response:

The CEO responded by indicating that Council sets policy and service levels and then quoted the relevant section from the Local Government Act 1989:

94A. Functions of the Chief Executive Officer

- (1) A Council's Chief Executive Officer is responsible for—
- (a) establishing and maintaining an appropriate organisational structure for the Council; and
 - (b) ensuring that the decisions of the Council are implemented without undue delay; and
 - (c) the day to day management of the Council's operations in accordance with the Council Plan; and
 - (ca) developing, adopting and disseminating a code of conduct for Council staff; and
 - (d) providing timely advice to the Council; and

The CEO further quoted:

- (2) *The Chief Executive Officer may appoint as many members of Council staff as are required to enable the functions of the Council under this Act or any other Act to be carried out and to enable the Chief Executive Officer to carry out her or his functions.*
- (3) *The Chief Executive Officer is responsible for appointing, directing, managing and dismissing Council staff and for all other issues that relate to Council staff.*
- (4) *A reference to Council staff in this section does not include a reference to the Chief Executive Officer.*

Question 4

Does Council, via a NOM that limits or caps or reduces the wage bill in a given service area or directorate have to inform in the NOM which service area is affected or is Council through the NOM able to request an officer report identifying suggested areas for said reductions?

Response:

As per the response for Question 3.

Question 5

When will negotiation of the next EBA be started and when must it be concluded?

Response:

The CEO responded by indicating that it will be commencing in 2015 and completed by June 2016.

Responses to questions were provided and written responses would also be provided.

Cr Fawcett addressed Council by asking the CEO if he would pass on comments of thanks from Council for the responses to questions provided in Section G.2 (located in the following section) in that they were helpful, informative and appropriate in answering the questions.

The CEO responded by indicating that he would pass on those comments.

Mr Paul Norton addressed Council by presenting a written question regarding finding funding for a footpath.

The question was taken on notice and will be responded to at the next appropriate Council Meeting.

G.2 ANSWERS TO PREVIOUS QUESTIONS ON NOTICE

Noted.

At the Ordinary Council Meeting 22 October 2014 questions were taken on notice from Councillor Don Hill and responses are now provided.

A very detailed response has been provided to the questions to ensure the background and issues discussed are fully explained. To assist, a list of the key points has been provided below which are fully discussed in the response.

- Council has not raised rates in the next four years above and beyond what is required to maintain services at the current levels and to repay the \$4 million loan.
- Council have been fully informed and briefed on all aspects of the budget and the financial plan.
- Council has made a strategic decision to increase capital spend in the later years of its 15 year Long Term Financial Plan and this capital spend does not impact on the amount of rates required to be collected in the immediate years.
- Council officers always take direction from Council and do not alter the budget without Council's authorisation.

Question 1

Can Council confirm the following statement?

During the 2013/14 budget process, once the expenditure side of the equation had been determined by Council, the Finance team applied the required rate increases per annum to ensure that the Financial strategies remain intact which involved a requirement for higher rate increases up front to ensure credibility of the underlying working capital ratio. As this base was increased up front in 2013/14, it had a cumulating impact going forward and this increasing cumulating effect has created the additional funds in the latter years. (The \$34 Million).

Response:

No, this statement cannot be confirmed.

Financial Planning Background and Local Government Victoria Requirements:

Council commenced preparing 15 year Long-Term Financial Plans in 2012/13. Previously Council was operating a 10 year long-term financial plan which commenced in 2003/04 and previous to this, a one year financial plan.

Council is required to prepare, publish and make available to the community a rolling Strategic Resource Plan that sets out the projected budget, resources and rates for the next four years. This is the legislative requirement set by the Victorian Government.

A 15 year long-term financial plan is considered best practice by Local Government Victoria. Forecasting out to 15 years is difficult, often has little to no impact on the rates in the early years and is predominantly used to assist Council in long-term forecasting, especially when considering finance options for a major capital works project that may be planned 10 to 15 years into the future. Councils are required to provide 15 year forecast capital works programs to Local Government Victoria on an annual basis. It is a prudent and responsible Council that maintains a 15 year Long Term Financial Plan which looks beyond the legislated four years and plans for the long term financial sustainability of Council.

Strategic Context

Council adopted a specific financial strategy in 2011/12 *'the budgeted financial statements and the accompanying financial performance ratios are extended to be a 15 year long term financial plan'* in 2011/12 which was implemented in 2012/13. This strategy was in accord with:

- Council Plan Outcome 5.2 Systems and Processes : A Council providing, quality, customer focused services and infrastructure through responsible and responsive management, best practice approaches and continuous improvement; and the specific
- Council Plan Strategy 5.2.3 Financial management: develop and implement a sustainable financial plan which accurately depicts the real costs of operating and clearly portrays the financial impacts of Council decision making; and supports sustainable and adequate service provision.

The financial integrity of the budgeted financial statements for the annual and forward budgets in the Long Term Financial Plan (LTFP) is assessed by reference to a series of financial performance indicators. These are described in Council's Financial Strategy document. The underlying working capital ratio is a key measure and is outlined below:

Underlying Working Capital

Current Assets / Current Liabilities

Current assets as per Balance Sheet not including restricted assets quarantined to internal reserves

Current liabilities as per Balance Sheet

Measures Ability To Pay Existing Liabilities

Indicator	Range	Comment
Green	> 1.5	Low risk of financial sustainability concerns
Yellow	1.0 - 1.5	Caution with cash flow as issues could arise with meeting obligations as they fall due.
Red	<1	Immediate sustainability issues with insufficient current assets to cover liabilities.

Rate Determination

The required rate is established once Council has determined the entire budget requirements.

The rate income requirement is determined after taking into consideration the:

- net cost impact of recurrent operating requirements. This comprises income from various sources including but not limited to rates, anticipated developer contributions, known and anticipated grants and adjusted fees and charges;
- one off project and initiative funding requirements;
- net cost impact of the capital works program (capital costs and associated capital income sources).

The 2013/14 annual budget process was characterised by Council having to address the following unexpected costs:

- A number of immediate and material unavoidable cost events including a higher than anticipated funding call for unfunded superannuation liability contributions and receiving one quarter less VGC funds;
- A net \$9 million increase in the 15 year capital works program expenditure requirement that consisted of a \$51 million gross increase in capital expenditure and a \$42 million increase in capital income which was predominantly forecast developer contributions.

This had two distinct impacts on the budgeted financial statements in the LTFP.

- The unavoidable cost events (\$9 million deterioration of the underlying cash position over 10 years) had an adverse impact on the underlying working capital ratio on the immediate years.
- The revised capital works program cash flow requirements significantly compounded the deterioration of the ratio in the mid to later years of the LTFP. From 2020/21 to 2024/25 there was an additional \$22 million net cash outflow requirements when compared to the previous plan.

These two impacts meant that the LTFP was financially unsustainable. The approach taken to resolve this issue was in combination, increase rates in the immediate years and borrow funds. The strategic outcome was a progressively strengthening underlying working capital ratio over the forward years.

In regard to the 2013-2014 and 2014-2015 budgets, irrespective of whether Council wished to create an additional \$34 million in strategic funding capacity in later years of Council's 15 year Long Term Financial Plan, it was not going to impact the required rate rises in the immediate years (within the current term of Council). This is because it was going to take a few years to restore Council's financial strength (as detailed by the underlying working capital ratio) which is impacted by the unexpected costs as detailed above.

Council Briefings and Discussions

The unexpected cost impacts along with other budget considerations were discussed with Council on a number of occasions and culminated in a briefing paper presented to and considered by Council on 13 and 20 March 2013. During this process it was proposed that the following rate rises should be considered in the immediate years (comparison to previous 2012/13 LTFP rate rises). The objective was to restore the credibility of the underlying working capital ratio in years 13/14 to 16/17 and it should also be noted that the rate would decrease from 17/18 once this had been achieved.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
12/13 LTFP rate rises	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%	5.50%	5.00%
Draft budget rate rise	7.50%	6.50%	5.50%	5.50%	5.25%	5.00%	5.00%	5.00%
Variation	2.50%	1.50%	0.50%	0.50%	(0.25%)	(0.50%)	0.50%	(0.00%)

The forward estimates for capital expenditure were revised which resulted in a reduction of capital spend when compared to the immediate preceding years as shown below.

Year	2023/24	2024/25	2025/26	2026/27	2027/28
Capex	\$32.9m	\$29.2m	\$23.2m	\$23.3m	\$24.5m

The reduction of cash outlay requirements in the later years had a very positive impact on the working capital ratio.

Taking into consideration Council's interest in wanting to strategically plan to take on some major initiatives in future years, the 13 March 2013 and subsequent briefing papers put forward a proposal of providing funding capacity in the last three years of the LTFP. Council in the 13 March 2013 budget briefing session was advised that the draft budget included *'provision to incur an additional \$29 million capital expenditure over 3 financial years commencing 2025/26 (over and above what is documented in the separate briefing paper 'Proposed Capital Works Program 2013/14' that was previously provided to Council)'*.

It was noted that irrespective of whether Council wished to create this strategic funding capacity in the later years of the LTFP it would not impact the required rate rises in the immediate years. The reason being that it was going to take a few years to restore the underlying working capital ratio as indicated in the table below (this table includes the additional \$29 million capital expenditure in the last 3 years).

1st Budget	Draft	2013 /14	2014 /15	2015 /16	2016 /17	2017 /18	2018 /19	2019 /20	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28
Underlying Working Capital		1.46	1.44	1.39	1.34	1.54	1.49	1.79	1.27	1.35	1.98	1.46	1.41	1.62	1.75	1.57

Note: In subsequent briefing sessions the draft budgets were revised and modified. The final 2013/14 budget had a 6.75% rate increase and the financial capacity in the later years increased to \$34m. In 2014/15 budget the financial capacity amounted to \$32m.

Question 2

Does Council consider it appropriate to over-charge ratepayers by this (\$34 million) amount of money and how does this agree with the requirements of Council to set a rate after determining the ability of ratepayers to pay such an increase? Does Council consider that ratepayers are able to pay average of 7% rate rises per annum for 15 years?

Response:

Council is not overcharging ratepayers by this \$34 million. Rate increases are determined annually and any rate increase required for this \$34 million is a decision for a future Council as it has no effect on rates in the immediate years of the long-term financial plan.

The rate increases in both the 2013/14 and 2014/15 annual budgets were primarily addressing the short term underlying working capital challenges that Council had to rectify. These challenges, the unavoidable cost events, are detailed in the background discussion in response to question 1 above.

The essence of the second question above was again raised during the early period of the forthcoming 2015/16 annual budget process. Therefore, Council at

the 15 October 2014 briefing session (dealing with the development of the 2015/16 budget) was provided information that in part specifically dealt with strategically removing \$32 million capital expenditure (and reducing rate rises) in the later years of the LTFP.

To summarise, if the last three years capex program was reduced by '\$34 million' this would mean that there would be less requirement for net cash from operating activities, particularly in the mid to later years of the plan. Forward years rate rises could then be reduced accordingly. The years and the rate reductions are shown below.

Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Current	4.5%	4.0%	4.5%	4.5%	4.75%	5.0%	5.0%	5.0%
Alternate	4.0	4.0%	3.8%	3.8%	4.0%	4.0%	5.0%	2.5%
Variation	(0.5%)		(0.7%)	(0.7%)	(0.75%)	(1.0%)		(2.5%)

The reduction in rate rises can only occur from 2019/20 onwards. All factors being equal, no rate rise reductions are possible in the immediate years due to the tight underlying working capital ratio brought about by the need for Council to raise funds to cover the unavoidable costs it incurred as detailed in question one above. Rate reductions in the immediate years can only be achieved through reduced expenditure on capital projects in the immediate years, reduced service levels, increased borrowings (although this builds in further associated debt), minimising new initiatives, and/or through productivity initiatives. These factors are all currently being considered by Council for the 2015/2016 Annual Budget.

In the table below the 'current budget' is the LTFP as at September 2014, the 'revised budget' shows the impact of removing '\$34 million' in the last three years as well as the rate rise reductions that have been modelled to occur from 2019/20 onwards as detailed above. It clearly shows the underlying working capital pressures in the immediate years.

Revised budget	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Underlying Working Capital	1.67	1.06	1.16	1.32	1.52	1.95	1.79	2.04	2.01	1.64	1.52	1.14	1.84	2.20	2.69
Current budget															
Financial performance															
Underlying Working Capital	1.67	1.06	1.16	1.32	1.52	1.97	1.84	2.14	2.19	1.95	2.02	1.83	2.06	1.81	1.91

The same approach continued during the development of the following 2014/15 budget. Council again determined that it wished to retain funding capacity in the later years. In summary, the following occurred during the 2014/15 budget process in relation to the later years '34 million' funding capacity that was first established in 2013/14:

- The '\$34 million' budget allocation was originally made during the development of the 2013/14 Annual Budget. Council's intention was to have funding capacity in the later years of the 15 year Long Term Financial Plan for potential strategic opportunities that were likely to arise over the next 15 years.

- In the late half of 2013 the Engineering Services Directorate undertook a series of budget briefing sessions with Council reviewing and refining the current and forward capital work requirements which are based on forecasting future community infrastructure needs.
- Council decided to retain the funding capacity in the later years of the capital works program to meet the forecast future community infrastructure need.
- The result of this capital works review process was updated in the Long Term Financial Plan and the financial outcomes were reported to Council in the 2nd period Financial Performance Report July – November 2013.
- The first draft budget and subsequent draft budgets including the Proposed and Adopted Budget 2014/15 reference back and include the capital works program costings.
- The funding capacity in the Proposed Budget was allocated to the class of asset 'other structures'.
- In the Adopted Budget the allocation was made against the class of asset 'buildings'. The rationale for the change was that strategic expenditure in future years was more likely to be of a 'building' nature as opposed to an 'other structure' nature.
- The reclassification of the expenditure from one class of asset to another better reflected the nature of expenditure likely to be incurred and capitalised into the balance sheet.

Each and every year Council has the opportunity to review and revise its forward budgets. It again has an opportunity to do so in this current 2015/16 budget development process. The future major works budget in the draft budget amount to \$36.2 million that is spread over four years from 2026/27 to 2029/30.

If Council removes the future major works budgets but then in following years determines that it then wants to proceed with a major strategic initiative it could consider:

- Borrowing funds (and increase rates accordingly to fund repaying the borrowings in future years).
- Consider gradually increasing rates in the mid years and establish and build up some financial capacity in cash backed reserves so as to reduce its reliance on borrowings and associated finance costs.

In relation to the part of the question asking whether Council considers that ratepayers are able to pay average of 7% rate rises per annum for 15 years, the following commentary is provided for consideration.

Firstly, as discussed above, irrespective of whether the '\$34 million' was retained or not in the LTFP this would not have impacted on the immediate years rate rises which includes the current term of Council.

It is a given that any recurrent percentage increase has a compounding impact on revenue and or costs. Just as consumer price index, wages price index, roads and bridges construction cost index and any other indexing cost is disclosed as annual increments, so too are rate rises. It enables indexes to be compared on 'an apple to apple basis'.

The annual rate rises as documented in the adopted 2014/15 budget are shown below.

	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Rate % increase	5.50%	5.00%	4.75%	4.50%	4.50%	4.00%	4.50%	4.50%	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%

Question 3

Can Council confirm that Council increased the 15 year Budget from 2012-2013 to 2013-2014 (for the years 2014-2015 to 2026-2027) by over \$53 million and is it fair to say that this amount could be accounted for by the following expenditures?

- a. **\$34 million into unallocated roads**
- b. **\$12 million into over-estimated revenue needs going forwards**
- c. **\$8 million for unrequired infrastructure**

Response:

Council was provided with and carefully considered a range of options when setting its budget. Budgets have always been set that meet with Council's long-term financial strategies and due consideration for future capital works. The 2013/14 annual budget process was characterised by Council having to address unavoidable cost events which had a direct impact on the underlying working capital ratio in the immediate years. As discussed above, this was addressed by taking out a loan. In 2014/15 the loan was converted into a bond that has a four year term. Council established a cash reserve to ensure the loan would be paid out at the end of its four year term.

The \$53 million relates to forecast community infrastructure and service delivery needs and as previously discussed does not impact on the level of rating required in the immediate years of the long-term financial plan, which includes the remaining term of the current Council. By including the forecast community infrastructure and service delivery needs in its long-term financial plan, Council are being prudent financial managers by signalling a possible long-term financial impact to Council's budget.

Question 4

Was this \$53 million increase explicitly pointed out to Council at the time and was it detailed within the confidential Appendix 6 - Proposed Capital Works Program 2013-14 - 10 April 2013 - Paper No. 3 which was I believe the document that showed all the summary of amendments to the 15 year program?

Response:

The “34 million” was reflected in line item CC 9722 Roads Unallocated Future Capex. Prior to the cost being updated into the Confidential Appendix 6 it is worth noting that this financial capacity was documented in two briefing papers that discussed the 1st and 2nd draft budgets that Council considered.

The “\$8 million for unrequired infrastructure” and the “12 million into overestimated revenue needs going forward” is a subjective assertion that would not necessarily be supported by Council as a whole. Council was provided with a number of draft capital works programs prior to what was presented in Confidential Appendix 6. Councillors were provided many opportunities to review and question any aspect of the capital works program as budgeting is an ongoing dynamic process and Council can choose to amend its budgets at any time.

Council is currently considering assumptions made in the past two years, particularly in regard to the projected growth and developer contribution timeframes. Council is also giving close attention to the direction of the 15 year Capital Works Program including both the current unallocated funds and unfunded list of capital projects. The assumptions of the past year are being moderated based on changing environmental and market factors. Council’s deliberations will also be influenced by the main priorities arising from the ‘Our Say’ on-line community engagement forum and workshops taking place in October and November 2014.

At the Ordinary Council Meeting 22 October 2014 a question was taken on notice from Mr Paul Norton and response is now provided.

Question:

Mr Paul Norton addressed Council by asking the Mayor who would be Mayor next year?

Response:

The Mayor, Councillor Jeanette Harding was duly elected at Special (Statutory) Meeting of Council 5 November 2014, 10.30 am.

CLOSED SESSION

Consideration of confidential matters under the Local Government Act 1989, Section 89(2).

According to Section 89 of the Local Government Act 1989 (the Act), Council may consider items in closed session. There must be a resolution to move 'In Committee' stating the reasons why the matter(s) need to be considered in this way. The reasons provided for within the Act are matters concerning personnel, personal hardship, industrial issues, contracts, proposed developments, legal advice or any other matter that Council considers would be prejudicial, to it or any other person.

Once 'In Committee' discussions and debate have concluded, a further resolution to resume open Council is required.

ITEM 1 2014/2015 COMMUNITY GRANTS ROUND 1

ITEM 2 CONTRACTUAL MATTER

ITEM 3 CONTRACTUAL MATTER

ITEM 4 PERSONNEL MATTER

RECOMMENDATION

That Council close the meeting to the public to allow for consideration of:

1. 2014/2015 COMMUNITY GRANTS ROUND 1 pursuant to section 89 (2)(h);
2. TWO CONTRACTUAL MATTERS pursuant to section 89(2)(d) as provided for by the Local Government Act 1989; and
3. PERSONNEL MATTER pursuant to section 89(2)(a) as provided for by the Local Government Act 1989.

MOVED: Cr Fawcett

SECONDED: Cr Kennedy

THAT COUNCIL CLOSE THE MEETING TO THE PUBLIC TO ALLOW FOR CONSIDERATION OF:

1. **2014/2015 COMMUNITY GRANTS ROUND 1 PURSUANT TO SECTION 89 (2)(H);**
2. **TWO CONTRACTUAL MATTERS PURSUANT TO SECTION 89(2)(D) AS PROVIDED FOR BY THE LOCAL GOVERNMENT ACT 1989; AND**
3. **PERSONNEL MATTER PURSUANT TO SECTION 89(2)(A) AS PROVIDED FOR BY THE LOCAL GOVERNMENT ACT 1989.**

CARRIED UNANIMOUSLY

**ITEM 2 AWARD OF TENDER SGC15/19 - VICTORY AVENUE
RECONSTRUCTION, FOSTER**

That Council:

1. Approve the awarding of Tender SGC15/19 Victory Avenue Reconstruction, Foster' to SOUTH GIPPSLAND QUARRIES PTY LTD for the lump sum amount of \$728,294.33 (including GST, provisional and contingency amounts).

ITEM 3 AWARD OF TENDER SGC15/18 - DESIGN AND CONSTRUCTION OF ALLAMBEE ESTATE ROAD BRIDGE AT HALLSTON

That Council:

1. Approve the awarding of Tender 'SGC15/18 Design and Construction of Allambee Estate Road Bridge at Hallston' to HOURIGAN & WALSH PTY LTD for the lump sum amount of \$418,862.40 (including GST, provisional and contingency amounts).

SECTION H - MEETING CLOSED

NEXT MEETING

The next Ordinary Council Meeting open to the public will be held on Wednesday, 17 December 2014 commencing at 2pm in the Council Chamber, Leongatha.

The Meeting Closed at 3.33pm.

CONFIRMED:.....

COUNCILLOR JEANETTE HARDING – MAYOR

Date:.....