



South Gippsland
Shire Council

Come for the beauty, Stay for the lifestyle

COUNCIL MINUTES

**ORDINARY MEETING NO. 406
WEDNESDAY 28 SEPTEMBER 2016
COUNCIL CHAMBERS, LEONGATHA
COMMENCED AT 2PM**

PRESENT:

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

APOLOGY: Councillor Kieran Kennedy

OFFICERS:

Mr Tim Tamlin	Chief Executive Officer
Anthony Seabrook	Director Sustainability and Infrastructure Services
Bryan Sword	Director Development Services
Jan Martin	Director Community and Corporate Services
June Ernst	Coordinator Corporate Planning and Council Business
Natasha Berry	Corporate and Council Business Officer
Jodi Cumming	Corporate and Council Business Officer
Rick Rutjens	Coordinator Media & Communications
Tom Lovass	Manager Finance

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. 406
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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 REQUESTS FOR LEAVE OF ABSENCE

Nil

A.5 APOLOGIES

Cr Kieran Kennedy not present.

A.6 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the South Gippsland Shire Council Ordinary Meeting No. 405, held on 24 August 2016 in the Leongatha RSL be confirmed.

MOVED: Cr Fawcett

SECONDED: Cr Davies

**THAT THE MINUTES OF THE SOUTH GIPPSLAND SHIRE COUNCIL
ORDINARY MEETING NO. 405, HELD ON 24 AUGUST 2016 IN THE
LEONGATHA RSL BE CONFIRMED.**

CARRIED UNANIMOUSLY

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.

Nil

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
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
	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).

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.

Nil

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.

During the Caretaker Period including Wed 21 September through to Sat 22 October 2016, Council are required under the Local Government Act 1989 to ensure that Council resources/forums are not used to raise or promote matters that may be considered electoral material during the Caretaker Period. In order to satisfy this requirement any Petitions (and Joint letters) received should be referred to the CEO for consideration and determination under section 93A and 93B of the Local Government Act 1989 prior to being accepted at the Council Meeting.

Nil

A.10 COUNCILLOR REPORTS

During the Caretaker Period including Wed 21 September through to Sat 22 October 2016, Council are required under the Local Government Act 1989 to ensure that Council resources/forums are not used to raise or promote matters that may be considered electoral material during the Caretaker Period. In order to satisfy this requirement Council will not be hearing Councillor Reports. Councillor Reports will resume at the Ordinary Council Meeting 23 November 2016.

Nil

SECTION B - NOTICES OF MOTION AND/OR RESCISSION

Nil

SECTION C - COMMITTEE REPORTS

Nil

SECTION D – PROCEDURAL REPORTS

CHIEF EXECUTIVE OFFICER CERTIFICATION (LOCAL GOVERNMENT ACT 1989, SECTION 55D)

The Acting Chief Executive Officer certifies that the content within the Council Report item D.1 FINANCIAL PERFORMANCE REPORT JULY - AUGUST 2016 has been checked to ensure it does not contain electoral material and complies with section 93A and 93B of the Local Government Act 1989 and Council's Election Period Policy 2016 (C30) pertaining to the 'Caretaker Period'. This certification is in accordance with section 55D(1).



Bryan Sword
Acting Chief Executive Officer

D.1 FINANCIAL PERFORMANCE REPORT JULY - AUGUST 2016

Corporate Services Directorate

STAFF DISCLOSURE OF INTEREST

Nil

EXECUTIVE SUMMARY

The financial performance to August 2016 shows the following high level outcomes:

- Operating result: \$85,000 deficit which is \$587,000 favourable compared with the year-to-date budget projection of a \$672,000 deficit.
- Capital works: \$1.436 million expenditure which is \$569,000 ahead of year-to-date budget of \$867,000.
- Cash assets: Projected 30 June \$7.164 million (original budget \$9.121 million)
- Underlying working capital ratio: Projected 30 June 1.74 to 1 (original budget 1.64 to 1)
- The projected operating result for 2016/17 is a \$4.810 million surplus. This is \$850,000 unfavourable compared to the original \$5.660 million surplus. This relates to operating budgets for uncompleted grant funded projects being carried forward from 2015/16 to 2016/17. The expected flow on unfavourable financial impact on this year's projected operating result does not present as a strategic concern.

- The longer term financial performance indicators currently show that the financial plan (adjusted for budget carry forward and other budget adjustments) is financially sustainable.
- The middle to later years of the plan show a gradual downward trend of the projected underlying operating result. This is due to the longer term impact of reducing projected revenue as a result of rate capping.
- To address the longer term downward trend in projected underlying operating results, any net favourable productivity gains will be allowed to flow through to the bottom line so as to strategically begin addressing the downward trend in the forecast underlying operating results.
- There is a real possibility that the Minister for Local Government may reduce the rate cap for 2017/18 and in future years. This situation will need to be monitored and strategically managed as part of the development of the forthcoming 2017/18 Annual Budget / Long Term Financial Plan (LTFP).

Document/s pertaining to this Council Report

- **Appendix 1** - Financial Performance Report to 31 August 2016

A copy of **Appendix 1 - Financial Performance Report to 31 August 2015** is available on Council's website as part of the Council Meeting Agenda: www.southgippsland.vic.gov.au or by contacting 5662 9200.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

- Part 7 Financial management: - Local Government Act 1989

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

- Long Term Financial Strategies

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation.
Objective:	4.1	Improve the financial sustainability of Council, including diversifying revenue streams.
Strategy:	4.1.1	We will explore innovative ways of increasing revenue and reducing expenditure.

REPORT

Background

Council must abide by the principles of sound financial management and ensure that periodically a statement comparing budgeted revenue and expenditure for the financial year with the actual revenue and expenditure is presented to Council.

Council each year sets an Annual Budget within a 15 year Long Term Financial Plan (LTFP) framework. Guidance is provided by the Long Term Financial Strategies when developing annual and longer term budgets. The financial integrity of the budgeted financial statements in the annual and forward budgets can be assessed by reference to financial performance indicators.

Throughout the course of the financial year the actual financial performance is managed by:

- Comparing year to date actual financial performance with the year to date budgets.
- Monitoring the financial impact of changes made to budget projections on the forecast financial results at year end; and
- Monitoring the longer term financial ramifications and comparing them to the originally adopted LTFP.

The financial performance indicators that were used to develop the annual and longer term budgets are used to monitor projected financial outcomes at year end and the longer term financial ramifications.

The Financial Performance Reports are purposefully prepared outside traditional quarterly cycles. The timelines better align with strategic events that occur throughout the financial year. This enables important financial updates to be provided to Council and its community in a timely manner. The reporting timelines include:

- August: Report identifies financial implications of previous year's financial results as well as the budgets impact of funding projects carried forward that were not completed by 30 June.
- November: Report identifies financial implications of any changes made to operational or capital budgets during the mid-year financial review process.
- February: Report aligns with annual budget process.
- May: Report provides Council with likely financial outcomes for year-end including identifying budgets being carried forward for projects that are not expected to be completed by 30 June.

At financial year end comprehensive financial statements and performance statements are produced, subject to external audit and form part of the Annual Report.

Discussion

Appendix 1 - Financial Performance Report contains detailed reporting on:

Section 1 - Year to date financial performance and projected financial results.

This section discusses variations in year to date performance and budget projections. The information is presented in the budgeted financial statements format. It also details the 'budget carry forwards'.

Section 2 - LTFP analysis.

This section benchmarks and strategically analyses the financial impact of the year's projected financial results against the adopted Annual Budget, LTFP and the Financial Strategy's key performance indicators.

FINANCIAL CONSIDERATIONS

Activities within the Council 2016/17 Annual Plan are funded through the 2016/17 Budget.

The Financial Performance Report provides a high level analysis of Council's financial performance for the two month period from July to August 2016.

The longer term financial performance indicators currently show that the financial plan is financially sustainable.

There is a real possibility that the Minister for Local Government may reduce the rate cap for 2017/18 and in future years. If the rate rise was reduced from 2.5% to 1.5%, for example, in 2017/18 (one financial year) this would mean that Council would receive \$360,000 less for 2017/18, \$4.2 million less over 10 years and \$6.8 million over 15 years.

This situation will need to be monitored and strategically managed as part of the development of the forthcoming 2017/18 Annual Budget / LTFP.

RISK FACTORS

Transparency in reporting is a risk management control measure that allows the community and Council to view the financial management of year to date results as well as the annual and longer term financial implications.

Council should not only assess year to date performance, but also assess the annual and longer term financial implications as well.

CONCLUSION

It is recommended that Council receive and note the Financial Performance Report. The Report provides an overview of Council's financial performance for the period July to August 2016.

RECOMMENDATION

That Council receive and note the Financial Performance Report (Appendix 1) for the period July to August 2016.

MOVED: Cr Fawcett

SECONDED: Cr Davies

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

CARRIED UNANIMOUSLY

CHIEF EXECUTIVE OFFICER CERTIFICATION (LOCAL GOVERNMENT ACT 1989, SECTION 55D)

The Acting Chief Executive Officer certifies that the content within the Council Report item D.2 REPORT ON ASSEMBLY OF COUNCILLORS: 22 JULY – 21 AUGUST 2016 has been checked to ensure it does not contain electoral material and complies with section 93A and 93B of the Local Government Act 1989 and Council's Election Period Policy 2016 (C30) pertaining to the 'Caretaker Period'. This certification is in accordance with section 55D(1).



Bryan Sword
Acting Chief Executive Officer

D.2 REPORT ON ASSEMBLY OF COUNCILLORS: 22 JULY – 21 AUGUST 2016

Corporate and Community Services Directorate

STAFF DISCLOSURE OF INTEREST

Nil

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 between 22 July and 21 August 2016.

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
Thursday 27 July 2016		
Korumburra Round Table	<p>Councillors Attending: Crs McEwen, Brunt and Newton.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • Council Report – Arts Policy, new fees & charges for Leongatha Memorial Hall, Korumburra Railway Station buildings • Membership database tabled, terms of reference finalised • Korumburra Streetscape a priority and the potential to bring it forward • ‘Korumburra Town App’ - successful grant allocation • Community Directions statement – projects, format, prioritising and community input. 	
Wednesday 3 August 2016		
Site Visit: Korumburra Community Children’s Centre	<p>Councillors Attending: Crs Fawcett, Harding, Brunt, Newton and Hutchinson-Brooks.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • Overview of the project. • Construction progress update. • Proposed opening and operation timeframes. 	

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 3 August 2016		
Planning Briefing	Councillors Attending: Crs Newton, Harding, Hutchinson-Brooks, Fawcett, and Brunt. Conflict of Interest: Cr Nigel Hutchinson-Brooks declared an indirect conflict of interest and left the meeting when the item was discussed in general business. Cr Jim Fawcett declared an indirect conflict of interest and left the meeting when the item was discussed in general business. Paul Stampton, Manager Planning declared an indirect conflict of interest and the item was not discussed at the meeting. Matters Discussed: <ul style="list-style-type: none">• Strategic Planning Projects• Planning Scheme Amendment C90 – Housing and Settlement Strategy• Planning Applications of Significance• Decisions for June 2016• VCAT Decisions• Proposal to Rezone Land	

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 3 August 2016		
Economic Development & Tourism Steering Committee	<p>Councillors Attending: Crs Hutchinson-Brooks, Newton, Harding, McEwen, Brunt and Fawcett.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • Dairy Industry Update • Priority Projects Update • Economic Development and Tourism Strategy Update • Strategic Investment Update 	
Executive Update	<p>Councillors Attending: Crs Fawcett, Harding, McEwen, Brunt, Newton and Hutchinson-Brooks.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • National Meals on wheels day • CEO annual leave • Caravan Park Update 	
Councillor/ CEO Briefing Session	<p>Councillors Attending: Crs Fawcett, Harding, Brunt, Newton and Hutchinson-Brooks.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • Confidential Council Report 24 August 2016 	
Gippsland Waste and Recovery Group	<p>Councillors Attending: Crs Fawcett, Harding, Brunt and Newton.</p> <p>Conflict of Interest: Cr Hutchinson-Brooks was not present due to a declared conflict of interest.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • Regional Waste and Resource Recovery Implementation Plan 	

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 3 August 2016		
Sandy Point - Waratah Bay Shared Path	<p>Councillors Attending: Crs Fawcett, Harding, McEwen, Brunt, Newton and Hutchinson-Brooks.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p>	<p>Council were provided information on options for a shared trail between Sandy Point and Waratah Bay.</p>
<p>Planning Matter – Council Agenda Item E.6 PLANNING APPLICATION 2006/79/J - 1 DALE DRIVE LEONGATHA - USE AND DEVELOPMENT OF THE LAND FOR A RETIREMENT VILLAGE - AMENDMENT TO INCLUDE BUILDINGS AND WORKS ASSOCIATED WITH DRAINAGE INFRASTRUCTURE</p>	<p>Councillors Attending: Crs McEwen, Harding, Brunt, Newton and Hutchinson-Brooks.</p> <p>Conflict of Interest: Cr Hutchinson-Brooks left the meeting due to a declared conflict of interest.</p> <p>Matters Discussed: Objection to a planning matter presented to Councillors.</p>	
Wednesday 17 August 2016		
<p>Local Government Act Reforms Directions Paper: Proposed submission response</p>	<p>Councillors Attending: Crs Fawcett, Harding, McEwen, Brunt and Newton.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p>	<p>Councillors were provided information on an overview of proposed responses to key sections of the Directions Paper for discussion.</p>

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 17 August 2016		
Ordinary Council Agenda Topic Discussion 24 August 2016	<p>Councillors Attending: Crs Fawcett, Harding, McEwen, Brunt and Hutchinson-Brooks.</p> <p>Conflict of Interest: Jan Martin, Director Corporate and Community Services has an indirect conflict of interest with Council Agenda Item E.1 2016/17 LAND SALES PROGRAM – CONSIDER AND DETERMINE SUBMISSIONS – STRATEGIC REVIEW OF LANDHOLDINGS PROJECT – property number 3 – 5 Sloan Avenue, Leongatha by way of conflicting duty (Local Government Act 1989, Section 77A(3)(c)) as she is a Board member of the Gippsland Southern Health Service.</p> <p>Paul Stampton, Manager Planning has an indirect conflict of interest with Council Agenda Item E.7 PLANNING APPLICATION 2015/398 - BAYSIDE DRIVE WALKERVILLE - DEVELOPMENT OF THE LAND FOR ROADWORKS AND CAR PARKING, SEA WALL AUGMENTATION, NATIVE VEGETATION REMOVAL AND WORKS IN HERITAGE OVERLAY by way of conflicting duty (Local Government Act 1989, Section 77A(3)(c)) as he is a member of the Walkerville Foreshore Committee of Management.</p> <p>A staff member, has an indirect conflict of interest with Council Agenda Closed Item 3 MATTER THAT COUNCIL THAT COUNCIL CONSIDERS WOULD PREJUDICE THE COUNCIL OR ANY PERSONS by way of indirect financial interest (Local Government Act 1989, Section 77A(3)(b)).</p> <p>Councillors Hutchinson-Brooks and Fawcett left the Meeting with declared conflict of interests when Council Agenda Item E6 was discussed.</p> <p>Councillor Nigel Hutchinson-Brooks declared an indirect conflict of interest by close association in Council Reports - E.6 PLANNING APPLICATION 2006/79/J - 1 DALE DRIVE LEONGATHA - USE AND DEVELOPMENT OF THE LAND FOR A RETIREMENT VILLAGE - AMENDMENT TO INCLUDE BUILDINGS AND WORKS ASSOCIATED WITH DRAINAGE INFRASTRUCTURE, as a firm of lawyers representing a party in this matter is retained by a company of which he is a Director.</p> <p>Councillor James Fawcett declared an indirect conflict of interest in Council Reports - E.6 PLANNING APPLICATION 2006/79/J - 1 DALE DRIVE LEONGATHA - USE AND DEVELOPMENT OF THE LAND FOR A RETIREMENT VILLAGE - AMENDMENT TO INCLUDE BUILDINGS AND WORKS ASSOCIATED WITH DRAINAGE INFRASTRUCTURE, as he has a conflicting duty as his Accounting firm acts for one of the objectors.</p> <p>Matters Discussed: Councillors discussed matters relating to Council agenda items for the Ordinary Council Meeting 24 August 2016.</p>	

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 17 August 2016		
Mossvale Park – Establishment of an Event Management Framework	<p>Councillors Attending: Crs Fawcett, Harding, Newton, Brunt and Hutchinson-Brooks, Hill and McEwen.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed: Councillors were provided information on the history of uses and events at Mossvale Park and the problems experienced. Councillors provided comment on the proposal to establish an Event Management Framework for the Park.</p>	
Ordinary Council Agenda Topic Discussion 24 August 2016	<p>Councillors Attending: Crs Newton, Brunt and Hutchinson-Brooks, McEwen and Hill.</p> <p>Conflict of Interest: as above.</p> <p>Matters Discussed: Councillors discussed matters relating to Council agenda items for the Ordinary Council Meeting 24 August 2016.</p>	
Executive Update	<p>Councillors Attending: Crs Fawcett, Harding, Brunt, Newton, Hutchinson-Brooks and Hill.</p> <p>Conflict of Interest: nil disclosed.</p> <p>Matters Discussed:</p> <ul style="list-style-type: none"> • Responses to Valuations and Rates Enquiries • Home and Community Care Service • Waste Service extension questions raised • Long Jetty update 	

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 17 August 2016		
2015/16 Roadside Weed Management Program	Councillors Attending: Crs Fawcett, Harding, Brunt, Newton, Hutchinson-Brooks and Hill.	
OPEN SESSION	Conflict of Interest: nil disclosed.	
	Matters Discussed: Councillors were provided an update on the 2015/16 Roadside Weed Management Program and the planned Program for 2016/17.	
Public Presentation	Councillors Attending: Crs Fawcett, Harding, McEwen, Brunt, Newton, Hutchinson-Brooks, Hill	
OPEN SESSION	Conflict of Interest: nil disclosed.	
<p>Presentations were made to Council by the following community members:</p> <p>Ron Brown, regarding Logging at Turtons Creek.</p> <p>Glen Kell, representing Planning Central regarding Council Agenda item E.8 BENA ROAD DEVELOPMENT PLAN – 82 LOT RESIDENTIAL SUBDIVISION.</p> <p>Craig Watson and Paul Hoffman, representing Venus Bay Surf Lifesaving Club regarding an update of Club events.</p> <p>Paul Norton, regarding safety concerns for pedestrian crossings in respect of the Leongatha Alternate Route.</p> <p>David Armor, regarding Council Agenda 27 July 2016 – Item E.1 Councillors Code of Conducts, the CEO’s pay rise and closed sessions of Council.</p> <p>Don Atkins, regarding Council Agenda item E.7 PLANNING APPLICATION 2015/398 – BAYSIDE DRIVE WALKERVILLE DEVELOPMENT.</p> <p>Jeremy Rich, regarding Council Agenda item E.7 PLANNING APPLICATION 2015/398 – BAYSIDE DRIVE WALKERVILLE DEVELOPMENT.</p> <p>Allen Buck, regarding Council Agenda item E.7 PLANNING APPLICATION 2015/398 – BAYSIDE DRIVE WALKERVILLE DEVELOPMENT.</p> <p>Bill Bray and Isley Sutherland, representing the Walkerville Foreshore Committee regarding Council Agenda item E.7 PLANNING APPLICATION 2015/398 – BAYSIDE DRIVE WALKERVILLE DEVELOPMENT.</p>		

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 24 August 2016		
<p>Ordinary Council Agenda Topic Discussion 24 August 2016</p>	<p>Councillors Attending: Crs Fawcett, McEwen, Harding, Brunt, Newton, Davies and Kennedy.</p> <p>Conflict of Interest: Jan Martin, Director Corporate and Community Services has an indirect conflict of interest with Council Agenda Item E.1 2016/17 LAND SALES PROGRAM – CONSIDER AND DETERMINE SUBMISSIONS – STRATEGIC REVIEW OF LANDHOLDINGS PROJECT – property number 3 – 5 Sloan Avenue, Leongatha by way of conflicting duty (Local Government Act 1989, Section 77A(3)(c)) as she is a Board member of the Gippsland Southern Health Service. Paul Stampton, Manager Planning has an indirect conflict of interest with Council Agenda Item E.7 PLANNING APPLICATION 2015/398 - BAYSIDE DRIVE WALKERVILLE - DEVELOPMENT OF THE LAND FOR ROADWORKS AND CAR PARKING, SEA WALL AUGMENTATION, NATIVE VEGETATION REMOVAL AND WORKS IN HERITAGE OVERLAY by way of conflicting duty (Local Government Act 1989, Section 77A(3)(c)) as he is a member of the Walkerville Foreshore Committee of Management. A staff member, has an indirect conflict of interest with Council Agenda Closed Item 3 MATTER THAT COUNCIL THAT COUNCIL CONSIDERS WOULD PREJUDICE THE COUNCIL OR ANY PERSONS by way of indirect financial interest (Local Government Act 1989, Section 77A(3)(b)). Councillor Fawcett left the Meeting with a declared conflict of interests when Council Agenda Item E6 was discussed. Councillor James Fawcett declared an indirect conflict of interest in Council Reports - E.6 PLANNING APPLICATION 2006/79/J - 1 DALE DRIVE LEONGATHA - USE AND DEVELOPMENT OF THE LAND FOR A RETIREMENT VILLAGE - AMENDMENT TO INCLUDE BUILDINGS AND WORKS ASSOCIATED WITH DRAINAGE INFRASTRUCTURE, as he has a conflicting duty as his Accounting firm acts for one of the objectors.</p>	<p>Matters Discussed: Councillors discussed matters relating to Council agenda items for the Ordinary Council Meeting 24 August 2016.</p>

Meeting Title	Councillors Attending and Disclosures of Conflict of Interest	Topics Discussed
Wednesday 24 August 2016		
<p>Public Presentation</p> <p>OPEN SESSION</p>	<p>Councillors Attending:</p> <p>Crs Fawcett, McEwen, Brunt, Newton, Davies, Kennedy and Harding.</p> <p>Conflict of Interest: nil disclosed.</p>	
<p>Presentations were made to Council by the following community members:</p> <p>Jeremy Rich, regarding Council Agenda item E.14 SOUTH GIPPSLAND BRANDING REVIEW REPORT.</p> <p>Bill Bray, representing the Walkerville Foreshore Committee regarding Council Agenda item E.7 PLANNING APPLICATION 2015/398 – BAYSIDE DRIVE WALKERVILLE DEVELOPMENT.</p>		
<p>Ordinary Council Agenda Topic Discussion 24 August 2016</p>	<p>Councillors Attending:</p> <p>Crs Fawcett, McEwen, Harding Brunt, Newton, Davies, Kennedy and Hill.</p> <p>Conflict of Interest: as above.</p> <p>Matters Discussed:</p> <p>Councillors discussed matters relating to Council agenda items for the Ordinary Council Meeting 24 August 2016.</p>	

RECOMMENDATION

That Council:

1. Receive and note this report; and
2. Make confidential pursuant to section 77(2)(b) of the Local Government Act 1989 (Act) all matters considered by the Planning Briefing at its meeting held on Wednesday 3 August 2016 on the basis that the meeting discussed:
 - a. proposed developments section 89(2)(e) of the Act; and
 - b. matters which the Council considers would prejudice the Council or any person section 89(2)(h) of the Act,

until such time as the Council's Chief Executive Officer determines to include an individual matter on an Agenda for an Ordinary or Special Meeting of Council, or when required to undertake a statutory obligation, and this confidentiality then ceases to apply only to that individual matter.

3. Make confidential pursuant to section 77(2)(b) of the Local Government Act 1989 (Act) all matters considered by the Economic Development & Tourism Steering Committee at its meeting held on Wednesday 3 August 2016 on the basis that the meeting discussed:
 - a. proposed developments section 89(2)(e) of the Act; and
 - b. matters which the Council considers would prejudice the Council or any person section 89(2)(h) of the Act,

until such time as the Council's Chief Executive Officer determines to include an individual matter on an Agenda for an Ordinary or Special Meeting of Council, or when required to undertake a statutory obligation, and this confidentiality then ceases to apply only to that individual matter.

NOTE: The recommendation was CARRIED UNANIMOUSLY as part of a single motion, refer to page 11.

CHIEF EXECUTIVE OFFICER CERTIFICATION (LOCAL GOVERNMENT ACT 1989, SECTION 55D)

The Acting Chief Executive Officer certifies that the content within the Council Report item D.3 DOCUMENTS SEALED AND CONTRACTS AWARDED, VARIED OR EXTENDED BY THE CHIEF EXECUTIVE OFFICER - 23 JULY TO 26 AUGUST 2016 has been checked to ensure it does not contain electoral material and complies with section 93A and 93B of the Local Government Act 1989 and Council's Election Period Policy 2016 (C30) pertaining to the 'Caretaker Period'. This certification is in accordance with section 55D(1).



Bryan Sword
Acting Chief Executive Officer

D.3 DOCUMENTS SEALED AND CONTRACTS AWARDED, VARIED OR EXTENDED BY THE CHIEF EXECUTIVE OFFICER - 23 JULY TO 26 AUGUST 2016

Corporate and Community Services

STAFF DISCLOSURE OF INTEREST

Nil

EXECUTIVE SUMMARY

This document reports to Council the following actions undertaken by the Chief Executive Officer (CEO) which occurred during the period from 23 July to 26 August 2016, as required by the Council's Instrument of Delegation to the Chief Executive Officer and Procurement Policy:

- Documents sealed;
- Contracts awarded after a public tender process within the CEO's delegation; and
- Contracts varied or extended by the CEO which exceeded the CEO's delegation.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

- Local Government Act 1989 - section 5 and 186 (the Act)
- Local Law No. 3 2010 Processes of Municipal Government (Meeting Procedures and Common Seal)
- South Gippsland Shire Council Procurement Policy

- South Gippsland Shire Council Instrument of Delegation to the Chief Executive Officer – 17 December 2015

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

Under the Act, each Council is a body corporate and a legal entity in its own right. Each Council must have a common seal 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 may include agreements, contracts, leases or any other contractual or legally binding document that binds Council to another party.

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.’ Council’s Instrument of Delegation to the CEO also delegates to the CEO the power to ‘use the Common Seal of Council subject to that use being reported to Council.

In accordance with the Local Law and Instrument of Delegation, the following are presented to Council as documents sealed during the period from 23 July to 26 August 2016.

1. Contract CON/105-Q Annual Supply - Plant Hire and Cartage Contractors between South Gippsland Shire and Sherrin Rentals Pty Ltd - Seal Applied 28 July 2016;
2. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of Lot 2 – 270 Sheens Road, Mirboo North – Seal Applied 28 July 2016.
3. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of 6A Gilfedder Terrace, Mirboo North – Seal Applied 15 August 2016.

4. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of Roberts Lane, Leongatha - Seal Applied 15 August 2016.
5. section 173 Planning and Environment Act 1987 Agreement between South Gippsland Shire Council and the owner of 6 Williamson Street, Fish Creek in relation to subdivision (4 lot) Amend S173 Agreement – Seal Applied 15 August 2016.
6. section 173 Planning and Environment Act 1987 Agreement between South Gippsland Shire Council and the owner of 195 Demerlos Pitt Road, Tarwin Lower in relation to native vegetation offset for Bald Hills Wind Farm – Seal Applied 16 August 2016.
7. Contract CON/105-I Annual Supply - Plant Hire and Cartage Contractors between South Gippsland Shire and Coates Hire Operations Pty Ltd - Seal Applied 9 August 2016.
8. section 173 Planning and Environment Act 1987 Agreement between South Gippsland Shire Council and the owner of 13-15 Ryans Rise, Sandy Point in relation to the development of a single dwelling – Seal Applied 22 August 2016.

Due to an administrative oversight a number of uses of the Common Seal made prior to the period covered by this report were not reported to Council. They are noted below to rectify the oversight.

1. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of 6 Attenborough Court, Poowong - Seal Applied 3 December 2015.
2. Transfer of Lease – Telecommunications Tower, Yanakie – Seal Applied 10 May 2016.
3. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of 22 Burchell Lane, Mirboo North - Seal Applied 11 July 2015.
4. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of Lot 1 Roberts Lane, Leongatha - Seal Applied 21 July 2015.
5. section 45 Transfer of Land Act 1958 Execution between South Gippsland Shire Council and the Transferees of Lot 2 Roberts Lane, Leongatha - Seal Applied 21 July 2015.

Contracts awarded after a public tender process within the CEO's delegation

The CEO's delegation from Council allows the CEO to award contracts up to the value of \$250,000 (inclusive of GST), with the exception of:

- Annual WorkCover and Council insurance premiums; and
- Any other contract which complies with Council's Procurement Policy and falls within the allocation in the Council adopted Annual Budget which exceeds the value of \$250,000 (inclusive of GST).

Council's Procurement Policy requires recording in the Council Minutes all contracts over the statutory threshold set out in the Act (\$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, the successful tenderer, contract length and the total contract price.

Further, Council's Procurement Policy requires 'that Council will not disclose information about procurements below the statutory thresholds, however, to ensure compliance with Council's Procurement Policy, it will be noted in this report that a contract awarded below the statutory threshold has been entered into following a public tender.

There were no contracts awarded between 23 July and 26 August 2016 under the CEO's financial delegation of \$250,000 (inclusive of GST) following a public tender.

In addition, Council resolved on 24 August 2016 to delegate to the CEO the power to award works contracts specified in the resolution, subject to the preferred tenders being within budget and that Council receive a report detailing the contracts awarded.

There were no contracts awarded between 25 August and 26 August 2016 that were specified in the 24 August 2016 resolution.

Contract variations approved by the CEO

Council's Procurement Policy authorises the CEO to approve any necessary variations to a contract which exceeds the CEO's delegation, to allow the proper fulfilment of the contract and to ensure delays to key projects are avoided, following consultation with the Mayor and subject to this variation being reported to the next practicable Council Meeting.

The following variations were approved between 23 July and 26 August 2016:

1. CON/104 Supply and Implementation of a SaaS Financial Solution, Variation No. 1 Project change of the Automation of file based integration and Third Party file exports. Total variation cost \$15,125.00 (including GST) approved on 25 July 2016.

Due to an administrative oversight a number of contract variations approved prior to the period covered by this report were not reported to Council. They are noted below:

1. CON/81 Construction of Cell 4 Koonwarra Landfill – Variation No. 2 Additional bulk excavation volume and compacted clay liner - \$146,312.89 (excluding GST) approved 2 March 2016;
2. CON/81 Construction of Cell 4 Koonwarra Landfill – Variation No. 3 Excavation, removal and shaping of southern batter - \$58,070.00 (excluding GST) approved 7 March 2016;
3. CON/73 Construction of the Karmai Community Children’s Centre Korumburra – Variation No. 4 Construction of additional Carpark - \$98,413.70 (excluding GST) approved 8 April 2016;
4. CON/81 Construction of Cell 4 Koonwarra Landfill – Variation No. 6 Repair works to the existing HDPE Geomembrane Liner at Cells 3 / 4 interface - \$18,853.49 (excluding GST) approved 3 May 2016;
5. CON/81 Construction of Cell 4 Koonwarra Landfill – Variation No. 7 Inclement weather stand down of Fabtech lining Crew and Repairs - \$87,977.62 (excluding GST) approved 15 June 2016; and
6. CON/73 Construction of the Karmai Community Children’s Centre Korumburra – Variation No. 6 Additional Electrical and Construction works - \$19,107.10 (excluding GST) 24 June 2016.

Contract extensions approved by the CEO

Council’s Procurement Policy authorises the CEO to enter into any contract extensions subject to the satisfactory performance of the contractor and the extension being reported to Council for any contracts which in total exceeds the CEO's delegation.

There were no contract extensions approved by the CEO for any contracts which in total exceeded the CEO's delegation during the period 23 July to 26 August 2016.

RECOMMENDATION

That Council receive and note this report.

NOTE: The recommendation was CARRIED UNANIMOUSLY as part of a single motion, refer to page 11.

SECTION E - COUNCIL REPORTS

CHIEF EXECUTIVE OFFICER CERTIFICATION (LOCAL GOVERNMENT ACT 1989, SECTION 55D)

The Acting Chief Executive Officer certifies that the content within the Council Report item E.1 DRAFT 2015/16 ANNUAL REPORT - REPORT OF OPERATIONS has been checked to ensure it does not contain electoral material and complies with section 93A and 93B of the Local Government Act 1989 and Council's Election Period Policy 2016 (C30) pertaining to the 'Caretaker Period'. This certification is in accordance with section 55D(1).



Bryan Sword
Acting Chief Executive Officer

E.1 DRAFT 2015/16 ANNUAL REPORT - REPORT OF OPERATIONS

Corporate and Community Services

STAFF DISCLOSURE OF INTEREST

Nil

EXECUTIVE SUMMARY

Council is required to complete an Annual Report of Operations (Report of Operations) for the 2015/16 financial year and this is presented to Council for endorsement. The Report of Operations is to be combined with the audited Performance Statement and the Financial Statements to form the 2015/16 Annual Report. The Annual Report is to be submitted to the Minister of Local Government by 30 September 2016.

The Performance Statement and Financial Statements are subject to audit by the Auditor General and are submitted to Council in a separate report.

Once all reports are approved in principle, the final Annual Report will then be advertised through a public notice and made available for public inspection for a two week period, prior to being presented at a Special Meeting of Council for final adoption on 19 October 2016.

Document/s pertaining to this Council Report

- **Appendix 1 - 2015/16 Annual Report (Report of Operations)**

A copy of **Appendix 1 - 2015/16 Annual Report** is available on Council's website as part of the Council Meeting Agenda:
www.southgippsland.vic.gov.au or by contacting 5662 9200.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

- The Local Government Act 1989, section 131 - Annual Report
- Local Government (Planning and Reporting) Regulations 2014
- Local Government Better Practice Guide 2015/16 - Report of Operations Workbook
- Local Government Better Practice Guide 2015/16 - Performance Reporting Framework Indicator Workbook, Version 2
- South Gippsland Shire Council - Annual Budget 2016/17
- South Gippsland Shire Council - Council Plan 2013-2017

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.

CONSULTATION

Council Departments have contributed to the information contained in the Report of Operations and the Local Government Performance Reporting Framework (LGPRF) indicators. This information has been validated by Coordinators, Managers and their Directors.

The Executive Leadership Team has reviewed the documents and provided comment on minor adjustments. These have been incorporated into the report.

The Report of Operations and the Performance Statement were presented to the Audit Committee on 12 September 2016.

REPORT

The Local Government Act 1989, section 131(6) requires Council to prepare an Annual Report that provides a succinct end-of-year summary of Council's performance.

The required structure of the Annual Report has changed compared to previous years. The report now starts with a snapshot of Council's highlights and achievements against each Strategic Objective, with the intention of engaging readers. A timeline to demonstrate the achievements of Council over the past four years has also been included.

This is followed by four main sections:

- Overview
- Reporting (against Council Plan and Strategic Objectives)
- Governance
- Performance (Audited Performance Statement Indicators and Financial Statement)

The Report of Operations section abides by the 2015/16 Better Practice Guides – Report of Operations that is set by Local Government Victoria. These guidelines set the context of the report and the performance data requirements for all Victorian councils.

Council's LGPRF indicators and results are presented under each Strategic Objective in Section 2 – Reporting, under the heading 'Service Performance Indicators' (refer to **Appendix 1**). These indicators are compared against the 2014/15 results. Some of these indicators are also included in the Performance Statement and are audited by the Auditor General's office.

Some indicators for 2014/15 have been changed to reflect new reporting requirements and/or system changes. Local Government Victoria has allowed all Councils to update previous results to reflect these changes so that year-on-year comparisons are accurately presented on the "Know Your Council" website.

The Local Government Act 1989 requires Council's Annual Report to be presented to the Minister for Local Government by close of business on 30 September.

FINANCIAL CONSIDERATIONS

Costs associated with the publication of the Annual Report are covered within approved budget allocations. The Annual Report is developed in-house, with limited printing to keep the costs of publishing and printing as low as possible.

RISKS

Completion of the Report of Operations and subsequent Annual Report is an annual legislative requirement of Council. To not complete the Annual Report and not submit it to the Minister for Local Government by 30 September 2016 would be a breach of section 131 (Annual Report) of the Local Government Act 1989.

CONCLUSION

The Report of Operations, Performance Statement and Financial Statements are presented to Council for approval in principle.

Once approved in principle they will be combined into one report for the Minister. The full Annual Report will then be advertised through a public notice and made available to the public for a two week period, prior to being presented at a Special Meeting of Council for final adoption on 19 October 2016.

The adopted Annual Report is made publicly available on Council's website and copies are placed in local libraries and at the Council office.

RECOMMENDATION

That Council:

1. Approve in Principle the 2015/16 Annual Report (Report of Operations) contained in Appendix 1;
2. Upon receipt of the certified Performance Statement and Financial Statements, combine these documents with the Report of Operations into the 2015/16 Annual Report;
3. Send a copy of the 2015/16 Annual Report to the Minister for Local Government by 30 September 2016;
4. Advertise the preparation of the Annual Report through a public notice and make it available for public inspection at the Council Offices 9 Smith Street Leongatha and on Council's website, for a two week period prior to Special Meeting on 19 October 2016 at 11.00am; and
5. Consider the 2015/16 Annual Report at a Special Meeting of Council on 19 October 2016 for final adoption.

MOVED: Cr Fawcett

SECONDED: Cr Davies

THAT COUNCIL:

- 1. APPROVE IN PRINCIPLE THE 2015/16 ANNUAL REPORT (REPORT OF OPERATIONS) CONTAINED IN APPENDIX 1;**
- 2. UPON RECEIPT OF THE CERTIFIED PERFORMANCE STATEMENT AND FINANCIAL STATEMENTS, COMBINE THESE DOCUMENTS WITH THE REPORT OF OPERATIONS INTO THE 2015/16 ANNUAL REPORT;**
- 3. SEND A COPY OF THE 2015/16 ANNUAL REPORT TO THE MINISTER FOR LOCAL GOVERNMENT BY 30 SEPTEMBER 2016;**
- 4. ADVERTISE THE PREPARATION OF THE ANNUAL REPORT THROUGH A PUBLIC NOTICE AND MAKE IT AVAILABLE FOR PUBLIC INSPECTION AT THE COUNCIL OFFICES 9 SMITH STREET LEONGATHA AND ON COUNCIL'S WEBSITE, FOR A TWO WEEK PERIOD PRIOR TO SPECIAL MEETING ON 19 OCTOBER 2016 AT 11.00AM; AND**
- 5. CONSIDER THE 2015/16 ANNUAL REPORT AT A SPECIAL MEETING OF COUNCIL ON 19 OCTOBER 2016 FOR FINAL ADOPTION.**

CARRIED UNANIMOUSLY

CHIEF EXECUTIVE OFFICER CERTIFICATION (LOCAL GOVERNMENT ACT 1989, SECTION 55D)

The Acting Chief Executive Officer certifies that the content within the Council Report item E.2 UNAUDITED FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT 2015/16 has been checked to ensure it does not contain electoral material and complies with section 93A and 93B of the Local Government Act 1989 and Council's Election Period Policy 2016 (C30) pertaining to the 'Caretaker Period'. This certification is in accordance with section 55D(1).



Bryan Sword
Acting Chief Executive Officer

E.2 UNAUDITED FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT 2015/16

Corporate & Community Services Directorate

STAFF DISCLOSURE OF INTEREST

Nil

EXECUTIVE SUMMARY

The unaudited Financial Statements and Performance Statement for 2015/16 are presented to Council:

1. to seek 'in-principle' approval of the Statements; and
2. to seek a resolution of Council authorising the two Councillor representatives on the South Gippsland Shire Council Audit Committee to certify the Statements following audit completion.

The complete draft Financial Statements and Performance Statement for 2015/16 have been distributed separately to the Agenda as **Appendix 1 and Appendix 2**.

Document pertaining to this Council Report

- **Appendix 1** – Draft Financial Statements for Year Ended 2016
- **Appendix 2** - Draft Performance Statement

A copy of **Appendix 1 and 2** is available on Council's website: www.southgippsland.vic.gov.au or by contacting 5662 9200.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

- The Local Government Act 1989, section 131 Annual Report
-

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

- South Gippsland Shire Council Annual Budget 2015/16
- South Gippsland Shire Council Plan 2013-2017
- Long Term Financial Strategies

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation
Objective:	4.1	Improve the financial sustainability of Council, including diversifying revenue streams.
Strategy:	4.1.1	We will explore innovative ways of increasing revenue and reducing expenditure.

REPORT

Background

Pursuant to section 133 (1) of the Local Government Act (“the Act”), the Annual Report of Council must be submitted to the Minister by the end of September. Under section 131 (2) of the Act the audited Financial Statements and Performance Statement, including the Auditor’s report on both Statements, are to form part of the Annual Report. This requires the completion and audit of the Statements early to mid-September to allow sufficient time for inclusion into the Annual Report.

Under section 132 (2) of the Act Council must approve “in principle” the draft Financial Statements and Performance Statement prior to formally submitting the accounts for audit. Due to of the timing restrictions noted above and the requirements of the Auditor General, it is standard practice to complete audits prior to Council approving the draft Statements.

A meeting of the Audit Committee was held on 12 September 2016 which included reviewing the draft Statements, the Final Management Letter and Closing Report 2015/16 with Council’s auditors.

As Council’s approval is only “in-principle”, based on the draft Financial Statements and Performance Statement, opportunities for changes to the Statements may arise, particularly after final review by the Victoria Auditor General’s Office. To cover such changes, section 132 (5) requires Council to appoint two Councillors to certify the Statements following any amendments that may arise after finalisation of the audit.

Financial Statements

There is a strong correlation between the Long Term Financial Plan, the Annual Budget and the actual results that are disclosed in the Financial Statements. Annual budgets are set within a strategic 15 year forward

financial planning framework. The actual financial performance achieved is also monitored within the context of the 15 year financial framework.

2015/16 The Highlights

Comprehensive Income Statement (Profit & Loss)	2014/15 \$000's	2015/16 \$000's
Total Revenue	66,353	63,181
Total Expenses	(56,370)	(58,947)
Surplus (Deficit)	9,983	4,234
Net asset revaluation increment	Nil	29,555
Comprehensive result	9,983	33,789

Balance Sheet	2014/15 \$000	2015/16 \$000
Current Assets	24,141	22,872
Current Liabilities	8,928	9,527
Working Capital Ratio	2.70:1	2.40:1
Non-current Assets	488,788	524,762
Non-current Liabilities	4,614	4,931
Net Assets/Total Equity	499,387	533,176

Statement of Changes in Equity	2014/15 \$000's	2015/16 \$000's
Balance at beginning of financial year	489,404	499,387
Surplus / (deficit) for the year	9,983	4,234
Net Asset revaluation increment (decrement)	Nil	29,555
Balance at end of financial year	499,387	533,176

Cash Flow Statement	2014/15 \$000	2015/16 \$000
Net cash inflows from operating activities	18,539	14,888
Net cash outflows from investing activities	(21,418)	(20,234)
Net cash outflows from financing activities	(127)	(142)
Net increase (decrease) in cash held	(3,006)	(5,488)
Cash at the beginning of the year	11,425	8,419
Cash at the end of the year	8,419	2,931

Comprehensive Income Statement

The Comprehensive Income Statement result is \$33.79 million surplus (previous year \$9.98 million). The comprehensive result includes asset revaluation increments and decrements. The 2015/16 year's revaluation increment was \$29.56 million and predominantly related to bridges, footpaths and kerb and channel assets. There was no revaluation of assets in 2014/15.

The Surplus / Deficit outcome for 2015/16 was \$4.23 million surplus. This surplus compares unfavourably to the prior year surplus of \$9.98 million. The unfavourable variance is mainly due to the Australian Accounting Standard requirement to recognise \$4.27 million Victoria Grants Commission allocation for 2015/16 as income in 2014/15 because it was received in advance.

Balance Sheet

The Balance Sheet shows an overall strengthened position, as a result of the comprehensive surplus result achieved for the financial year.

The working capital ratio of 2.40 to 1 is weaker than the previous year's ratio of 2.70 to 1. This is mainly due to the previous 2014/15 working capital ratio being technically strengthened by recognising \$4.27 million Victoria Grants Commission allocation for 2015/16 as income in 2014/15 because it was received in advance.

Statement of Changes in Equity

The total changes in equity for the 2015/16 year is a \$33.79 million increase, reflecting the surplus from the Comprehensive Income Statement for the financial year. The total changes in equity for the previous 2014/15 year was a \$9.98 million increase. The 2015/16 outcome included a \$4.23 million operating surplus as well as a \$29.56 million asset revaluation increment adjustment

It is important not to take the financial implications of revaluation increments out of context. Revaluations are conducted periodically to ensure that the current replacement costs of assets are reflected in the Balance Sheet. Generally speaking these costs increase rather than decrease over the years, which typically have a material financial impact on the equity position of Council. These costs are largely uncontrollable. They cannot be directly performance managed and as a rule, tend to be financially favourable.

Any positive effect of the revaluation of non-current assets is ultimately reflected both in the Balance Sheet and Statement of Changes in Equity.

This favourable financial outcome does however put increased pressure on future operating results. The reason being, increased replacement costs of assets tend to translate into increased depreciation costs in future financial years. Depreciation is an expense item in the Comprehensive Income Statement.

All non-current assets have a limited useful life (they wear out over a period of time) therefore these costs have to be shown in the Comprehensive Income Statement as depreciation charges. Depreciation reflects the consumption of the service potential embodied in non-current assets in a given year. If the replacement value of an asset is increased due to periodic revaluations, so too will the annual depreciation costs associated with those assets increase.

Estimates of remaining useful lives are reassessed annually which impact the depreciation charges. Several asset categories' assets lives were increased as part of this process which in turn lessened the depreciation cost impact.

Although the depreciation costs in the Comprehensive Income Statement is a 'book entry' as opposed to a direct 'cash' cost, it is a real cost that reflects the value of consumption or deterioration of non-current assets that the Shire owns or controls over a 12-month period.

Cash Flow Statement

The Cash Flow Statement shows the movement of cash from operating activities (recurrent income and expenses), investing activities (payments and proceeds associated with non current assets) and financing activities (new borrowings and repayments of principal). The cash position (\$2.93 million) of the Shire has decreased relative to that of the previous year (\$8.42 million).

The significant reduction of the cash position was predominantly impacted by reclassifying some 'cash assets' from 'cash and cash equivalents' to 'other financial assets' to reflect changes in maturity profiles of those assets. Any 'cash type asset' investments that have maturity profiles greater than 90 days have to be classified as 'other financial assets'.

When both 'cash and cash equivalent' and 'other financial assets' are combined, the variation between 2015/16 and 2014/15 is \$1.48 million (\$18.25 million in 2015/16 and \$19.73 million in 2014/15).

The liquidity situation of the Council is normally assessed in conjunction with the working capital ratio, which assesses the Council's ability to meet current commitments. The working capital ratio of 2.40 to 1 (current assets to current liabilities) is also marginally weaker than the previous year (2.70 to 1). As discussed above, this is mainly due to the previous 2014/15 working capital ratio being technically strengthened by recognising \$4.27 million Victoria Grants Commission allocation for 2015/16 as income in 2014/15 because it was received in advance.

Performance Statement

The Performance Statement provided in Appendix 2 is in line with the required format and content. The audited Local Government Performance Reporting Framework indicators are incorporated for the second year. The indicators provide a comparison to the 2014/15 financial year results. These indicators will be up-loaded to the 'Know Your Council' website managed by the State Government for each Council.

The Financial Statements and the Performance Statement will be combined with the Annual Report of Operations, once the two statements have been certified.

The Performance Statement includes material variation comments for a number of the financial and non-financial indicators, particularly those that are outside the normal range established by the State Government, or where VAGO has indicated that a comment would be beneficial to assist the reader. Material variation comments are also included where a variance is + or – 5% compared to 2014/15. Some indicators for 2014/15 have been changed to reflect new reporting requirements and/or system changes. Local Government Victoria has allowed all Councils to update previous results to reflect these changes so that year on year comparisons are accurately presented.

CONCLUSION

The Financial and Performance Statements for the 2015/16 financial year, present fairly the financial performance and position of the Council for the financial year.

It is recommended that Council approve the Statements "in principle", which will then be submitted to the Auditor General for further review.

RECOMMENDATION

That Council:

1. Approve “in principle” the draft Annual Financial Statements and the draft Performance Statement for the year ended 30 June 2016;
2. Authorise Councillors Robert Newton and Lorraine Brunt to certify the Financial Statements, and Performance Statement on behalf of Council, once the audit has been finalised; and
3. Send the draft Annual Financial Statements and the draft Performance Statement for the year ended 30 June 2016 to the Auditor General for certification.

MOVED: Cr Fawcett

SECONDED: Cr Davies

THAT COUNCIL:

1. **APPROVE “IN PRINCIPLE” THE DRAFT ANNUAL FINANCIAL STATEMENTS AND THE DRAFT PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016;**
2. **AUTHORISE COUNCILLORS ROBERT NEWTON AND LORRAINE BRUNT TO CERTIFY THE FINANCIAL STATEMENTS, AND PERFORMANCE STATEMENT ON BEHALF OF COUNCIL, ONCE THE AUDIT HAS BEEN FINALISED; AND**
3. **SEND THE DRAFT ANNUAL FINANCIAL STATEMENTS AND THE DRAFT PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016 TO THE AUDITOR GENERAL FOR CERTIFICATION.**

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 Councillor ...be 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.

During the Caretaker Period including Wed 21 September through to Sat 22 October 2016, Council are required under the Local Government Act 1989 to ensure that Council resources/forums are not used to raise or promote matters that may be considered electoral material during the Caretaker Period. In order to satisfy this requirement any Urgent or other Business received should be referred to the CEO for consideration and determination under section 93A and 93B of the Local Government Act 1989 prior to being accepted at the Council Meeting.

Nil

SECTION G – GENERAL QUESTION TIME

G.1 QUESTION TIME

During the Caretaker Period including Wed 21 September through to Sat 22 October 2016, Council are required under the Local Government Act 1989 to ensure that Council resources/forums are not used to raise or promote matters that may be considered electoral material during the Caretaker Period. In order to satisfy this requirement Council will not allow questions in the Council Meeting, questions may be put in writing to the CEO.

Nil

G.2 ANSWERS TO PREVIOUS QUESTIONS ON NOTICE

Nil

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.

Nil

SECTION H - MEETING CLOSED

NEXT MEETING

The next Special Meeting of Council open to the public will be held on Wednesday, 19 October 2016 commencing at 11.00am in the Council Chambers, Leongatha.

The Meeting closed at 2.17pm.

CONFIRMED:.....

MAYOR

Date:.....