

Minutes

Special Meeting of Council

Tallangatta Council Office

Tuesday 15 May 2018

MINUTES OF THE SPECIAL MEETING OF COUNCIL HELD AT TOWONG SHIRE COUNCIL, TALLANGATTA OFFICE ON TUESDAY 15 MAY 2018 COMMENCING AT 3.00 PM.

Commonly used acronyms

ABBREVIATION	TITLE
Council Officers	
CAE	Civil Asset Engineer
CEO	Chief Executive Officer
DCCS	Director Community and Corporate Services
DTS	Director Technical Services
EA	Executive Assistant
MCS	Manager Community Services
MED	Manager Economic Development
Government/Organisation	
ACSUM	Alliance of Councils and Shires of the Upper Murray
CHS	Corryong Health Service (formerly Upper Murray Health and Community Services)
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DELWP	Department of Environment, Land, Water and Planning
GMW	Goulburn Murray Water
HRGLN	Hume Region Local Government Network
MAV	Municipal Association of Victoria
NECMA	North East Catchment Management Authority
NEW	North East Water
NEWRRG	North East Waste and Resource Recovery Group
RCV	Rural Councils Victoria
RDA	Regional Development Australia
RDV	Regional Development Victoria
THS	Tallangatta Health Service

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1 Opening Prayer

"Almighty God, we ask that you be present at this meeting to assist us in our service to the Community through Local Government.

We pray that our decisions will be wise and taken with goodwill and clear conscience.

Amen."

2 Councillor and Officer presence at the meeting

Present: Crs Scales, Wortmann, Star, Tolsher and Whitehead

In Attendance:	Title:
Ms J Phelps	Chief Executive Officer
Ms J Shannon	Director Community and Corporate Services
Mr J Heritage	Director Technical Services
Mr B Phillips	Manager Finance

3 Apologies and granting of leave of absence

Nil.

4 Declaration of pecuniary interest and/or conflict

For the purpose of this section, Councillors must disclose the nature of the conflict of interest in accordance with s79 (2) of the Local Government Act.

Nil.

5 Organisational improvement

5.1 Proposed Budget 2018/19 (06/02/0076-DCCS)

Disclosure of Interests (S.80C):

This report was prepared by Mr Blair Phillips, Manager Finance.

At the time of preparation of the report the officer did not have a direct or indirect interest in any matter to which the report or advice relates.

Background/History:

A proposed Budget for 2018/19, updated Strategic Resource Plan and Long Term Financial Plan have been prepared for consideration by Council. The Budget documentation provides an overview, summary and analysis of Council's current financial position, the proposed budget for 2018/19 and the long term financial projections through to 2028.

The following key high-level assumptions have been considered in preparing the proposed Budget 2018/19, Strategic Resource Plan and Long Term Financial Plan:

- Resources required to deliver strategic initiatives contained in the 2017-2021 Council Plan
- Cash reserves to be adequate to meet Council commitments over the next ten years
- Borrowings will only be incurred to fund a Council contribution to multigenerational projects
- Asset renewal expenditure to be 100% of the recommended levels
- Service levels to the community to remain the same as in 2017/18
- The Essential Services Commission approved higher rate cap of 5.55% for the 2018/19, 2019/20 and 2020/21 financial years
- The continuation of the Roads to Recovery funding program is included with an estimated allocation based on the previous funding program

To achieve this, the proposed Budget requires an average general rate and municipal charge increase of 4.80% for the 2018/19 financial year. The proposed Budget also provides for kerbside collection charges to increase by 16% and for the Waste Management Charge to remain the same as 2017/18 at \$101. Due to significant changes in the recycling industry within Australia, there are now significant costs associated for the disposal of recyclable materials which has led to the large increase in the kerbside collection charge to recover these costs.

The 2018/19 financial year is the third year of the State Government's *Fair Go Rates System*. The Minister announced a rate increase cap of 2.25% in December 2017. This means that councils are limited to an average general rate and municipal charge increase of 2.25% for 2018/19. If a Council seeks an increase above this amount, an application to the Essential Services Commission is required.

Council received approval on 31 July 2017 from the Essential Services Commission for a higher rate cap of 5.55% for four financial years starting in 2017/18.

Council will need to make a decision on the average rate increase for 2018/19 (at or below the 5.55% higher cap) and consider if it wishes to change any service levels (and therefore operating expenditure) as contained in the proposed Budget.

In accordance with legislative requirements, Council is required to adopt a Budget by 30 June each year.

Impact on Council Policy:

Council Plan Objectives

Council's 2017-2021 Council Plan has an objective of providing community leadership through the provision of accessible, open and consultative government. Council encourages appropriate community involvement in its governance processes and will aim to produce accurate, concise and easy to read reports and publications for members of our public. Further, Council's objectives include ensuring that Council's plans and budgets are both responsible and sustainable.

Strategic Resource Plan (SRP) and Long Term Financial Plan (LTFP)

The proposed Budget has been prepared within the guidelines provided by Council's Long Term Financial Plan. The updated financial outcomes for the draft Strategic Resource Plan period and Long Term Financial Plan until 2027/28 financial year have been included within the Budget document.

Community Outcomes

The establishment of the proposed Budget 2018/19 is a critical component in the financial management of Council's operations to ensure the delivery of appropriate services and programs to residents and ratepayers.

Council will need to decide on the level of rate increase that will be applied to Towong Shire ratepayers and whether any service levels will be reduced. Increases to

rates will impact financially on all Towong Shire ratepayers. Any reductions to service levels may have broader impacts on the community.

Financial Impact

The proposed Budget establishes the financial framework of Council including income and expenditure, rating strategy, borrowings and asset management programs necessary for Council operations.

Environmental Impact

The proposed Budget contains financial provision for Council to achieve environmental outcomes for the community.

Organisational Impact

The proposed Budget establishes the organisational arrangements necessary for Council's operations.

State Government Legislation:

The proposed Budget has been prepared in accordance with the relevant sections and regulations of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

State Government Policy Impacts:

The Minister for Local Government, the Hon Marlene Kairouz MP, announced the *Fair Go Rates* cap in December 2017. The cap for 2018/19 is 2.25% and this is based on the forecast Melbourne CPI.

Council received approval on 31 July 2017 from the Essential Services Commission for a higher rate cap of 5.55% for four financial years starting from the 2017/18 financial year and finishing 2020/21.

Budget Impact:

The proposed budget for 2018/19 details the budget impact of delivering services at current levels and renewing assets when recommended.

Risk Assessment:

Based on Council's Long Term Financial Plan (LTFFP), if increases in the general rates and the Municipal Charge were at the rate cap of 2.25% ongoing, Council would return a 'high risk' rating in the liquidity indicator as per the VAGO financial sustainability indicators. That is from 2026/27 Council would have insufficient current assets to cover its liabilities (this can be seen in the following information from Council's LTFFP):

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Underlying result (1yr)	20%	-6%	0%	-2%	-5%	-6%	-6%	-7%	-8%	-8%	-9%	-10%
Underlying result (4yr)	5%	8%	3%	4%	-3%	-3%	-5%	-6%	-7%	-7%	-8%	-9%
Liquidity	6.95	7.20	7.75	7.39	6.49	5.93	5.12	4.15	2.98	1.77	0.38	(1.06)
Self financing	64%	41%	30%	28%	24%	21%	22%	20%	20%	18%	19%	17%
Indebtedness	7%	8%	10%	27%	30%	33%	36%	32%	30%	26%	24%	19%
Capital replacement (1yr)	1.21	1.92	1.13	1.44	1.29	1.11	1.24	1.18	1.32	1.27	1.41	1.37
Capital replacement (4yr)	1.54	1.61	1.53	1.43	1.44	1.24	1.27	1.21	1.21	1.25	1.30	1.34
Accounting Renewal gap (1yr)	1.79	1.59	1.07	0.99	1.01	1.10	1.14	1.18	1.22	1.27	1.31	1.36
Accounting Renewal gap (4yr)	1.15	1.20	1.27	1.35	1.17	1.05	1.06	1.11	1.16	1.20	1.24	1.29

For comparison purposes the table below shows the VAGO sustainability indicators for Council if the annual increase to general rates and municipal charge were at 4.80% per annum commencing from 2017/2018.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Underlying result (1yr)	20%	-6%	2%	0%	0%	-1%	0%	0%	1%	2%	3%	3%
Underlying result (4yr)	5%	8%	4%	4%	-1%	0%	0%	0%	0%	1%	1%	2%
Liquidity	6.95	7.11	6.32	6.37	6.06	5.97	6.20	5.77	5.14	4.67	4.03	3.54
Self financing	64%	40%	35%	34%	31%	30%	30%	26%	26%	26%	26%	26%
Indebtedness	7%	11%	12%	27%	29%	31%	33%	29%	26%	22%	20%	16%
Capital replacement (1yr)	1.50	1.92	2.11	1.41	1.24	1.06	1.19	1.13	1.27	1.22	1.36	1.31
Capital replacement (4yr)	1.61	1.68	1.86	1.74	1.66	1.45	1.22	1.15	1.16	1.20	1.24	1.29
Accounting Renewal gap (1yr)	1.07	1.59	1.95	0.94	0.96	1.05	1.09	1.13	1.17	1.21	1.26	1.31
Accounting Renewal gap (4yr)	0.97	1.02	1.33	1.40	1.36	1.22	1.01	1.06	1.11	1.15	1.19	1.24

The proposed Budget, attached at [Appendix 1](#) has been developed to provide a modest service level to the community and is based on financially sound principles. The financial modelling also includes analysis of Council's financial performance and position against the Victorian Auditor General's (VAGO) financial sustainability indicators.

Community Consultation/Responses:

A person has a right to make a submission under section 223 of the Local Government Act on any proposal contained in the budget.

Submissions on the proposed Budget 2018/19 will be invited through the local media. Copies of the Proposed Budget Report 2018/19 will be available for inspection at both the Corryong and Tallangatta Council Offices, during office hours, and on Council's website once the budget has been adopted in-principle.

Submissions on any proposal contained in the proposed Budget may be lodged at either the Corryong or Tallangatta Office during that period.

Any submissions received will be tabled at the Special Meeting of Council on 26 June 2018 and any person or persons requesting that they wish to appear or be represented will be heard.

Discussion/Officers View:

Council's financial sustainability is a key platform of the proposed Budget for 2018/19.

Over the past eight years, Council has been actively reducing the extent of its underlying deficit by adopting innovative practices in order to be as lean and efficient as possible, whilst providing an appropriate level of services and infrastructure to the community.

Further investigation of Council revenue streams and expenditures has been undertaken over the last 12 months with realised positive cash flows providing Council with the ability to consider a financial responsible rate increase that is marginally less than the higher rate cap that has been approved by the Essential Services Commission.

The proposed Budget provides for an underlying surplus of \$262,000 in 2018/19.

The proposed Budget is recommended to Council as financially responsible and consistent with Council's long term financial planning objectives.

**CR WORTMANN
CR TOLSHER**

THAT:

- 1. COUNCIL CONSIDER THE PROPOSED BUDGET FOR 2018/19 AND PROVIDE DIRECTION AS TO ANY VARIATIONS THAT ARE REQUIRED;**
- 2. COUNCIL GIVE IN PRINCIPLE APPROVAL TO THE PROPOSED BUDGET FOR 2018/19, WITH AN INCREASE IN THE AVERAGE RATES PER RATEABLE ASSESSMENT OF 4.80%;**
- 3. THE CHIEF EXECUTIVE OFFICER BE AUTHORISED TO:
 - a. GIVE PUBLIC NOTICE OF THE PREPARATION OF THE PROPOSED BUDGET IN ACCORDANCE WITH SECTION 129(1) OF THE LOCAL GOVERNMENT ACT 1989; AND****

- b. MAKE AVAILABLE FOR PUBLIC INSPECTION THE INFORMATION REQUIRED TO BE MADE AVAILABLE BY THE LOCAL GOVERNMENT (PLANNING AND REPORTING) REGULATIONS 2014;**

4. AT THE SPECIAL COUNCIL MEETING TO BE HELD AT TALLANGATTA ON 26 JUNE 2018 COUNCIL:

- a. CONSIDER ANY SUBMISSIONS IN RELATION TO THE PROPOSED BUDGET;**
- b. HEAR ANY PERSON OR THEIR REPRESENTATIVE IN SUPPORT OF THEIR SUBMISSION; AND**
- c. CONSIDER THE ADOPTION OF THE PROPOSED BUDGET.**

CARRIED

There being no further business the meeting closed at 3.31pm.

Minutes confirmed this day of 2018.

Mayor