

Response from Murrindindi Shire Council for further information from the Essential Services Commission, with regards to its application for exemption from the 2.5% rate cap for 2016/17.

1.1 185E(3)(B) – REASONS

- *Council provides documents from KPMG stating the \$33 million in new and expanded assets gifted to council originally represented an additional \$1.87 million p.a. This figure was then revised downwards to \$1.76 million p.a (attachment B.CONF 5). Can council verify that these estimates still remain up to date and provide the spreadsheets that were used to calculate this estimate? The Commission would like to verify the assumptions and forecasts used.*

Council can confirm that the \$1.76million per annum of costs associated with the new and expanded assets initially identified in the KPMG report and then revisited through separate analysis contained in other documents remains current and form the basis of its 2015/16 budget as well as future projections for the ongoing maintenance, operations and renewal of these assets.

As detailed in the original submission, these figures were arrived at during the provision of the initial asset review undertaken by KPMG and were refined over the following years when assumptions regarding these assets were continually tested as they became better understood by Council as a part of our asset management responsibilities. These figures were further independently reviewed and confirmed by Ross Goynes of CT Management and formed the basis of his reports included at appendices B.CONF 2 and B.CONF 3.

The underlying data behind these assets is highly detailed and relies on numerous calculations that are contained within Council's asset management system. An example of one of these calculations is included at Annexure C.4 (confidential) and provides details of the works undertaken on the toilet block at Moores Reserve in Flowerdale. This is a component of the fourth asset/site listed that can be cross-referenced with the New and Expanded Costs sheet included on Council's funding advocacy webpage that was referenced in the original submission.

As offered previously to the Commission, Council officers can be made available to be stepped through Council's asset management data, as previously arranged with Mark Davies as a part of his review for the Minister for Local Government, to present the detailed data sets that Council holds for its assets. This can be facilitated at Council's offices, or officers of Council can travel to Melbourne to meet with officers from the

Commission to facilitate a broader understanding of the complexity of this data if requested.

- *Request council confirm if 'Future Capital Works Reserves' from page 62 of the 'Council Plan 2013-2017' document represents the funding reserve to service the additional gifted assets.*

Council can confirm that this value represents reserves for future renewal of existing Council infrastructure, inclusive of the additional gifted assets.

- *The second reason for a higher cap related outlined in the budget baseline template relates to the provision of services. Can council confirm whether the additional \$170,000 above the cap is required only to maintain services at the same level as the base year (2015-16)? If so, please provide further information on which areas have had the most significant increases in costs and the reasons.*

Council can confirm that the requested funds are to maintain existing service levels to the ratepayers and residents of the Murrindindi Shire for the 2016/17 financial year. The most significant increase in costs for 2016/17 when compared to the current financial year relates to the provision of expenditure for the general election of Councillors for the coming four years. This cost of \$120,848 of required expenditure is the amount provided to Council by the Victorian Electoral Commission as an initial costs estimate for the October 2016 elections. It should be noted that this cost is an increase of over \$42,000 (53.8%) when compared to the previous election held in 2012/13. The VEC noted in its correspondence with Council that "a number of costs have significantly increased since the 2012 local government elections", one of which was identified as the cost of postage, which has increased from 47c per item in 2012 to 97c per item in 2016.

It should be noted that Council's current EBA is set at a 3% increase for 2016/17 (or \$33 for lower banded employees whose wage falls below the 3% threshold). As a major component of Council's expenditure relates to employee costs, with this figure being pre-determined at above the State Government imposed cap, combined with the addition of more than \$120,000 for election related expenditure, most other areas of Council expenditure have been increased at a level below the CPI level of 2.5%, further representing Council's approach to cost saving and generating efficiencies within the organisation.

- *Should the additional revenue of \$170,000 for services not be approved, what would be the immediate impact on services in 2016-17 and has council consulted with the community on these likely impacts on services?*

As highlighted in Council's original submission, the impact of any revenue shortfall would be finalised with the community's consultation as a part of the ongoing budget process for 2016/17. Council's various media release, Mayor's Chair and Councillor Comments since the announcement of the finalisation of the rate cap in December 2015 (appendices A101, A103-108) have been leading the discussion with the community around the likely impacts on the implementation of a rate cap, not just in 2016/17 but in the longer term sustainability of service delivery by Council.

A number of scenarios have been prepared and analysed by Council and are under ongoing discussion, and are to be finalised as a part of Council preparing its budget for 2016/17 for public consultation.

1.2 185E(3)(C) - ENGAGEMENT

- *Council states that in 2012 they made a commitment to the community that rates would increase by no more than 6% annually. When looking at the 2015-16 adopted budget, although this is true for residential and rural rates, commercial and vacant land properties increased by 32.50% and 58.97% respectively. As a result the total revenue collected from general rates increased by 9.9% (keeping in mind that some of this is attributed to supplementary rate revenue). How did council communicate this differential rating policy with ratepayers?*

Council's rating strategy review was undertaken over nearly 3 years, and across two different terms of Council. A number of public discussions were held to seek community input from key sectors (farmers, business owners, real estate agents, landholders) and to explain the rationale behind an expanded differential rates structure, which was one of the more significant changes to Council's previous strategy.

One event in particular was attended by more than 100 members of the community, where numerous questions were put to Councillors and Council officers regarding the impact of the proposed strategy, following a detailed presentation that explained both the legislative background to the review as well the longer financial implications for Council.

The final strategy was placed on public display for 28 days, with a Special Meeting of Council called to hear and consider all responses, which differed in views on the impacts

of the strategy and the newly proposed differential rating structure. Further information is provided in the response to submissions discussed below.

- *When does council intend to engage with the community again regarding their long term financial strategy?*

As highlighted in the original submission, Council has engaged extensively with the community regarding its financial strategy and long-term financial challenges since the 2009 bushfires. Council will be again engaging with the community in May and June this year as a part of undertaking its statutory budget and strategic resource planning processes for the 2016/17 financial year, and as a result of the outcome of its application to the ESC.

- *Council notes that it has had ongoing consultation with the community since its decision to apply for a higher rate cap and an understanding of the community's views regarding the need to ensure rates are not increased over Council's commitment to rises of no more than 6%. Can Council provide further detail on these views expressed to them since the rate cap announcement and its decision to apply for a higher cap?*

Council has not received any direct correspondence from ratepayers or residents regarding the rate cap announcement or on its decision to apply for a higher cap, although it is aware of a small number of views that have been expressed directly to the ESC, which is discussed further below. An extract of a petition to be submitted to the Victorian Legislative Council that was being circulated was presented at a recent Council meeting by one submitter and has been discussed in local media. A copy of the final petition has not been provided to Council.

- *The Commission has received a submission from ratepayers in Murrindindi Shire. We provide Council an opportunity to respond to this submission. Please refer to the attachment.*

Council has reviewed both submissions provided by the Commission and respond as follows:

The first submission received by the ESC from two ratepayers (Councillors) is clearly incorrect in relation to the decision making of Council. Council at its ordinary meeting held on 27 January 2016 resolved to advise the ESC of Council's intent to seek a variation to the rate cap. Then on 24 February 2016 Council resolved to prepare an application to the ESC for a variation to the rate cap for 2016-2017 for a rating increase of 5.4%

Both of these ratepayers (Councillors) were in attendance at these two Council meetings and are recorded in the minutes as having voted against these resolutions. A

copy of this resolution is attached at Appendix C.1 and C.2 and can be viewed on Council's website at the following link –

http://www.murrindindi.vic.gov.au/Your_Council/Councillors_and_Council_Meetings/Council_Meetings/Agendas_and_Minutes

The same submission from these two ratepayers (Councillors) makes reference to the collection of rate revenue and confuses this with a rate increase. This has been explained to these ratepayers on a number of occasions and also was the subject of a Letter to the Editor from another Councillor on 13 April 2016 (copy attached at Annexure C.3). The Strategic Resource Plan provides on page 7 of 64 a very clear description of the three components which comprise any increase in rate revenue, which in 2015-2016 was 9.9%:

- Firstly, increases in the rate to 6% for the general rate;
- Secondly, the incorporation of two new differential rate categories where it is noted that that this will result in higher rate increases for these property class owners in 2015-/16; and
- Thirdly, an additional 1% growth of the rate base.

The budgeted income statement includes a line entitled "Rates and charges" and whilst this does not break down the three components as listed above, they are included within the figures contained in this line.

The third issue raised by the two ratepayers (Councillors) is the preparation and adoption of a Rating Strategy.

This Strategy was adopted by Council at its meeting on 25 March 2015, following extensive discussion by council and two rounds of community consultation. In March 2011 Councillors receive a briefing from an economic advisor on the steps required to review its Rating Strategy 2009 and as a result included an amount of \$40,000 in its 2011-2012 budget to undertake this review.

In February 2012 a discussion was held with Councillor to confirm the project brief for the review of the Rating Strategy and MacroPlan Dimasi was appointed to undertake this work. Briefings in March 2012 discussed the draft Issues Paper prepared for Council and then in April 2012 and June 2012 Councillors considered the report from MacroPlan Dimasi on its Rating Strategy Review prior to it being placed on public exhibition. The Review was placed on public exhibition and three public consultation

meetings were held including two specifically directed to business and commercial groups and the rural industry sector. Twenty submissions were received, which were considered by the Council in August 2012 and discussed by Council with representatives of MacroPlan Dimasi in September 2012. Given the imminent Council election it was considered that this work should be referred to the new Council.

Four briefings were held with the Councillors in February 2013, August 2013, October 2013 and February 2014 to provide them with the background information on the work that had been undertaken on the review of the Rating Strategy and then in December 2014 to discuss the proposed structure of a new Rating Strategy prior to its preparation.

During January 2015 the new Rating Strategy was discussed with Councillors and at its meeting on 28 January 2015 Council resolved to place the Rating Strategy on public exhibition. As well as broad public notification, Council conducted consultation sessions with the property and real estate sector as well as the rural industry sector. It also met with Murrindindi Inc. the umbrella organisation for all tourism and trader organisations in the Shire and also participated in an information session conducted by the Alexandra Tourism and Traders Association. It is estimated that these sessions were attended by around 120 people.

As a result of this public consultation process, Council received 47 submissions and at the Special Meeting of Council held on 11 March 2015, eight people provided oral submissions on the Rating Strategy. Council gave detailed consideration of all submissions received not only at this Special Meeting but at a further briefing on 18 March 2015 prior to final consideration of the Rating Strategy.

In adopting the Rating Strategy at its meeting on 25 March 2015 Council resolved to delete the second bullet point on pages 4 and 25 of the Rating Strategy. This dot point provided examples for where special rates and charges can be used and was developed in accordance with the differential rating guidelines issued by the Minister for Local Government in April 2013.

With respect to the assertions regarding the Council's motivation in adopting the Rating Strategy, these unsubstantiated assertions are not supported by the evidence of the briefing notes and Council Reports on this matter and cannot be verified. The time between the commencement of the review in 2011 and its adoption in 2015 indicates that it was a careful and methodical approach by Council to consider the various options to be included in the Rating Strategy as well as the input from the business, rural and development sectors as well as the broader community.

With regards to the second submission made by Ms Gunter, Murrindindi Shire Council believes it has taken a long term and consultative approach to engaging the community about its rates and has acted in accordance with the ESC's guidance regarding community engagement as set down below:

Council had informed the community of a number of funding options it was facing in 2014, including the possibility of increasing rates above a projected increase of 6%. When the community expressed concern about this, Council agreed to keep its rate increase to no more than 6%.

Contrary to the assertions made in Ms Gunter's submission, Council has also been talking with the community in a consistent and ongoing way specifically about the prospect of rate capping, well before a cap of 2.5% was announced on 20 December 2015. Council also talked with the community about the likely effect on Council assets and services of the introduction of rate capping. I refer you in this regard to annexures A.90, A.92, A.94-96 of Council's original submission as examples of Council's ongoing engagement with its community on this matter.

Council's approach in this regard has been entirely consistent with the ESC guidance for informing the community.

Subsequent to her letter to the ESC, Ms Gunter has declined an invitation to meet with Councillors to discuss her concerns.

Council's ongoing efforts to reduce its costs through a series of services reviews and to improve its understanding of its exact costs and expenditure through a thorough review of its costs and assets, have enabled Council to communicate a true and accurate picture of its funding situation to the community.

Through its Murrindindi 2030 Visioning exercise, Council also has a good understanding of what the community values about the Shire and wants to maintain. Council is confident it has taken a long term and strategic approach to its communications with the community, which have helped inform its decision to submit an application for a variation to the rate cap.

1.3 185E(3)(D) - VALUE AND EFFICIENCY

- *How have the savings due to the service reviews been reflected in Council's long-term financial plan? Are the long term impacts of these savings detailed and quantified elsewhere (aside from the documents provided as part of Council's application)?*

All ongoing savings that have been achieved as a result of the service reviews highlighted in Council's original submission have been incorporated as a part of Council's long-term financial plan. These savings are not specifically highlighted in other documentation not previously provided to the Commission, though it should be noted that the outcomes inform Council's ongoing planning processes and annual review of its financial sustainability.

Implementation of the February 2012 Services Review has been a focus of Council over the past four years. The capital savings have only been achieved in part due to the delay in some land and building sales arising from a slow property market and the need for separate community consultation and engagement processes. The salary and wage savings were achieved through the immediate implementation of the identified staff redundancies. Likewise Council immediately implemented a new Fees and Charges schedule which reflected the benchmarking undertaken as part of the Services Review. The individual Service Reviews, as identified in Council's application and identified in the table below, have also delivered savings to Council's operations.

Document Reference	Subject	Outcome
B.Conf 6	Economic Development Service Review	Implemented in full and savings achieved
B.Conf 8	Library Service Review	Implemented in full and savings achieved
B.Conf 9	Community Services Review	Implemented in full and savings achieved
B.Conf 7,10 and 11	Parks and Gardens & Infrastructure Operations Service Reviews	Implemented in part and savings achieved
B.Conf 12 and 13	Corporate Services and Finance Services Reviews	Implemented in full and savings achieved
B.Conf 14	Waste Management Review	Implemented in part, savings not as yet achieved
	Review of Infrastructure Assets	Implemented in full and savings achieved
B. Conf 15	Quarry Service Review	Implemented in full and savings achieved
B. Conf 16	Review of Roads and Parks Maintenance Service Levels	Implemented in full and efficiencies achieved
B. Conf 18	Organisational Structure Review – Infrastructure and Development Services	Implemented in full and efficiencies achieved
B. Conf 18	Organisational Structure Review – Business Services	Implemented in full and efficiencies achieved

B. Conf 19	Aged and Disability Service Review	Currently being implemented
------------	------------------------------------	-----------------------------

A further example of Council's adherence to these principles of cost review and efficiencies gained can be highlighted in Council's EFT levels over the last 7 years. Prior to the 2009 bushfires, Council's 2008/09 budgeted EFT numbers were 149.1 (page 33 of Annexure A.1). By 2010-11, during the peak period of recovery and reconstruction following the 2009 bushfires, EFT numbers for Council during the financial year peaked in excess of 185. In Council's adopted SRP for 2015/16, this number had lowered to 140.2, clearly highlighting the reductions in staffing levels, and therefore the associated costs that have been achieved through the various service reviews.

- *Have the ongoing savings from the shared services identified been quantified? If so, where and how have these been reflected in the LTFP? Are the long term impacts of these savings detailed and quantified elsewhere (aside from the documents provided as part of Council's application)?*

The shared service opportunities highlighted in Council's submission have been incorporated into Council's budget and long term financial plans. The additional revenue that Council is receiving from Mansfield Shire Council as a result of the agreement entered into regarding building surveyor costs is utilised to offset increased travel costs, and to offset a greater proportion of administrative overhead required to support the provision of this service.

The long term outcomes and savings associated with the joint waste tender have been modelled through Council's long term asset management plans for waste assets and the provision of these services. As a result of these savings, Council has been able to lower the longer term rate increases associated with the service charge that is levied on all rateable assessments, and to better utilise the cash reserves that are held by Council to ensure the ongoing renewal and rehabilitation of Council's waste infrastructure.

1.4 185E(3)(E) - TRADE OFFS AND ALTERNATIVE FUNDING

- *Council states "if it were to borrow too heavily it would result in an inability to invest in capital works due to funds being consumed in debt repayment". Could council please clarify its financial strategies and in particular its debt policy?*

Council's debt strategy are highlighted at Section 7 of the current SRP and Council Plan review (annexure A.91). This strategy has been undertaken to ensure that Council remains within State Government and Auditor General guidelines with regard to Council's liquidity, debt servicing and overall debt exposure.

Council's current draft budget that is in the final stages of preparation before consultation with the community, currently incorporates a 5.4% rating increase, as detailed in the submission to the Commission. This budget will deliver an operating surplus of less than \$1,000 – any increase in Council's debt position would result in an increasing interest payment from Council to its lenders which would return an operating deficit for the forthcoming financial year.

As discussed in the submission, as a significant proportion of Council's current rate increases are aligned to the generation of Council's infrastructure renewal reserve, the re-funding of this initiative via debt would not represent sound financial management or align with the principles of best value. Increasing borrowings to fund this reserve would not be cost effective as the cost of borrowings is currently approximately 5% whereas the income that Council receives from investments is currently approximately 3%.

- *Does council intend to consult further in relation to the services proportion of the higher cap application with the community?*

As detailed in the submission and in previous responses, Council intends to have a further consultation program with the community as a part of finalising the 2016/17 annual budget and review of the strategic resource plan. This program will include advertising in all of Council's statutory publications, the display of the draft budget and SRP on Council's website and in Council offices and libraries, as well as a number of media releases and scheduled discussions on local radio to engage with the community regarding the financial implications of Council's budget for 2016/17 as well as the longer term financial projections of the SRP and long term financial plan.

1.5 185E(3)(F) - LONG TERM PLANNING

Please provide the following documents and information:

- *The spreadsheet used to model the long term financial plans by council. Specifically the model used to generate the 10 year forecast in document 'Council Plan 2013-2017 – 2015 Review'.*

Please see attached for the various spreadsheets that provide further detail on Council's key assumptions incorporated in the long term financial plans of Council.

- *Can council provide future projections of the infrastructure renewal reserve and how they plan to meet the 20 / 50 year renewal requirements shown on page 23 of their 'Application for variation to rate cap for 2016-17' document.*

Council's infrastructure renewal reserve modelling has not been undertaken beyond the current 10-year parameters of the long term financial plan. Council's efforts have been focussed on understanding the costs associated with the infrastructure from an operating, maintenance and renewal requirements perspective.

Initial assumptions made regarding the rebuilding of rateable assessments within the Shire indicated that a 10-year timeframe should allow for Council's rate base to have recovered to a level that would allow for suitable rates contribution towards the ongoing costs of Council as well as to be able to fund future renewal requirements. However, as detailed in the submission, this assumption has unfortunately failed to come to fruition at this stage and continues to require further review.

The outcome of Council's current application before the ESC will also heavily influence future determinations regarding the assumptions of revenue availability and the corresponding costs that can be funded out of Council's reserves to ensure the longer term sustainability of Council.

ESSENTIAL SERVICES COMMISSION COUNCIL PROFILE

Murrindindi Shire Council is proposing the following change to the background of the Council profile provided on the seventh page of the request for information:

The Shire of Murrindindi is classified as a Small Rural council and is also a Peri Urban council located in the hills just north of outer metropolitan Melbourne. It was the municipality that was impacted upon the most by Australia's greatest natural disaster, the February 2009 bushfires. This is reflected in the change in rates and charges per assessment and the percentage change in the population and rateable assessments as shown below. It has a primarily rural economy with the three largest employment sectors being agriculture, forestry and fishing, health care and social assistance and construction. About half of the Shire is Crown land. The three largest industries in terms of output are Construction, Agriculture, Forestry and Fishing and Manufacturing. Tourism is also an important industry across the Shire, including around Lake Eildon and Marysville / Lake Mountain.

No further changes are suggested as Council believes that the information detailed is a correct representation.

BUDGET BASELINE INFORMATION

The Commission would like to confirm:

- *Currently the provision of infrastructure renewal reserve is reported in the expenditure sheet in the budget baseline template. Can council confirm how this is reported in the financial statements?*

The infrastructure renewal reserve is included as a part of Council's total reserves in its audited annual financial statements. Note 28 of these statements provides a breakdown of each of the values included in the overall reserves as of 30 June 2015 and provides further details of the movements into and out of these reserves over the last financial year. A copy of Council's current audited financial statements can be located at http://www.murrindindi.vic.gov.au/files/801bba89-f1b7-4db2-a7ee-a53000f0574b/Annual_Report_2014_-_2015_Financials.pdf

- *In the assets sheets, there are many assets types listed with no 'percentage of assets past intervention level'. Can council confirm that these are not available?*

Council has a vast array of raw data available on intervention levels of its assets under management, though the corresponding determination of these, from an asset management point of view do not always clearly align with the financial accounting treatment of these assets (ie. renewal forecasts vs. depreciation). Values and the condition of all Council assets are reviewed and re-valued on a rotating cycle of asset classes, in consultation with Council's external auditors and advice from the Victorian Auditor General's Office.

For example, intervention levels are not applied to the asset category of "land". Council's road, paths and bridges asset portfolios are also currently under substantial review due to the earlier than forecast availability of funding from the Roads to Recovery (R2R) federal government program. Based on our most recent audit of Council's road network, approximately 1.09% of this asset class was beyond intervention level. The most recent estimates of Council's drainage assets audit data estimate that assets beyond intervention levels for this asset class is 1.66%.

Longer range projections for all assets show these figures increasing steadily, as the age of Council's longer term infrastructure, combined with the estimated lifespan of the new and gifted assets raise substantial renewal concerns of infrastructure beyond 2025, particularly if further funds are not set aside in line with Council's current future renewal funding strategy.

Council's financial position *without* the proposed higher cap

LGPRF indicator	2014-15 (Actual)	2015-16 (Forecast actual)	2016-17 (Cap Year)	Forecast	
				2017-18	2018-19
Operating position					
Adjusted underlying result (%) (measure 54)	3.55%	-7.28%	-8.24%	-9.21%	-10.21%
Liquidity					
Working capital ratio (measure 55)	397.61%	326.31%	320.00%	319.79%	320.45%
Unrestricted cash ratio (%) (measure 56)	73.10%	58.69%	46.46%	40.35%	35.04%
Obligations					
Loans and borrowings (%) (measure 57)	16.68%	14.99%	14.19%	13.43%	12.71%
Loans and borrowing repayments (%) (measure 58)	6.74%	5.23%	5.34%	5.04%	4.76%
Indebtedness (%) (measure 59)	17.61%	16.78%	16.10%	15.45%	14.83%
Asset renewal (%) (measure 60)	51.67%	63.08%	50.68%	88.40%	57.07%

Council's financial position *with* the proposed higher cap

LGPRF indicator	2014-15 (Actual)	2015-16 (forecast actual)	2016-17 (Cap Year)	Forecast	
				2017-18	2018-19
Operating position					
Adjusted underlying result (%) (measure 54)	3.55%	-7.28%	-6.30%	-5.30%	-4.61%
Liquidity					
Working capital ratio (measure 55)	397.61%	326.31%	333.54%	340.75%	348.05%
Unrestricted cash ratio (%) (measure 56)	73.10%	58.69%	60.00%	61.31%	62.63%
Obligations					
Loans and borrowings (%) (measure 57)	16.68%	14.99%	13.79%	12.68%	11.71%
Loans and borrowing repayments (%) (measure 58)	6.74%	5.23%	5.19%	4.76%	4.39%
Indebtedness (%) (measure 59)	17.61%	16.78%	15.72%	14.73%	13.85%
Asset renewal (%) (measure 60)	51.67%	63.08%	50.68%	88.40%	57.07%

Appendix C – Supporting Documents

Reference	Date	Document type
C.1	Jan-16	Council Resolution
C.2	Feb-16	Council Resolution
C.3	Apr-16	Letter to the Editor
C.4		Moores Reserve Analysis (confidential)

Council also conducted an advocacy campaign in late 2014 which sought community feedback about options which would reduce Council's operating costs and potentially increase income. Council is already acting on a range of those options to reduce costs.

The recommendation to seek a variation to the State Government imposed rate cap is consistent with the message Council has been delivering to the community over the last five years regarding Council's longer term financial sustainability challenges.

Conclusion:

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

RESOLUTION:

Cr J Walsh / Cr C Challen

That Standing Orders be suspended.

CARRIED

Standing Orders were suspended at 6.56 pm

RESOLUTION:

Cr J Walsh / Cr J Kennedy

That Standing Orders be resumed.

CARRIED

Standing Orders resumed at 7.07pm

RESOLUTION:

Cr C Challen / Cr J Walsh

That Council advise the Essential Services Commission ("the ESC") of Council's intent to seek a variation to the State Government's designated rate cap of 2.5% for the 2016/17 financial year.

CARRIED

CALL FOR A DIVISION

For: Cr J Kennedy, Cr C Challen, Cr J Walsh, Cr A Derwent and Cr M Rae

Against: Cr E Lording and Cr C Healy

6.6 MURRINDINDI ENVIRONMENT ADVISORY COMMITTEE (MEAC) MEETING MINUTES

REF: 16/2354

Attachment: MEAC Draft Minutes 08-12-2015 (*refer Attachment 6.6 – TRIM 16/2354*)

The minutes of the Murrindindi Environment Advisory Committee Meeting held on 8 December 2015 are attached for receiving.

In accordance with the requirement of the Local Government Act, Council is required to give public notice that it intends to adopt the Budget and Council Plan. Both documents must be made available for inspection at its offices and on its website for a period of at least 28 days, and submissions invited from members of the public. This process will occur once Council's draft budget has been completed and the outcome of the submission to the Essential Services Commission is known.

Conclusion:

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

RESOLUTION:

Cr C Challen / Cr J Kennedy

That Council:

1. Prepares the draft 2016/17 annual budget with a 5.4% rating increase
2. Prepares an application to the Essential Services Commission for a variation to the rate cap for 2016-17 for a rating increase of 5.4%.

CARRIED

CALL FOR A DIVISION

For: Cr J Kennedy, Cr C Challen, Cr J Walsh, Cr A Derwent and Cr M Rae

Against: Cr E Lording and Cr C Healy

6.5 PROCUREMENT POLICY 2015/16 REVIEW

REF: 16/6734

Attachments: Procurement Policy – 2016 Revision – Draft (refer *Attachment 6.5 - TRIM 16/1769*)

Purpose:

The purpose of this report is to seek Council's adoption of the revised Procurement Policy in accordance with Section 186A (7) of the *Local Government Act 1989* ("the Act").

Officer Recommendation:

That Council adopts the revised Procurement Policy as contained in Attachment 6.5.

Background:

Council's Procurement Policy was last reviewed and adopted in December 2014. It is a requirement under Section 186A of the *Local Government Act 1989* that a Council must review the current procurement policy at least once in every financial year.

Regular review of the Procurement Policy encourages continuous improvement so that Council's ways of doing business and procurement processes represent best practice.

Council Plan/Strategies:

This report is consistent with the 2013-17 Council Plan theme of Customer Service. A key strategy for this theme is to continue to improve our processes to enhance the efficiency and effectiveness of the organisation.

LETTERS TO THE EDITOR

can now be submitted via our Facebook page, www.facebook.com/AlexandraNewsletters. Just write 'Letter to the editor' in the subject line.

Letters must be 350 words or less. We will not publish defamatory letters, or content which is offensive, threatening or containing personal attacks. Submitted letters may be edited before going to print.



Like us on Facebook



Letters to the Editor

Congratulations Ayden

THE Alexandra Pastoral and Agricultural Association would like to congratulate Ayden Embling for winning the regional finals and becoming the Central and Upper Goulburn Rural Ambassador.

It is great to see you recognised for the hard work and many volunteer hours you give to our local community.

You are truly a worthy recipient of this award and we wish you all the best for the Victorian State Finals in September.

Sara Murray, secretary, Alexandra Pastoral and Agricultural Association

Rates a little clearer

RECENTLY there has been an oft repeated mantra that the council made a 9.9 per cent increase in rates in 2015/16 when the long term plan only projected a rise of six per cent in the general rate. And this is claimed as the reason for not having an increase above the rate cap. Let's examine the claim.

All councillors have the responsibility of ensuring the long term sustainability of the shire. In Murrumbidgee, that means we have to increase the number and value of properties and that in turn means we have to be a desirable destination with good community services, facilities and a vibrant local economy. And this was endorsed in the community's 2030 vision.

To attract the necessary new residents, the council, in addition to the mandatory local government functions, has focused on maintaining existing services, promoting the shire and providing for the long term availability of sufficient buildings, parks, pools and trails. Because we rely so heavily on grant funds, there has also been the creation of a small reserve to enable us to take advantage of grants where the council is required to make a contribution.

Contrary to earlier assurances that the State Governments may provide additional assistance for long term renewal of Bushfire Recovery assets, in 2014 it was finally made clear the council alone would have to find the additional \$1.76 million per year to ensure current assets would be available for the long term. From August 2014 through to November 2014, the council then consulted with the community about options for meeting the need.

The result of the consultation was a clear preference to have rate increases limited to six per cent over the next 10 years rather than having a one-time increase of about 18 per cent or a 10 year series of annual rate increases of about eight per cent. There was also no support for reducing services. However, handing over assets to the communities that use them, the return to the State Government of responsibility for their assets, and the introduction of new commercial and vacant land differential rates were seen to be acceptable.

The 2015/16 Budget and 10 year financial plan reflected the community's preferences. Services have been maintained and in some cases improved through greater efficiencies in contract management, records management and accommodating State Government cost shifting within existing staff numbers. The transfer of assets to their user groups is flagged to commence shortly and negotiations are under way with State Government departments for them to resume management of their assets.

In line with the community's preferences, new

Join a group for change

IF you favour changes to the function of local government, then join a group of like minded residents and register your interest with the Yea and District Progress Association at the Yea Post Office. (page 16 of the *Yea Chronicle* last week).

Jack Russell, Yea and District Progress Association, Yea

There are other options

LAST Wednesday, Luke Donnellan, the Victorian State Minister for Ports and Minister for Roads and Road Safety, visited Yea.

He announced funding of \$18.5 million for the installation of a central wire rope barrier along 10 kilometres of highway between Molesworth and Yea.

That's \$1.85 million dollars for each kilometre. No other viable options were considered and the irony of making the announcement next to the power station for the wasteful and ultimately useless north south pipeline seemed to be lost on the official party.

Four of us Molesworth people attended the announcement.

We displayed colourful signs saying "boo boo, there are other options" and "how many trees will go?"

We were small in number, but we are strong in intent.

We want to make the best of the situation for our town, and we want to ensure that trees are not denuded from the landscape.

As realists, we accept that the wire rope barrier will proceed and this is despite the fact that it was officially acknowledged last Wednesday that, since the police have been more vigilant, the speed limit reduced to 80km and rumble strips put on the highway, there have been no major accidents.

Why has blinkered officialdom decided not to persist with these successful and common sense initiatives and save \$18.5 million in the process? TAC, Vicroads, Victoria Police and the Minister must be aware that a speed camera car is regularly located in Molesworth.

Why? Obviously because motorists speed through the town and yet the residents of our town have this cold comfort from the latest Vicroads flyer:

"We are planning to explore options for minor improvements in Molesworth to address road safety concerns in the town."

Minor improvements, when cars, trucks and motor bikes use the straight stretch of road through Molesworth as a speedway.

Add to that the fact that for safety reasons VicRoads are no longer able to use the Black Spur for B-doubles and logging trucks.

With the greater volume of large vehicles through Molesworth, we will be lucky if we do not have serious or even fatal accidents in our town.

Clearly good luck, rather than good management, is now government policy.

And, finally, I ask the \$18.5 million question: is it really possible to fence in driver stupidity?

Jill Russell, Molesworth

differential rates for commercial/industrial and vacant land were introduced at a much higher one-time increase, but the increase to residential, rural one and rural two class of rates was limited to the projected six per cent. The long-term plan included annual rate increases for all classes of land that gradually reduced down to four per cent by 2023/24.

The resultant revenue (as compared to the rate increase applied to each type of property) expected to be collected by the end of June 16 increased by 9.9 per cent. So why is this different to the general rate increase of six per cent? The increased revenue comes from the promised six per cent rise in general rate plus the one time higher increase in the new differential categories plus the expected increased revenue from the growth in property numbers and value from July 2015 to June 2016. Without those increases we would have already had to reduce services which in turn would have threatened the level of growth for which we are aiming.

The current argument being put that the revenue achieved in 2015/16 equates to a rate increase greater than the projected six per cent in the long term plan, is false and certainly cannot be used to say that a rate increase for 2016/17 has already been achieved. Percentage changes in rates and the changes in revenue are different and always will be when there is any change in differential rates or there is rate base growth. Achieving the projected revenue in 2015/16 is a basis for the gradually reducing rate increases while maintaining services.

The much repeated misleading comparison that the 'apple' of an increase in the general rate of six per cent with the 'orange' of the increase in revenue raised through rates and growth also disregards the views expressed by the community when presented with the alternatives to maintaining the shire's viability in the face of increased long term costs. It also ignores the long-term desires expressed by the community in their 2030 vision and if pursued threatens the necessary growth plans for the sustainability of the shire.

Councillor John Walsh, Koriella Ward

Rally at parliament

GOULBURN Valley Irrigators and Communities is calling on the Victorian Government to urgently fix issues with irrigation water that are leading to the demise of regional businesses and communities.

We call on all irrigators, farmers, businesses and community members that understand that current reckless water policies are needing immediate change, to join us in a ute and car Rally to Victorian Parliament on Thursday, April 14 2016 at 12.30pm.

Speakers will talk about issues that relate to their irrigation districts and politicians will be asked to address the meeting.

A letter of concerns and offers to provide solutions will be presented to the premier and leader of the opposition.

Cars and utes will be coming from across Victoria, but there will be a brief assembly point at the Kalkallo Pub for those coming down the Hume Highway at 11am.

Cars and utes can park in Spring St and Bourke St, near Parliament House, but please do not block tramlines.

For more information call Loretta on 0427 579 479, email watersissues4@gmail.com or visit facebook page Goulburn Valley Irrigators and Communities.

Jan Beer, Cheviot Hills

Continued page 8.

RIVER HEIGHTS FOR THE GOULBURN CATCHMENT

STATION NAME	TIME	HEIGHT	TENDENCY	FLOOD CLASS
Rubicon R at Rubicon	8.30am Mon	0.39	falling	
Goulburn R at Goulburn Weir HG	8.32am Mon	124.18 ^a	steady	
Acheron R at Taggerly	9.09am Mon	0.43	steady	below minor
Home Ck at Yarck	8.49am Mon	-0.08	steady	
Yea R at Devils Bridge	6.15am Mon	0.46	steady	below minor
Goulburn R at Ghin Ghin	8.30am Mon	3.90	steady	
King Parrot Ck at Flowerdale	8.30am Mon	0.25	steady	below minor
Sunday Ck at Tallerook	8.30am Mon	-0.00	steady	below minor
Whiteheads Ck at Seymour	8.07am Mon	0.86	steady	
Goulburn R at Seymour	8.30am Mon	1.87	steady	below minor

ISSUED AT 9.15AM ON MONDAY, 11 APRIL 2016

DISTRICT RAINFALL

Alexandra*	8.6mm
Buxton	14.5mm
Eildon (AWS)	8mm
Flowerdale	12mm
Kinglake	N/Amm
Lake Eildon	9mm
Marysville GC	N/Amm
Strath Creek	N/Amm
Taggerly	10mm
Yarck	6mm
Yea	14mm
Above details for 7 days to 9am Monday	

*Alexandra totals supplied from www.alexandraweather.org

LAKE EILDON

Height above sea level this week	265.66m
Capacity as at 9am Monday	32.7%
Metres below full supply	23.24m
Daily inflow	200ML
Release	5000ML
Eildon Pondage	(may be subject to rapid change) ... 51%

Standard

The Yea Chronicle

DEADLINES

Real Estate	Thursday 12 noon
Trades & Services	Thursday 5pm
Early General News Display Ads	Thursday 5pm
Classifieds	Monday 12 noon
Editorial	Monday 9am
Sports Editorial	Monday 10am

If you have any enquiries please do not hesitate to contact the office on 5772 1002 or

reception@alexandranewspapers.com.au

We thank you for your continued support

COMMUNITY DIARY

Local Radio Frequency
 UGFM 106.9 Alexandra / Lake Eildon
 UGFM 88.9 Yea / Highlands
 UGFM 98.5 Marysville / Lake Mounain
 UGFM 98.9 Flowerdale / Hazeldeane
 UGFM 94.5 Kinglake Ranges

WEEKLY

Mon Art Group Eildon 10am-3pm Ph 5773 2306
 Tue/Thu Seniors Carpet Bowls 1.15pm
 Wed Social Bowls 11am-Alexandra Bowls Club Ph 5772 1150
 Thu Bingo, eyes down 9pm-Alexandra Bowls Club Ph 5772 1150
 Fri Seniors Social Club 1pm
 Sun AA 8pm Anglican Church, Alexandra Ph: 1300 222 222
 Sun Alex & Dist Dog Obedience, training, Ph: 5772 1057

FORTNIGHTLY

Thu 7.30-10pm SES, SES/CA complex Ph 0418 576 666

MONTHLY

1st Wed Alexandra Lions dinner meet, Mt Pleasant 5772 2362
 1st Sat Alexandra Quilters RSL Hall 10am-4pm Ph 572 1897
 2nd Tue Alexandra District Garden Society Meeting Ph 5772 2285
 2nd Wed Eildon & Dist Woodworking Guild 7.30pm Ph 5772 2013
 2nd & 4th Thu Triangle Dance Buxton Hall 7-9pm Ph 5963 3277
 2nd Sat Alexandra Market Ph 0427 509 988
 3rd Wed Alex Lions business meeting, Ph 5772 2362
 3rd Thu Alexandra Ladies Probuss Club 10am RSL Ph 5772 2946
 3rd Thu Probuss combined, Tennis Club 10am Ph 5772 1898
 3rd Sat Yarck Market, Yarck hall, Bob Ashie 0448 167 438
 4th Tue Yarck CWA Meeting, 1.30pm Yarck Hall.
 4th Thu Redgate CWA Meeting 1pm, Ph 5772 1202
 Fri after 3rd Tue Field Naturalists excursion Ph 5772 1189



For a \$5 annual fee for one line, your club or organisation's regular meeting dates will be listed each week. Not only is this a reminder to your regular members but also a good source of what groups are available in the community, when they meet and a contact phone number.

Response from Murrindindi Shire Council for further information from the Essential Services Commission, with regards to its application for exemption from the 2.5% rate cap for 2016/17 in relation to questions asked via email on 5 May 2016.

1. *The 2013-17 Council Plan shows that the renewal gap is forecasted to grow out to \$13.8 million by 2024-25. Could you please provide some information on how Murrindindi plans to address the renewal gap in the future and why this direction was chosen?*

It is acknowledged in the Council Plan that Council's renewal gap is significant and increasing. Council is unable to allocate sufficient funding to meet all of its future asset renewal requirements, which as detailed in its submission, has been exacerbated by the responsibility for additional assets since the 2009 bushfires.

Council is well aware of the asset renewal gap that it faces in years to come, and has invested heavily in people, systems, processes and an independent review of its data to ensure that it can be best equipped to handle the future financial and asset management challenges that this issue raises. Council has an adopted asset management policy and strategy along with asset management plans for all of its asset categories, which are regularly reviewed and audited to ensure accuracy.

The restructure of Council's Infrastructure Assets Department undertaken in 2015 formed a dedicated asset management unit to focus on continuing improvement in asset management practices including addressing the renewal gap.

This unit now undertakes:

- Regular modelling and review of renewal requirements
- More regular audits of asset condition
- Detailed scenario analyses to determine the optimum expenditure profiles and timing of intervention for renewal and maintenance
- Strategic works planning to achieve cost savings. This requires a more holistic assessment of renewal requirements and is particularly relevant with road works where officers consider whole road routes rather than a patchwork approach to the renewal, which only addresses areas at, or beyond, intervention level.

Maintenance is also an essential component of the renewal process. Council's Infrastructure Division is structured and focussed to ensure that the balance of maintenance and renewal is correct.

Too little maintenance will result in early renewal or shorter useful life of assets, however, maintaining assets beyond when it is more efficient to renew is also not cost effective. Historical data is now captured and analysis allows lessons learnt to be implemented producing efficiencies and reduced maintenance.

Maintenance programming (preventative or planned maintenance) has been expanded from road assets to include other assets. Planned maintenance enhances the life of an asset slowing down deterioration and delaying the time for renewal.

As detailed in Council's original submission, the Council Expenditure Review Project (CERP) is focussed on working with both the community and the Victorian Government to return assets to either community or State Government management, which will ultimately reduce both the maintenance and renewal requirements of Council.

2. *How did council decide on the allocation of renewal expenditure and for which asset classes that renewal would be insufficient over the next 10 years?*

Council has not targeted a particular class of assets where renewal is insufficient over the next 10 years. As detailed further below, Council plans for both its short and long term asset management responsibilities in the assessment of condition and level of service requirement for each individual asset.

All councils face the problem of ageing assets. As the condition of assets deteriorates, the Level of Service (LoS) supported by those assets diminishes. Through its asset management practices Council invests in maintaining and renewing its assets to maintain the LoS.

In recent years Council has improved its asset management practices by developing asset management systems, frameworks, strategies and plans. Despite this Council's renewal gap is significant and increasing. Council is unable to allocate sufficient funding to meet all of its future asset renewal requirements.

The guiding principles of Council's approach to asset management are:

- Assets will provide services to the community in alignment with the goals and objectives of the Council Plan;
- Council will determine appropriate LoS;
- Council will engage with the community when determining the LoS ;
- Renewal expenditure for assets providing a LoS determined by Council as higher than appropriate will be reduced to the appropriate level;
- Assets that do not provide, or are not required to provide, a minimum LoS or are beyond Council's financial capacity to maintain may not be renewed;
- Asset will be renewed in a cost effective manner to maintain the service they are required to provide; and
- The determined LoS will be provided at the lowest long term cost to the community within the limit of any fiscal restraints that may be imposed by Council.

It should be noted that these principles are applied to each asset that Council has a responsibility for, and are not uniformly applied across asset classes. These principles are in accordance with Council's adopted asset management Policy and Strategy along with asset management plans for all asset categories.

One of the basic tenets of sound asset management practice is to provide the level of service the current and future community want and are prepared to pay for, in the most cost effective way. Levels of service provide the platform for all subsequent decisions on infrastructure asset management. These assumptions are reviewed and tested each year by Council as it reviews its 10-Year Capital works program in conjunction with the review of the Strategic Resource Plan and accompanying 10-Year Long Term Financial Plan and as a part of determining what capital works are immediately to be addressed as a part of the budget for the coming financial year.

In order to address Council's renewal gap it is anticipated that further review of current services it provides to the community to determine the appropriate level will be required in the coming years. The impact of changes in demand over time on service levels should be regularly established and accounted for and this will provide a clear understanding of cost implications across the lifecycle of the service.

3. *Can council provide information on whether any community consultation was undertaken as part of the 2015 Review for the 2013-17 Council Plan?*

On 8 April 2015, Council endorsed the draft 2013-2017 Council Plan Review and Strategic Resource Plan for public consultation in accordance with Sections 125 and 126 of the Local Government Act 1989. Submissions were sought from the public and the documents were made available at Council offices and libraries, visitor information centres and on Council's website.

Advertisements were placed in the relevant weekly newspapers (*the Alexandra Standard, Yea Chronicle, Marysville Triangle and North Central Review*) in the Shire in the week of 14 April 2015.

As highlighted in Council's original submission, the availability of this document was also detailed in numerous media releases and discussed during weekly local radio segments that are undertaken by Councillors and Senior Council Officers.

No submissions were received by the 20 May 2015 Special Meeting of Council to hear public submissions on both the draft 2015/16 Budget and the draft 2015 review of the Council Plan. The review was subsequently adopted by Council at its Ordinary Meeting on 27 May 2015.