Special Meeting of Council

Council Chambers
Civic Centre
Boxshall Street Brighton

Monday 23 September 2019 at 6pm

Agenda
Chairperson: Cr Michael Heffernan (Mayor)

Councillors: Cr Sonia Castelli
          Cr Alex del Porto
          Cr Laurence Evans OAM
          Cr Rob Grinter (Deputy Mayor)
          Cr James Long BM JP
          Cr Clarke Martin

Members of the Gallery

Your attention is drawn to Section 92 of Council’s Governance Local Law No 1.

Section 92 The Chair’s Duties and Discretions

In addition to other duties and discretions provided in this Local Law, the Chair –

(a) must not accept any motion, question or statement which is derogatory, or
defamatory of any Councillor, member of Council staff, or member of the community;

(b) may demand retraction of any inappropriate statement or unsubstantiated allegation;

(c) must ensure silence is preserved in the public gallery during any meeting;

(d) must call to order any member of the public who approaches the Council or
Committee table during the meeting, unless invited by the Chair to do so; and

(e) must call to order any person who is disruptive or unruly during any meeting.

An Authorised Officer must, if directed to do so by the Chairman, remove from a meeting any
Councillor or other person who has committed such an offence.

Your cooperation is appreciated

Chairperson of Council
To: Mayor and Councillors

In accordance with Section 84 of the Local Government Act 1989, a Special Meeting of Bayside City Council will be held at the Council Chambers, Civic Centre, Boxshall Street Brighton, on Monday, 23 September 2019 at 6pm for the purpose of transacting the following business:

Order of Business

1. Apologies

2. Disclosure of any Conflict of Interest of any Councillor

3. Reports by the Organisation
   3.1 Annual Report on Operations 2018/2019 ........................................... 5
   3.2 Performance Statement for year ending 30 June 2019 ............... 9
   3.3 Annual Financial Statements for the year ending 30 June 2019. ................................................................. 11

4. Urgent Business
1. Apologies

2. Disclosure of any Conflict of Interest of any Councillor
3. Reports by the Organisation

3.1 ANNUAL REPORT ON OPERATIONS 2018/2019

Corporate Services - Governance
File No: PSF/19/960 – Doc No: DOC/19/242536

Executive summary

Purpose and background

The purpose of this report is for Council to consider and adopt the draft Annual Report on Operations for the financial year 2018/2019, including the Governance and Management Checklist.

Section 131 of the Local Government Act 1989 requires each local government to prepare an annual report. The front section of the annual report, known as the Annual Report on Operations complements the financial statements, and the performance statement provides the community with an overview of activities undertaken during the year with particular emphasis on performance against the Council Plan 2017-2021. It also provides information to the community about corporate governance activities, ensuring compliance with statutory reporting requirements.

Key issues

The draft Annual Report on Operations reflects performance against the eight goals of the 2017-21 Council Plan and provides highlights for the past year. The report is divided into a number sections:

- Statement of Purpose
- Financial Summary
- Operations summary
- Our Council
- Our People
- Our Performance against the Council Plan 2017-2021
- Corporate Governance
- Service Indicators

The report signifies an important part of Council’s commitment to be an open and accountable local government. The report is intended to inform all Council stakeholders and meets statutory requirements in accordance with the Local Government Act 1989.

It is proposed that Council receives the draft Annual Report on Operations for 2018/2019 (as provided in Attachment 1), and that it be submitted, together with the performance statement and financial statements, to the Minister for Local Government by 30 September 2019 in accordance with Section 131 of the Local Government Act 1989.
Recommendation
That Council:

1. Receives the draft Annual Report on Operations for 2018/2019, as provided in Attachment 1 to the report.

2. Authorises the Chief Executive Officer to make immaterial editorial changes to the document as required.

3. Authorises the Mayor and Chief Executive Officer to sign the Governance and Management Checklist.


5. Gives public notice that it has received an Annual Report for 2018/2019, and that the report may be viewed by the public at Council’s Corporate Centre, at each of Council’s four branch libraries and on Council’s website.

6. Gives notice and holds a Special Meeting of Council on Monday 14 October 2019 at 6.00pm to consider the Annual Report as required by Section 22 of the Local Government (Planning and Reporting) Regulations 2014.

Support Attachments
Considerations and implications of recommendation

Liveable community

Social
The Annual Report on Operations summarises progress on a range of programs which contribute to the social environment of the Bayside community, through the delivery of activities in line with the goals of the Council Plan 2017-21.

Natural Environment
The Annual Report on Operations summarises progress on a range of programs which contribute to the natural environment of the Bayside community, through the delivery of activities in line with Goal 4 ‘a sustainable natural environment’ of the Council Plan 2017-21 and the Environmental Sustainability Framework 2016-2025.

Built Environment
The report summarises progress on a range of programs which contribute to the natural environment of the Bayside community, through the delivery of activities in line with Goal 5 ‘Environment’ of the Council Plan 2017-21.

Customer Service and Community Engagement
Public notice will be provided in accordance with Section 134 of the Local Government Act 1989 once Council has received the Annual Report on Operations. The public notice will advise the community that the Annual Report can be inspected at Council’s Corporate Centre and also on Council’s website.

Human Rights
The implications of this report have been assessed and are not considered likely to breach or infringe upon the human rights contained in the Victorian Charter of Human Rights and Responsibilities Act 2006.

Legal
In accordance with Section 131 of the Local Government Act 1989, Council is required to receive an Annual Report for each financial year, and submit the Annual Report to the Minister for Local Government by 30 September of each year. The report is also available for inspection by any member of the community and is also available on Council’s website.

Finance
The Annual Report on Operations complements Council’s audited financial statements, and performance statements. The financial statements and performance statements are part of a separate Council report and will be submitted to the Minister and made available to the community as part of the Annual Report.
3.2 PERFORMANCE STATEMENT FOR YEAR ENDING 30 JUNE 2019

Purpose of the report
To present the Performance Statement for year ending 30 June 2019 to Council for in principle approval.

Background
The Performance Statement for year ending 30 June 2019 has been prepared in accordance with the Local Government Performance Reporting Framework Indicator Workbook and the Better Practice Guide.

The Performance Statement for the Year ending 30 June 2019 reports Council’s performance against 6 Sustainable Capacity Indicators, 12 Service Performance Indicators and 12 Financial Performance Indicators. The report compares the performance against the 2016, 2017 and 2018 results, and will be published on the Know your Council Website in November 2019.

The Performance Statement is structured around Sustainable Capacity Indicators, Service Performance Indicators and Financial Performance Indicators.

The Sustainable Capacity Indicators measure whether Council is able to meet the agreed service needs of the community and consists of 6 indicators:

- Own-source revenue per head of population
- Recurrent grants per head of population
- Expenses per head of population
- Infrastructure per head of population
- Population density per length of road
- Relative socio-economic disadvantage

The Service Indicators consist of 12 auditable service indicators consisting of:

- Aquatic Facilities – Utilisation of aquatic facilities (not applicable Council does not operate aquatic facilities)
- Animal Management – Animal management prosecutions
- Food Safety – Critical and major non-compliance notifications
- Governance – Satisfaction
- HACC – Participation in HACC Service (no longer reported against)
- HACC – Participation in HACC Service by CALD people (no longer reported against)
- Libraries – Active Library members
- MCH – Participation in MHC service
- MCH – Participation in MHC service by Aboriginal children
- Roads – Satisfaction
- Statutory Planning – Decision Making
- Waste Collection – Water Diversion

The Financial Indicators measure whether Council is using resources efficiently and comprise 12 indicators:

- Expenses per property assessment
- Average residential rate per residential property assessment
- Resignations and terminations compared to average staff
- Unrestricted cash compared to current liabilities
- Current assets compared to current liabilities
- Asset renewal compared to depreciation
- Non-current liabilities compared to own source revenue
- Loans and borrowings compared to rates
- Loans and borrowings repayments compared to rates
- Adjusted underlying surplus (or Deficit)
- Rates compared to adjusted underlying revenue
- Rates compared to property values

Discussion

The Victorian Auditor-General’s Office has undertaken an audit on all indicators to review the data, particularly the consistency and accuracy of calculations made, together with the processes in place to record the data.

Recommendation

That Council:

1. Resolves to adopt the Performance Statement for the financial year ending 30 June 2019 in principle.

2. Authorises Cr Grinter and Cr Castelli as Audit and Risk Management Committee members to sign the Performance Statement in conjunction with the Chief Executive Officer and Manager Finance.

Support Attachments

1. Attachment 1 - Performance Statement for 2018/19 for Council Adoption (separately enclosed)
Executive summary

Purpose and background
The audited financial statements are submitted to Council in order to comply with the provisions of Section 131 of the *Local Government Act 1989* for the submission of the Annual Report to the Minister for Local Government by 30 September 2019.

The Financial Report for the financial year ended 30 June 2019 has been audited by the Victorian Auditor General's Office (VAGO). The Audit Committee at its meeting on Wednesday 11 September 2019 endorsed the statements which are now recommended to Council for formal approval. A copy of the statements accompanies this report.

Background
The *Local Government Act 1989* (Section 131) governs the preparation of a Council's annual report and its presentation to the Minister for Local Government and the community.

The *Local Government (Finance and Reporting) Regulations 2014* stipulates that the Financial Statements be certified in the prescribed manner by the Chief Executive Officer, the Principal Accounting Officer and two Councillors.

Under the regulation, the Financial Report must be prepared in accordance with the Local Government Model Financial Report.

Council cannot submit the Financial Report to VAGO or the Minister for Local Government unless it has passed a resolution giving 'in principle' approval to the Financial Report and authorising two Councillors, on behalf of the Council, to certify the Financial Report once amendments or changes requested by VAGO have been implemented.

Analysis of results
The Financial Report includes the following key highlights:

**Income and Expenditure** – Council achieved an operating surplus of $24.55M for the year which was $4.94M favourable to the 2018/19 budget. The surplus is used to fund the Capital Works Program.

Revenue exceeded budget by $9.8M predominantly due to:

- $4.4M additional income from developers related to open space $3M and drainage contributions $1.4M. These funds are to be transferred to reserves to be made available to fund open space and drainage infrastructure enhancements;
- $1.6M increase in Statutory Fees and Fines driven by an increase in parking infringement revenue $1.9M, partly offset by a decrease in planning application fees due to the economic uncertainty and a downturn in the housing market ($0.39M);
- $1.3M increase in User Fees, mainly as a result of an increase in parking fees $0.5M and an increase in crane, skip bin, and filming permits $0.53M;
- $1.08M interest revenue on investments due to favourable operating results and the timing of delivery of a number of major capital projects which are expected to be completed in 2019/20; and
- $0.69M increased revenue related to the sale of discontinued laneways.

Expenditure exceeded budget by ($4.8M), mainly driven by:

- ($2.5M) Materials and Services, including ($1.5M) provision for lease surrender costs, additional costs associated with discontinued laneways and other property matters ($0.296M), and additional costs in infringement lodgement fees ($0.318M) associated with an increased number of parking fines issued;
- ($0.505M) increase in the parking infringements doubtful-debts provision reflecting an increase in fines issued and debt outstanding;
- ($0.73M) increase in depreciation and amortisation reflecting Council’s increased investment in property, infrastructure, plant and equipment as part of the accelerated capital program;
- ($1.9M) loss on the disposal of property, plant, equipment and infrastructure assets disposed of during the year, including footpaths and cycleways ($0.473M), Roads ($0.716M), Drainage ($0.105M), Buildings ($0.608M);
- ($0.302M) Impairment loss on property transferred to assets held for sale where the asset’s value is recognised at fair value less costs to sell, as opposed to carrying value; and
- $1.1M favourable result in Employee Costs due to staff vacancies in Building and Urban Strategy, Customer Experience and Youth Services as well as a reduction in staff hours in Aged and Disability Services due to the transition of clients to the National Disability Insurance Scheme.

**Balance Sheet** – Cash and Investments increased by $41.8M compared to budget, primarily as a result of:

- a greater opening cash balance than budgeted at 1 July 2018 of $13.5M;
- a favourable variance in operating activities of $10.9M; and
- an underspend in capital projects of $17.4M during the year.

$33.5M of the total Cash and Investments increase compared to budget relates to an increase in restricted, committed and allocated funds. These cash reserves will be drawn down in future years to fund the accelerated capital program over the next 4 years and long term financial plans.

**Revaluation of Property, Infrastructure, Plant and Equipment**

In accordance with Australian Accounting Standards AASB116 *Property Plant & Equipment* and AASB13 *Fair Value Measurement*, Council undertook an assessment of the fair value of Property and Infrastructure assets as at 30 June 2019.

**Land and Buildings**

ValTec Property Pty Ltd, a qualified independent valuer, conducted an indices assessment of the Land and Buildings asset classes.
- **Buildings**

The assessment revealed a cumulative increase in the replacement cost of building assets of 6.60% which is considered to be below materiality thresholds, Council has agreed with VAGO that a full revaluation is therefore, not required.

- **Land**

The indices review based on a sample of property sales within the municipality for the 12 months from March 2018 to March 2019 resulted in an average decrease of 7.42% in land values. Whilst the average decrease is less than 10%, the expected valuation decrement was significant and assessed as material, a full revaluation was therefore undertaken. A full desktop revaluation was undertaken on 152 Council owned land parcels as at 30 June 2019. The total fair value of all land for the financial year was 6.9% lower than previous year, resulting in a revaluation decrement of ($172M).

- **Land under roads**

Council’s policy is to recognise land under roads at fair value using a market based direct comparison technique. The methodology for valuing land under roads is based on Council's municipal site value (MSV). The average rate per square metre has been discounted by 95% to account for its undeveloped state, limit to rights of access and infrastructure easements. Council calculated an average rate to be applied to land under roads based on the average site value of rateable properties. In 2018/19, the assessment included all valued properties within the municipality, including both rateable and non-rateable in order to determine an average rate which can be applied to land under roads. Council assessed the value per square metre, based on the average site value of all valued properties as $88 per square metre as at June 2019 resulting in a revaluation decrement of ($251M).

- **Infrastructure**

Council staff conducted an indices based assessment of Council’s Infrastructure asset classes based on Rawlison’s industry rates. As a result of the cumulative changes to price movements, the Drainage asset class underwent a full revaluation at 30 June 2019.

- **Drainage**

The valuation resulted in an increase of 10.93% primarily due to cost escalation, and an additional 9.7% as a result of adjustments to opening balance from assets not previously recognised. The valuation process identified $3.2M of assets constructed by developers and contributed to Council which had not previously been accounted for. As the assets were constructed in prior years, this has been treated as a prior period error in accordance with Australian Accounting Standards. Adjustments have been made to restate the prior year Comprehensive Income, Balance Sheet and Equity balances at 30 June 2018 as per note 9.4. Council also undertook a review of drainage assets in the arterial road reserve and assumed responsibility for 651 drainage assets valued at $5.9M which had been previously assessed as under VicRoads’ responsibility.

**Material changes to Australian Accounting Standards and Accounting policies**

There was one change to Australian Accounting Standards and Accounting policies that came into effect for Council in the 2018/19 financial year. AASB 9 – Financial Instruments simplifies the model for classifying and recognising financial assets. The standard requires the use of the expected credit loss (ECL) model in assessing and calculating the provision for doubtful debts. There was no material change to the financial statements on adoption noting that the existing methods and assumptions were quite consistent with the new ECL model.
Recommendation

That Council:


2. Authorises the Manager Finance to make immaterial adjustments to the Financial Statements if requested by the Victorian Auditor General’s Office. If material adjustments are requested, the Manager Finance is authorised to make such adjustments and advise Council and the Audit Committee of the effect of these adjustments.

3. Resolves to give ‘in principle’ approval of the Financial Report for the financial year ended 30 June 2019, and authorises Councillors Rob Grinter and Sonia Castelli, members of the Audit and Risk Management Committee, to certify the statements on behalf of Council and submit these to the Minister for Local Government.

Support Attachments

1. Attachment 1 - Bayside City Council Financial Statements at 30 June 2019 (separately enclosed)
**Considerations and implications of recommendation**

**Liveable community**

**Social**
There are no social impacts associated with this report.

**Natural Environment**
There are no natural environmental impacts associated with this report.

**Built Environment**
There are no built environmental impacts associated with this report.

**Customer Service and Community Engagement**
There are no impacts to customer service. No community engagement has been undertaken in preparing this report.

**Human Rights**
The implications of this report have been assessed and are not considered likely to breach or infringe upon, the human rights contained in the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

**Legal**
The audited financial statements are submitted to Council in order to comply with the provisions of Section 131 of the *Local Government Act 1989* for the submission of the Annual Report to the Minister for Local Government by 30 September 2019.

**Finance**
The year-end operating result is a surplus of $24.55M which is $4.94M favourable to budget.

The capital expenditure result is $17M favourable to budget.

**Links to Council policy and strategy**
The presentation of the annual financial statements align with Goal 8 ‘Governance’ in the Council Plan 2017-2021. We want an organisation that is financially stable and with decision making that is open, transparent, and informed by the community.
4. Urgent Business