

**Our Ref:** (02/05/01) F929  
**Pathway Ref:** 87811

24 June 2015

Christine Pruneau  
Macedon Ranges Residents Association  
[Mrra.sec999@gmail.com](mailto:Mrra.sec999@gmail.com)

Dear Ms Pruneau

**Re: Budget Submission**

Further to previous emails, I now wish to advise that Council received 47 submissions, which canvassed a wide range of subjects. Many of the submissions were in support of what we are doing and encouraged us to do more. The most popular subject was support for the construction of a skate park in Lancefield.

Fourteen Submitters appeared before Council on 3 June 2015 and made a verbal presentation in support of their submission.

You can be confident your opinion matters to Council. We will listen to what you have to say and we value your input. We will strive to do what you want but it is not always possible for us to do everything that everyone wants.

At the Council Meeting on 17 June 2015, Council considered the submissions and thanked all Submitters for providing their support, requests, observations and questions.

In summary, your submission sought full disclosure and changes to the draft budget, claimed a lack of transparency and accountability, sought an independent audit of finances over last 5 years and expressed seven matters of concern.

1. Borrowings

Council has included borrowed money in its recent budgets (including 2015/16) to fund significant essential projects or unavoidable liabilities. Despite this budgeted growth in debt, the budgeted debt levels are still within prudential guidelines. The 2015/16 budget predicts that the net

budgeted debt level will be \$13,217,500 by 30 June 2016. The actual debt level at 30 June each year is recorded in the audited Balance Sheet, which is published in the Annual Report.

Council has borrowed some funds via the MAV Local Government Funding Vehicle.

The Local Government Funding Vehicle is being used as an alternative to borrowing funds directly from banks. The money raised through this Funding Vehicle is not used to repay other debts. It is used only for the purpose of funding the projects specified in the budgets.

These borrowings are interest only, the principal on these borrowings is not payable for 5 years after the draw down date. It is intended that half the original amount will be repaid in five years and the remaining half will be repaid in ten years. Therefore each year one-tenth of the original amount will be transferred to Council's Debt Repayment financial reserve so that the required money is available to repay the borrowings when it is due to be repaid.

## 2. Capital Works Projects

The Council Plan, Strategic Resource Plan, Budget Report and Annual Report fit within the Planning, Performance and Reporting Framework.

Some capital works projects are budgeted to be undertaken over more than one financial year. Council keeps its community well informed on the progress being made.

The Quarterly Report is produced four times per year and provides the community with a report on the progress that is being made.

The Annual Report is published in September each year and provides the community with a comprehensive report of our operations, performance and finances in the previous financial year.

Furthermore, the Budget Report also provides a list of those capital works projects which are incomplete from previous budgets and for which budgeted expenditure will be carried forward into the following financial year (refer page 55). The amounts within that list are net of any 2014/15 expenditure and do not represent the full budget.

## 3. Inconsistencies

Thank you for identifying some errors in the Budget Report. They have been corrected by Council's Manager Finance.

#### 4. Income and Expenditure

The Strategic Resource Plan and the long term forecast within the Income Statement is based on the financial assumption that rate revenue will increase by 6.6%. This is based on two contributing factors. Firstly, based on historical evidence, we will continue to experience 1.8% growth in rate revenue from new subdivisions and new constructions. Secondly to retain works and services at current levels and standards, it is necessary to increase rates and the municipal charge by 4.8%.

The total revenue that we need to generate from rates, municipal charge and waste service charge in order to balance the 2015/16 Budget is almost \$41.9 million, which is almost 6.6% (\$2.5 million) more than 2014/15.

The median property value in the Shire is \$445,000 and the rates and all charges on such a property will increase by \$84 from \$1,740 to \$1,814, which is 4.8%.

#### 5. Council Spending

The Budget Report has been prepared in accordance with the Model Budget issued by Local Government Victoria. The Model Budget is a best practice guide for reporting local government budgets in Victoria written by Chartered Accountants Australia and New Zealand.

In some cases, the projects referred to in the submission are from prior years and are not relevant to the 2015/16 budget. The overall budget is a balanced one and only \$193 is unallocated.

#### 6. Financial Reserves

The management of Council's financial reserves is governed by the Financial Reserves Policy which is available on Council's website.

#### 7. Financial Reporting

Council's Strategic Reserve Plan was aligned to the 2015 Local Government Victoria Strategic Resource Plan Better Practice Guide which requires disclosure of four years of financial information.



**Macedon Ranges**  
Shire Council

At its meeting on 17 June, Council noted that its Budget Report has been prepared with transparency and full disclosure. It also noted that its financial statements are subject to an annual audit by the Victorian Auditor General's Office.

Council resolved to invite you to discuss the concerns expressed in your submission with the Chief Executive Officer and me. Should you wish to accept this invitation, please contact Mich Williams on 5422 0308 to arrange an appointment time and date at either our Gisborne office or Kyneton office.

Yours sincerely

**Glenn Owens**  
**Director Corporate Services**