

**Postal:** P.O. Box 183, Gisborne, 3437.

**Web:** [www.mrra.asn.au](http://www.mrra.asn.au)

**Reg. Address:** 2 Dalrymple Road, Gisborne, 3437.

**Email:** [mrra.sec999@gmail.com](mailto:mrra.sec999@gmail.com)

**Telephone:** (03) 5428 3197 (Pres), (03) 5427 1481 (Sec)

Submission

## Draft 2017/2018 MRSC Budget

1 June, 2017


The Association makes the following requests for changes to and information about Financial Reserves, relating to the draft 2017/18 Macedon Ranges Shire Budget.

# 1 REQUEST FOR CHANGES: “COMMERCIAL DEVELOPMENT” AND “ASSET CONVERSION” FINANCIAL RESERVES.

## 1.1 Basis For Request

1. The 2014/15 adopted budget (extract below) contained 6 Discretionary Reserves, the largest by far being the “Management Property Disposals” reserve, which contained almost \$3 million.

**ADOPTED MRSC BUDGET 2014/15**



**Appendix C2 - Statement of Financial Reserves**

	Balance @ 30/06/14	Transfers to Reserve	Transfer from Reserve	Balance @ 30/06/15
<b>Discretionary Reserves</b>				
Plant Replacement	\$370,072	\$544,518	\$772,000	\$142,590
Fire Prevention	\$0			\$0
Waste Management Facilities	\$24,095			\$24,095
<b>Management Property Disposals</b>	<b>\$2,705,040</b>			<b>\$2,705,040</b>
Gravel Pit Operations	\$424,022	\$110,195		\$534,217
Landfill Recovery	\$504,044	\$188,000	\$542,900	\$149,144
<b>TOTAL</b>	<b>\$4,027,273</b>	<b>\$842,713</b>	<b>\$1,314,900</b>	<b>\$3,555,086</b>
<b>Statutory Reserves</b>				
Public Open Space - South	\$1,031,977	\$258,896	\$144,000	\$1,146,873
Public Open Space - East	\$78,348	\$71,826	\$80,000	\$70,174
Public Open Space - Central	\$104,825	\$36,338		\$141,163
Public Open Space - West	\$122,544	\$32,940	\$110,000	\$45,484
<b>Public Open Space</b>	<b>\$1,337,694</b>	<b>\$400,000</b>	<b>\$334,000</b>	<b>\$1,403,694</b>
Community Facilities - South	\$79,978	\$60,000		\$139,978
Community Facilities - East	\$184,644	\$20,000		\$204,644
Community Facilities - Central	\$17,697			\$17,697
Community Facilities - West	\$12,657			\$12,657
<b>Community Facilities</b>	<b>\$294,976</b>	<b>\$80,000</b>	<b>\$0</b>	<b>\$374,976</b>
Car Parking	\$32,000			\$32,000
Roads	\$249,641		\$26,000	\$223,641
Drainage	\$220,778			\$220,778
Gisborne Development Plan	\$443,831		\$400,000	\$43,831
Hanging Rock	\$276,692	\$19,403	\$131,000	\$165,095
Footpaths	\$86,566			\$86,566
Maintenance Seniors Accommodation	\$248,780			\$248,780
<b>TOTAL</b>	<b>\$3,190,958</b>	<b>\$499,403</b>	<b>\$891,000</b>	<b>\$2,799,362</b>
<b>GRAND TOTAL</b>	<b>\$7,218,231</b>	<b>\$1,342,116</b>	<b>\$2,205,900</b>	<b>\$6,354,448</b>

Budget Report 2014/15 as adopted by Council on 18 June 2014

Page 62

2. In November 2014, council adopted a revised Financial Reserves Policy (the current policy), which endorsed changes to Financial Reserves through name changes, new reserves, and transformation of some of the then Statutory Reserves into Discretionary Reserves.
3. The Policy, at Item 5 (extract below), requires projects funded from a financial reserve to be directly related to the agreed purpose of the financial reserve, as defined in Appendix 1 of the Policy.

### 5. FUNDING OF PROEJCTS FROM FINANCIAL RESERVES FOR PROJECTS

Projects funded from a financial reserve must be directly related to the agreed purposes for which the financial Reserve was created. Appendix 1 lists financial reserves and the purposes for which these funds can be used.

4. Appendix 1 of the 2014 Financial Reserves Policy (extract below) shows:


- The then “*Management Property Disposals*” reserve renamed to “*Asset Conversion*” reserve, to be used to fund capital works on Council owned land.
- A new Reserve to be called “*Commercial Development*”, to be used to fund activities to investigate, establish or stimulate demand for commercial activity in the Shire (with “commercial” defined as being any permitted use in Commercial or Industrial zones).

Financial Reserves 2014		Appendix 1.
Reserve Name	Source of Funds	Approved Use of Funds
<b>Discretionary Reserves:</b>		
Asset Conversion (Formerly - Management Property Disposals)	Net proceeds from the sale of Council land that is not classified as open space. It also excludes the proceeds of sale from the development of commercial /industrial land which is covered under the Commercial Development reserve.	Capital works on Council owned land.
Commercial Development	Net proceeds from the sale of Council commercial or industrial land that has been developed for the purpose of stimulating commercial activity.	Activities designed to investigate, establish or stimulate the demand for commercial activity throughout the Macedon Ranges Shire.  The definition of commercial activity in this regard can be anything that is a permitted use in the Industrial or Commercial zones.

5. The subsequent draft 2015/16 budget, as exhibited, included a change to Financial Reserves that was not endorsed in the Financial Reserves Policy.

6. The draft 2015/16 Budget (extract below):
  - retained the then “*Management Property Disposals*” reserve (instead of renaming it “*Asset Conversion*”), and
  - added a new reserve named “*Asset Conversion*” (instead of a new reserve named “*Commercial Development*”).

**DRAFT BUDGET 2015/16**



**Macedon Ranges**  
Shire Council

**Appendix C2 - Statement of Financial Reserves**

Discretionary Reserves	Balance @ 01/07/15	Transfers to Reserve	Transfer from Reserve	Balance @ 30/06/16
Plant Replacement	\$758,799	\$731,557	\$1,288,000	\$202,356
Waste Management Facilities	\$24,095			\$24,095
Asset conversion	\$221,830			\$221,830
Management Property Disposals	\$2,824,147		\$350,000	\$2,474,147
Gravel Pit Operations	\$434,709	\$113,020		\$547,729
Hanging Rock	\$205,112			\$205,112
Maintenance Seniors Accommodation	\$250,280			\$250,280
Landfill Recovery	\$205,000	\$188,000	\$382,450	\$10,550
Debt Repayment	\$148,929	\$817,222		\$966,151
<b>TOTAL</b>	<b>\$5,072,901</b>	<b>\$1,849,799</b>	<b>\$2,020,450</b>	<b>\$4,902,250</b>

Draft Budget Report 2015/16 for public display and comment until 29 May 2015 Page 62

7. The Association questioned the inclusion of the new “*Asset Conversion*” reserve in its submission to the draft 2015/16 Budget, asking for a full explanation of the source of the opening balance of almost \$222,000. No response or explanation was received from council.
8. The draft 2015/16 Budget and associated documents were adopted by council at a Special Council Meeting held on 17 June, 2015. The documents being adopted do not appear to have been provided as attachments to the Special Meeting agenda.
9. The officer’s recommendation (extract below) was for adoption of the 2015/16 Budget without amendment from the exhibited draft Budget (other than correction of minor errors in the commentary).

**Officer Recommendations:**

5. That, having prepared the Draft Budget Report 2015/16, having placed it on public display, having received 47 submissions and having considered all submissions, Council adopts the Budget without amendment, except corrections to minor errors in the commentary, which were discovered during public display.

It was moved by Cr Letchford seconded by Cr Jukes that the Officer Recommendation be adopted by Council.

The motion was put and carried.

Cr Letchford requested a division

For – Cr’s Connor, Hackett, Ellis, Mowatt, Jukes and Letchford (6)

Against – Cr’s Piper and Anderson (2)

**CARRIED**

10. The subsequently published adopted 2015/16 budget (extract below) showed that, despite the draft 2015/16 Budget being adopted “without amendment”, a significant change had in fact occurred:

the “*Management Property Disposal*” reserve had been renamed the “*Commercial Development*” reserve, contrary to council’s Financial Reserves Policy, and without any known notice to either councillors or community.

**ADOPTED BUDGET 2015/16**



**Appendix C2 - Statement of Financial Reserves**

Discretionary Reserves	Balance @ 01/07/15	Transfers to Reserve	Transfer from Reserve	Balance @ 30/06/16
Plant Replacement	\$758,799	\$731,557	\$1,288,000	\$202,356
Asset conversion	\$221,830	\$350,000	\$480,000	\$91,830
Commercial Development	\$2,824,147			\$2,824,147
Gravel Pit Operations	\$434,709	\$113,020		\$547,729
Hanging Rock	\$205,112			\$205,112
Maintenance Seniors Accommodation	\$250,280			\$250,280
Landfill Recovery	\$205,000	\$188,000	\$382,450	\$10,550
Debt Repayment	\$148,929	\$817,222		\$966,151

Budget Report 2015/16 adopted by Council on 17 June 2015

Page 62

11. This change reassigned almost \$3 million to a “*Commercial Development*” reserve, changing its purpose from being used to fund capital works on council owned land (as the Financial Reserves Policy intended), to funding economic development activities.
12. The new “*Asset Conversion*” reserve, containing less than \$222,000, was left to fund capital works on council land.
13. Changes can be summarized as follows:

2014 Financial Reserves Policy	2015/16 Draft Budget	2015/16 Adopted Budget
Rename “ <i>Management Property Disposals</i> ” reserve to “ <i>Asset Conversion</i> ” reserve. (\$3M)  <i>Purpose:</i> to fund capital works on council land.	“ <i>Management Property Disposals</i> ” reserve retained (\$3M).  <i>Purpose:</i> to fund capital works on council land.	“ <i>Management Property Disposals</i> ” reserve renamed “ <i>Commercial Developments</i> ” reserve (\$3M)  <i>Purpose:</i> to fund activities related to economic development
Introduce a new “ <i>Commercial Development</i> ” reserve  <i>Purpose:</i> to fund activities related to economic development	A new “ <i>Assets Conversion</i> ” reserve introduced. (\$222K)  <i>Purpose:</i> to fund capital works on council land.	“ <i>Assets Conversion</i> ” reserve (\$222K)  <i>Purpose:</i> to fund capital works on council land.

**1.2 Changes Sought by the Association**

14. We request that the names of the “*Commercial Development*” and “*Asset Conversion*” reserves be reversed, as follows:
  - a) Rename the existing “*Commercial Development*” financial reserve to the “*Asset Conversion*” reserve, to allow the \$3 million in that reserve to be used for its intended purpose of funding capital works on council land.
  - b) Rename the existing “*Asset Conversion*” reserve to the “*Commercial Development*” reserve, if council considers it appropriate to retain a “*Commercial Development*” reserve.
15. The Association believes these changes are justified because:
  - a) Conversion of the “*Management Property Disposals*” reserve to the “*Commercial Development*” reserve was contrary to council’s Financial Reserves Policy. That Policy clearly intended the \$3 million in the then “*Management Property Disposal*” reserve to be renamed the “*Asset Conversion*” reserve and to continue be used to fund capital works on council land.
  - b) Introduction of the “*Commercial Development*” reserve in the adopted 2015/16 Budget occurred without required notice, exhibition and process.

## 2 DISCREPANCIES IN FINANCIAL RESERVES' BALANCES

### 2.1 Request for Information

16. The Association is seeking a detailed accounting of discrepancies in Financial Reserves between closing balances in the 2016/17 budget, and opening balances in the 2017/18 draft budget.
17. The table below shows (A) Reserves, (B) closing balances at 30 June 2017 in the 2016/17 budget, (C) opening balances at 1 July 2017 in the 2017/18 budget, and (D) the differences between those two numbers.

**Table 1 Discrepancies between 30 June 2017 closing and 1 July 2017 opening balances**

<b>Appendix B2 - Statement of Financial Reserves</b>			
<b>A</b>	<b>2016/17 BUDGET Balance at 30/06/17</b>	<b>2017/18 BUDGET Balance at 01/07/2017</b>	<b>Difference between 30 June 2017 closing balance (2016/17 budget), and 1 July 2017 opening balance (2017/18 budget)</b>
<b>Discretionary Reserves</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Plant Replacement	\$1,297	\$740	-\$557
Asset Conversion	\$332	\$232	-\$100
Commercial Development	\$3,649	\$2,906	-\$743
Gravel Pit Operations	\$73	\$0	-\$73
Hanging Rock	\$360	\$403	+\$43
Maintenance Senior Cits Accommodation	\$254	\$282	+\$28
Landfill Recovery	\$40	Deleted	-\$40
Debt Repayment	\$1,795	\$1,795	Same
<b>TOTAL</b>	<b>\$7,800</b>	<b>\$6,358</b>	<b>-\$1,442</b>
<b>Statutory Reserves</b>			
Public Open Space - South	\$209	\$189	-\$20
Public Open Space - East	\$246	\$235	-\$11
Public Open Space - Central	\$17	\$580	+\$563
Public Open Space - West	\$121	\$423	+\$302
<b>Public Open Space</b>	<b>\$593</b>	<b>\$1,427</b>	<b>+\$834</b>
Community Facilities - South	\$57	\$0	-\$57
Community Facilities - East	\$279	\$279	Same
Community Facilities - Central	\$18	\$18	Same
Community Facilities - West	\$13	\$13	Same
<b>Community Facilities</b>	<b>\$367</b>	<b>\$310</b>	<b>-\$57</b>
Car Parking	\$45	\$75	+\$30
Planning Roadworks	\$309	\$235	-\$74
Drainage	\$323	\$353	+\$30
Gisborne Development Contributions Plan	\$2	\$397	+\$395
Romsey Development Contributions Plan	\$45	\$58	+\$13
Kyneton South Development Contributions Plan	\$0	Deleted	0
Planning Footpath Works	\$179	\$112	-\$67
<b>TOTAL</b>	<b>\$1,863</b>	<b>\$2,967</b>	<b>+\$1,104</b>
<b>GRAND TOTAL</b>	<b>\$9,663</b>	<b>\$9,325</b>	<b>-\$338</b>

Attachment 1 is the full Financial Reserves statement at page 64 of the draft 2017/18 budget.  
Attachment 2 is the full Financial Reserves statement at page 61 of the adopted 2016/17 budget.

*Macedon Ranges: an **ENDANGERED** environment*

18. Only 4 of 21 opening balances in extant Reserves (two are deleted in 2017/18) have the same 2017/18 opening balances as their closing balances in 2016/17. Discrepancies occur in both Discretionary and Statutory Reserves.
19. As funds held in Reserves are not general revenue and are only to be used for pre-determined purposes, transfers to and particularly from Reserves which are not authorised in an adopted budget require explanation and council endorsement. The Association is therefore also seeking the Council resolutions authorising changes (some are very substantial) from the adopted 2016/17 budget, including the closure of two reserves.

## **2.2 Information Sought**

20. Please provide a thorough accounting of end-of-financial-year discrepancies, and Council resolutions endorsing actions which have led to them, specifically including:
  - a) -\$557,000 at Plant Replacement reserve. (D)
  - b) -\$73,000 at Gravel Pit Operations reserve, and why this reserve is now empty. (D)
  - c) -\$40,000 at Landfill Recovery reserve, and closure of this reserve. (D)
  - d) -\$57,000 at Public Open Space – South reserve, and why this reserve is now empty. (S)
  - e) +\$563,000 at Public Open Space, Central reserve. (S)
  - f) +\$302,000 at Public Open Space – West reserve. (S)
  - g) +\$395,000 at Gisborne Development Contributions Plan reserve, forecast to contain \$2,000. (S)
  - h) -\$1,442,000 at Total Discretionary Reserves, and +\$1,104,000 at Total Statutory Reserves.
  - i) -\$338,000 at Total Reserves.  
*(D) Discretionary reserve (S) Statutory reserve*
21. The Association requests, in particular, comprehensive details of:
  - a) The difference in the “*Commercial Development*” reserve (where the 2017/18 opening balance is \$743,000 less than the 2016/17 closing balance);
  - b) The difference in the “*Asset Conversion*” reserve (where the 2017/18 opening balance is \$100,000 less than the 2016/17 closing balance);
  - c) Closure of the statutory Kyneton South Development Contributions Plan reserve introduced in the 2016/17 budget, which showed \$50,000 to be transferred into and \$50,000 to be transferred from the reserve in 2016/17, leaving a zero year-end (30/6/17) balance. As there is no legally-binding Development Contributions Plan for Kyneton South, please account for:
    - Inclusion of a statutory Kyneton South Development Contributions Plan reserve in the adopted 2016/17 budget, and its deletion in the 2017/18 budget year;
    - The \$50,000 funds transferred to and from the reserve in 2016/17 (source, and destination).
    - The relationship of this reserve and its funds to a development plan (DP/2013/2) for 341 lots south of Kyneton in the Campaspe Drive area, approved by council on 16/12/2015, for which the developer agreed to voluntarily pay to council a development contribution of \$1.7 million (\$5,000 per lot) towards constructing a bridge over the Campaspe River.

### **MRRA CONTACTS:**

Brian Whitefield, President, 5428 3197, [pumps11@bigpond.com](mailto:pumps11@bigpond.com)  
Christine Pruneau, Secretary, 5427 1481, [mr.ra.sec999@gmail.com](mailto:mr.ra.sec999@gmail.com)



## Appendix B2 - Statement of Financial Reserves

	Balance 01/07/2017 '000	Transfers to Reserve '000	Transfer from Reserve '000	Balance 30/06/2018 '000
<b>Discretionary Reserves</b>				
Plant Replacement	\$740	\$1,087	\$1,468	\$359
Asset Conversion	\$232		\$130	\$102
Commercial Development	\$2,906			\$2,906
Gravel Pit Operations	\$0	\$60		\$60
Hanging Rock	\$403		\$250	\$153
Maintenance Senior Cits Accommodation	\$282	\$11	\$60	\$233
Debt Repayment	\$1,795	\$757		\$2,552
<b>TOTAL</b>	<b>\$6,358</b>	<b>\$1,915</b>	<b>\$1,908</b>	<b>\$6,365</b>
<b>Statutory Reserves</b>				
Public Open Space - South	\$189	\$240	\$150	\$279
Public Open Space - East	\$235	\$180	\$180	\$235
Public Open Space - Central	\$580	\$140	\$655	\$65
Public Open Space - West	\$423	\$190	\$530	\$83
<b>Public Open Space</b>	<b>\$1,427</b>	<b>\$750</b>	<b>\$1,515</b>	<b>\$662</b>
Community Facilities - South	\$0			\$0
Community Facilities - East	\$279		\$101	\$178
Community Facilities - Central	\$18			\$18
Community Facilities - West	\$13		\$10	\$3
<b>Community Facilities</b>	<b>\$310</b>	<b>\$0</b>	<b>\$111</b>	<b>\$199</b>
Car Parking	\$75			\$75
Planning Roadworks	\$235	\$115		\$350
Drainage	\$353	\$35		\$388
Gisborne Development Contributions Plan	\$397	\$50	\$46	\$401
Romsey Development Contributions Plan	\$58	\$30		\$88
Planning Footpath Works	\$112	\$20		\$132
<b>TOTAL</b>	<b>\$2,967</b>	<b>\$1,000</b>	<b>\$1,672</b>	<b>\$2,295</b>
<b>GRAND TOTAL</b>	<b>\$9,325</b>	<b>\$2,915</b>	<b>\$3,580</b>	<b>\$8,660</b>

## Capital Works Projects to be funded from Financial Reserves in 2017/18

Reserve	Project	Funds ('000)
Plant replacement reserve	Plant and fleet purchases	1,443
Plant replacement reserve	Fleet management system	25
Asset conversion reserve	Lancefield skate park	130
Hanging Rock reserve	Hanging Rock projects	250
Senior citizens accommodation	Senior Citizens unit upgrades	60
Public open space reserve	JD Clifford Reserve facility upgrade	50
Public open space reserve	South Gisborne open space development works	100
Public open space reserve	Riddells Creek tennis court development	100
Public open space reserve	Romsey open space all abilities park	80
Public open space reserve	Gilbert Gordon Oval pavilion	450
Public open space reserve	Gilbert Gordon Oval lighting	205
Public open space reserve	Kyneton Tennis Club lighting and court development	150
Public open space reserve	Kyneton Showgrounds pavilion	250
Public open space reserve	Kyneton Campaspe trail	50
Public open space reserve	Kyneton Community Park	80
Community facilities reserve	Romsey and Riddells Creek Early Years & MCH works	101
Community facilities reserve	Kyneton early years planning	10
Gisborne development contribution plan	Fersfield/Willowbank Rd Gisborne open space land	46
		<b>3,580</b>



### Appendix B2 - Statement of Financial Reserves

	Balance 01/07/2016 '000	Transfers to Reserve '000	Transfer from Reserve '000	Balance 30/06/2017 '000
<b>Discretionary Reserves</b>				
Plant Replacement	\$1,107	\$1,021	\$831	\$1,297
Asset Conversion	\$112	\$350	\$130	\$332
Commercial Development	\$2,906	\$743		\$3,649
Gravel Pit Operations	\$5	\$68		\$73
Hanging Rock	\$447		\$87	\$360
Maintenance Senior Cits Accommodation	\$250	\$4		\$254
Landfill Recovery	\$40			\$40
Debt Repayment	\$1,122	\$673		\$1,795
<b>TOTAL</b>	<b>\$5,989</b>	<b>\$2,859</b>	<b>\$1,048</b>	<b>\$7,800</b>
<b>Statutory Reserves</b>				
Public Open Space - South	\$104	\$130	\$25	\$209
Public Open Space - East	\$421	\$90	\$265	\$246
Public Open Space - Central	\$372	\$150	\$505	\$17
Public Open Space - West	\$271	\$30	\$180	\$121
<b>Public Open Space</b>	<b>\$1,168</b>	<b>\$400</b>	<b>\$975</b>	<b>\$593</b>
Community Facilities - South	\$57			\$57
Community Facilities - East	\$279			\$279
Community Facilities - Central	\$18			\$18
Community Facilities - West	\$13			\$13
<b>Community Facilities</b>	<b>\$367</b>	<b>\$0</b>	<b>\$0</b>	<b>\$367</b>
Car Parking	\$45			\$45
Planning Roadworks	\$308	\$100	\$99	\$309
Drainage	\$308	\$15		\$323
Gisborne Development Contributions Plan	\$614	\$70	\$682	\$2
Romsey Development Contributions Plan	\$30	\$15		\$45
Kyneton South Development Contribution Plan	\$0	\$50	\$50	\$0
Planning Footpath Works	\$195	\$9	\$25	\$179
<b>TOTAL</b>	<b>\$3,035</b>	<b>\$659</b>	<b>\$1,831</b>	<b>\$1,863</b>
<b>GRAND TOTAL</b>	<b>\$9,024</b>	<b>\$3,518</b>	<b>\$2,879</b>	<b>\$9,663</b>

### Capital Works Projects to be funded from Financial Reserves in 2016/17

Reserve	Project	Funds '000
Plant Replacement Reserve	Plant Replacement Purchases	831
Asset Conversion Reserve	Lancefield Skate Park	130
Hanging Rock Reserve	Hanging Rock Wildlife Fencing	87
Public Open Space Reserve	Romsey Park Oval Drainage	25
Public Open Space Reserve	Lancefield Pool Liner	160
Public Open Space Reserve	Macedon Tony Clarke Reserve Oval Surface Works	25
Public Open Space Reserve	Romsey All Abilities Park	80
Public Open Space Reserve	Woodend Gilbert Gordon Oval Lighting	205
Public Open Space Reserve	Woodend Gilbert Gordon Oval Pavilion Upgrade	300
Public Open Space Reserve	Kyneton Campaspe River Trail First Section	50
Public Open Space Reserve	Kyneton Campaspe River Trail Continuation	50
Public Open Space Reserve	Kyneton Community Park	80
Planning Roadworks Reserve	Road Improvement Program	99
Gisborne Development Contribution Plan	Gisborne Early Years Hub	400
Gisborne Development Contribution Plan	Fersfield to Willowbank Rd Gisborne Drainage Land	282
Kyneton South Development Contribution Plan	Bodkin & Begg St Kyneton 'Traffic Calming' Works	50
Planning Footpath Works Reserve	Footpath Construction Program	25
		<b>2,879</b>