

Management report to Council

Agenda item 6.7

Establishment of QVM Renewal Reserve

Council

Presenter: Joanne Wandel, Program Director, Queen Victoria Market Precinct Renewal Program and Phu Nguyen, Chief Financial Officer

15 December 2015

Purpose and background

1. The purpose of this report is to consider a suitable alternative approach to management and operation of the Queen Victoria Market Precinct Renewal (QVMPR) Program Fund and to report on the 2015-16 QVMPR Program financials.
2. In 2014, the Council resolved to setup a separate legal entity to oversee the QVMPR Program.
3. The structure and approach was appropriate at the time given the stage of the QVMPR Program development. The Council has made significant progress on the QVMPR Program since 2014 including the purchase of the Munro site and approving the QVMPR Masterplan.
4. An alternative approach to the QVMPR Program Fund is now recommended by management.

Key issues

5. The objective of the alternative approach to the QVMPR Program Fund is to provide a transparent, auditable and administratively less complex structure for the QVMPR Program.
6. It is proposed that a reserve be established in Council's financial accounts called the QVMPR Program Reserve (QPR). The QPR will operate in a similar manner as the Public Open Space Reserve and be dedicated to the QVMPR Program.
 - 6.1. funds will be transferred into the QPR on an annual basis, or as approved periodically by Council
 - 6.2. funds from the QPR will be used solely for the capital redevelopment of the QVMPR Program
 - 6.3. all capital expenditure will go through the QPR to ensure full visibility of the finances of the program
 - 6.4. the QPR expenditure will be overseen and reported on a regular basis through the QVMPR Project Control Group initially, and then Council.
7. The QVM Program Director will report to Council on the QPR on a quarterly basis.
8. The QPR will be audited as part of the City of Melbourne financial statements on an annual basis by the Victorian Auditor General's Office.
9. The 2015-16 financials show the budgeted expenditure to the end of November 2015 as \$1.75 million. This excludes Council's acquisition of the 'Munro' site on the corner of Queen and Therry streets in July 2015 for \$76 million (plus transaction costs and taxes). The Munro site is currently recognised as a separate asset in Council's balance sheet. However, the net outcome from the Munro arrangement once finalised will be transferred and accounted for in the QPR to ensure the total capital project costs are captured.
10. The QVMPR Program is in the initiation and planning phase, with a 10 Year Implementation Plan (2015-25) currently under development. The Implementation Plan will guide the delivery of the QVMPR Program, setting out activities, deliverables and milestones on a year by year basis and, importantly, include the development of a more detailed Whole of Program budget.

Recommendation from management

11. That Council:
 - 11.1. Approves the setup of the Queen Victoria Market Precinct Renewal (QVMPR) Program Reserve (QPR).
 - 11.2. Approves the transfer of funds totalling \$15.81 million into the QPR, representing prior approvals by Council to the QVMPR Program.
 - 11.3. Notes the 2015-16 year to date expenditure of \$1.75 million against a budget of \$4.64 million.

Attachments:

1. Supporting Attachment
2. QVM Renewal Reserve Balance and 2015-16 Financials

Supporting Attachment

Legal

1. There are no significant legal implications associated with the recommendation.

Finance

2. Financial implications are contained in the body of this report.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

4. Consultation with the various branches of Council has been undertaken in preparation of this report.

Environmental sustainability

5. There is no direct impact on environmental sustainability from the recommendations in this report.

QVMPR Program Reserve (QPR)

Item	Authority for inclusion in QPR	QVM Renewal Project Funding \$M
2013-14 Underlying Surplus	Council resolution (29 April 2014)	1.20
2014-15 Annual Plan and Budget allocation	Council adopted budget (24 June 2014)	0.50
2014-15 Gains from the sale of surplus or redundant land holdings.	Council resolution (29 April 2014)	1.48
2014-15 Once off contribution from higher than budgeted underlying surplus	Council resolution (25 August 2015)	8.00
2015-16 Annual Plan and Budget allocation	Council adopted budget (30 June 2015)	4.64
Total funding approved to date (excluding the Munro site)		15.812
Item		QVM Renewal Project Expenditure \$M
2015-16 QVM Renewal expenditure		-2.31
2015-16 QVM Renewal expenditure to 30 November 2015		-1.75
Total expenditure to date (excluding the Munro site)		-4.06
Remaining reserve balance as at 30 November 2015		11.75