

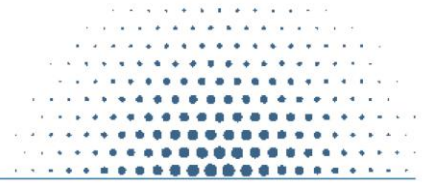
MITCHELL SHIRE COUNCIL BUDGET 2016/2017

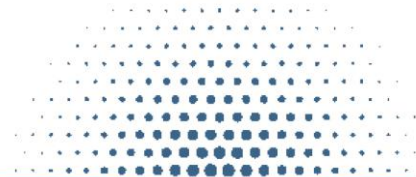


Together with our community, create a sustainable future

MITCHELL SHIRE COUNCIL







Contents

Page

Mayor's introduction	3
Acting Chief Executive Officer's summary	7

Overview

1. Links to the Council Plan	17
2. Services, initiatives and service performance indicators	19
3. Budget Influences	27

Budget analysis

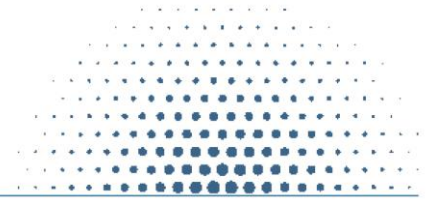
4. Analysis of operating budget	32
5. Analysis of budgeted cash position	41
6. Analysis of capital budget	45
7. Analysis of budgeted financial position	52

Long term strategies

8. Strategic resource plan and financial performance indicators	56
9. Rating information	62
10. Other strategies	65

Appendices

A. Budgeted statements	68
B. Rates and charges	76
C. Capital works program	88
D. Fees and charges schedule	93



Mayor's Message

Turning Mitchell around

I am pleased to present Council's 2016/17 Budget. This Budget demonstrates our commitment to turning Mitchell around through responsible financial leadership, efficiency reforms and increased spending on our infrastructure whilst adjusting to the newly introduced rate capping framework.

Council sought community input in 2015 and 2016 to help inform service and infrastructure priorities and to identify community sentiment around rate capping and fees and charges. This has been used to shape the proposed budget which is also available for community input before adoption.

\$2.6 million needed to meet the rate cap and increase infrastructure spending this year

To meet the 2.5% rate cap, \$633,000 has been removed from the operating budget for 2016/17 on top of the \$2 million in operating reductions which will be redirected to capital investment. This budget includes details of changes to staffing levels, operating costs, fees, user charges and services to deliver a budget reduction of \$2.6 million. The \$2 million improvement to Council's operations can be seen by comparing the underlying deficit for 2016/17 in last year's SRP of \$4.13 million to this year's budget of \$2.12 million.

A further \$3.5 million needed over the next three years

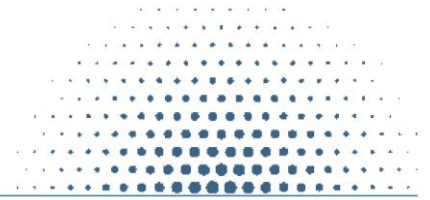
Council will also work in partnership with the community over the next 12 months to redefine core services, set service standards, identify surplus assets and develop a new four-year Council Plan. This will help Council to identify a further \$2 million savings target for 2017/18, \$750,000 for 2018/19 and \$750,000 for 2019/20.

We are financially sustainable in the long term

The ongoing goal of financial sustainability has not changed, but the initiatives to achieve that goal have been adjusted this year and need to be revisited with the community in the coming year to help continue to turn Mitchell around.

This budget has been prepared to enable the organisation to focus on:

- operating efficiently and effectively;
- providing services, facilities and infrastructure to meet the needs of our rural, urban and new communities;
- engaging with our community to help define core services, develop service levels, identify surplus assets and develop the next four-year Council Plan; and
- supporting the organisation to drive change in partnership with the community by nurturing an engaged, motivated and efficient workforce.



Budget influences

The key influences underpinning the 2016/17 Budget include:

- A rate increase of 2.5%;
- Continuing to build a strong financial foundation, including replenishing cash reserves and increasing working capital;
- Balancing the need to invest in ageing infrastructure with the need to deliver new infrastructure across our rural, urban and growth communities;
- A continuing freeze to the indexation of the Victorian Grants Commission Grant
- Responsible debt, funding projects with intergenerational benefits

The proposed budget details the resources required over the next year to fund the wide range of services we provide to the community and to deliver on our Council Plan commitments. It also includes details of proposed capital expenditure allocations to improve and renew our physical infrastructure, buildings and operational assets.

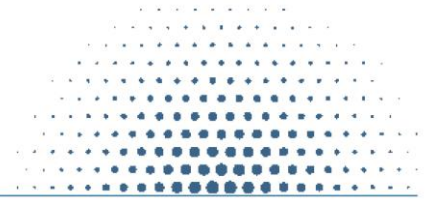
Despite moving from a previously planned 4.5% rate rise to a 2.5% increase, we remain committed to eroding underlying budget deficits. This is a long term commitment that will not be achieved in the short term. We will continue to consult with our community to identify core services and service levels.

Efficiency focus drives operating costs down

Council's plan to reduce net operating costs by \$4 million over 2 years, \$2 million in 2016/17 and \$2 million in 2017/18 remains on target. The first \$2 million has been achieved in this budget and the second is well underway.

Notable changes to deliver the budget reductions of \$2.6 million in reduced operating costs and increased revenue included the following:

- Increased Revenue through:
 - \$300K – Increased rate revenue due to additional supplementary rates in 2015/16 (growth in properties); and
 - \$254K – Increased user and statutory fees
- Increased expenditure of:
 - \$440K – Depreciation (increase over the estimates included in the revised long term modelling after updating for 2014/15 year end results)
- Reduced operating costs through:
 - \$1.107M – Employee cost reduction as a result of planned restructure in 2016/17
 - \$300K – Removal of Home and Community Care funding (service funded by State Government)
 - \$167K – Reduced corporate expense (postage, legal and other administrative costs)
 - \$134K – Insurance costs (policy renegotiation)
 - \$66K – Utilities (new Procurement Australia contract)
 - \$150K – Strategic planning (timeframe of projects extended to 2017/18)
 - \$140K – Community Grants removed
 - \$120K – Environmental Grants removed
 - \$60K – Tourism Grants removed



- o \$85K – Reduced operating hours at Customer and Library service centres
- o \$50K – Reduced operating hours at Leisure centres
- o \$50K – Fleet costs (revision to fleet policy)
- o \$50K – Reduced height & width cost (efficiency gains from new contract)
- o \$50K – Reduced asset condition audits from \$160K to \$110K
- o \$10K – Reduced line marking service

Even though Strategic Planning has been reduced by \$150K, you will see that we continue to invest significant resources in preparing for the high levels of growth anticipated in parts of our Shire. We have \$900K in the 2016/17 budget to invest in developing Structure Plans for the key townships of Seymour, Kilmore, Wandong, Heathcote Junction, Wallan South and Beveridge.

It is prudent that we deliver within our financial means and within the commitments outlined in the Council Plan and associated strategies and plans adopted by Council in consultation with the community.

Infrastructure investment continues to grow

We are proposing a capital works program of \$16.08M, in addition to an expected \$9.10M carry over which adds up to a total program of \$25.18M. This program is supported by \$7.41M additional borrowings, which includes \$5M for the land acquisition in the South of the shire which has been delayed as negotiations with the landholder continue. This program also includes \$910K which represents Council's contribution to stage 2 and 3 of the Seymour Flood Levee project and the remaining \$1.5M is for Council's contribution towards the Mandalay Community Centre.

Continuing efforts will be made to seek further infrastructure funding opportunities in line with Council's advocacy framework to maximise infrastructure spending across many areas of Council.

Highlights of the capital works program for 2016/17 (see appendix C for further details), funded by Council in partnership with State and Commonwealth grants include:

- New land acquisition - \$2.48M (\$1.32M grant funded, \$910K borrowings)
- New Building works - \$4.40M (\$2.90M contributions, \$1.50M borrowings)
- Drainage renewal and upgrade works - \$95K
- Footpath renewal works of \$400K and New Footpath works of \$120K
- Bridge renewal works - \$370K (\$184K grant funded)
- Recreation renewal works - \$1.28M (\$431K grant funded)
- Roads renewal and upgrade works (rural and urban) - \$2.72M (\$1.90M grant funded)
- Information technology \$580K (renewal and upgrade works \$520K, new works of \$40K and expansion of \$20K)
- Landfill capping and rehabilitation – \$2M

BUDGET 2016/2017.

Mitchell Shire Council



FOOTPATH
RENEWAL WORKS
\$400K
NEW FOOTPATH WORKS
\$120K



LANDFILL
CAPPING AND
REHABILITATION
\$2 MILLION



RECREATION
RENEWAL WORKS
\$1.28 MILLION
\$431K
GRANT FUNDED

NEW BUILDING
WORKS
\$4.4 MILLION
\$2.90 MILLION
CONTRIBUTIONS
\$1.50 MILLION
BORROWINGS



INFORMATION TECHNOLOGY
\$580K
RENEWAL AND UPGRADE
WORKS \$520K
NEW WORKS \$40K
EXPANSION \$20K



NEW LAND
ACQUISITION
\$2.48 MILLION
\$1.32 MILLION
GRANT FUNDED
\$910K
BORROWINGS



BRIDGE RENEWAL
WORKS
\$370K
\$184K
GRANT FUNDED



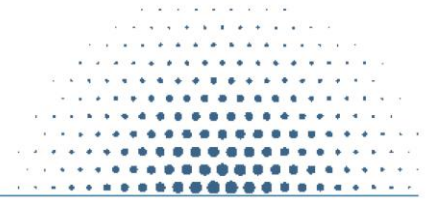
DRAINAGE
RENEWAL AND
UPGRADE WORKS
\$95K



ROADS RENEWAL
AND UPGRADE WORKS
(RURAL AND URBAN)
\$2.72 MILLION
\$1.90 MILLION GRANT FUNDED

I believe that the proposed 2016/17 budget is a responsible financial plan that has been drafted taking into consideration the community's call for a lower rate rise whilst continuing to turn Mitchell around and deliver on our commitment for long term financial sustainability.

Cr Sue Marstaeller
Mayor



Acting Chief Executive Officer's summary

Efficiency focus delivers results now and for the future

The 2016/17 Budget seeks to deliver on our Council Plan commitments whilst also balancing demand for services and infrastructure from a growing community with available revenue through rates, grants, fees, charges and other funding sources

This is a considerable challenge for Mitchell which is quite unique compared to other growth councils. While we are one of the fastest growing municipalities in Victoria and we outpace many regional cities, the bulk of our growth is residential and we have a comparatively small rate base compared to other growth Councils. We also have a large agricultural sector and very little large scale commercial or industrial growth which increases our reliance on residential rates to fund services and infrastructure. We also have a responsibility to plan for the future and to make decisions that will benefit communities that haven't even been formed yet.

This Council has faced some difficult discussions as it has worked through the short and long term implications of a 2.5% rate cap. Mitchell Shire Council was already implementing major changes to restore our long term financial sustainability. The introduction of a 2.5% rate cap created some additional complexities which this Budget and Strategic Resource Plan seeks to address.

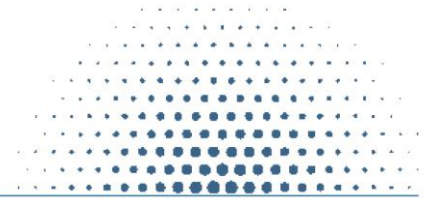
Despite these challenges, we have continued our work to turn Mitchell Shire around by rebuilding our short term cash position, identifying \$2 million in operational savings and continuing to improve our long term financial sustainability.

Council has had to make some difficult decisions to deliver on our \$2 million target plus an additional \$633k for the rate cap. Staffing levels have been reduced in some areas, operating hours have been reduced for some services, some projects have been delayed and we have stopped providing grants to the community. Other changes have been necessary including increased user fees, increased depreciation and decreased corporate overheads such as materials and fleet. These decisions have not been made lightly but are necessary to deliver on our commitment for long term financial sustainability.

We will continue to work with the community to identify further efficiency savings, redefine our core services and service standards and identify surplus assets. These will be difficult conversations but are critical if we are to identify a further \$3.5 million in annual savings by 2020 (projected as \$2M in 2017/18, a further \$750K in 2018/19 and an additional \$750K in 2019/20) so we can reach our goal of long term financial sustainability.

With these changes, I believe Mitchell Shire Council has a strong future ahead and is well positioned to:

- operate efficiently and effectively;
- provide services, facilities and infrastructure to meet the needs of our rural, urban and new communities;
- engage with our community to help define core services, develop service levels, identify surplus assets and develop the next four-year Council Plan; and
- drive change in partnership with the community by nurturing an engaged, motivated and efficient workforce.



Operating expenditure below CPI

We have kept operating expenditure increases below CPI despite Council services costing more than CPI and despite significant growth in the South of the municipality which is increasing demand for a range of Council services.

Overall our operating expenditure budgeted for 2016/17 has increased by 1.5% from the 2015/16 adopted budget. If you exclude depreciation, budgeted expenditure has reduced by roughly 1.5%. This includes a reduction in Employee Costs of just over 2.2% (\$529K). We have reduced staff numbers and absorbed the cost of award based incremental progression and the 3% enterprise bargaining increase (which was set prior to rate capping), which would ordinarily add \$0.9M to the annual salary budget.

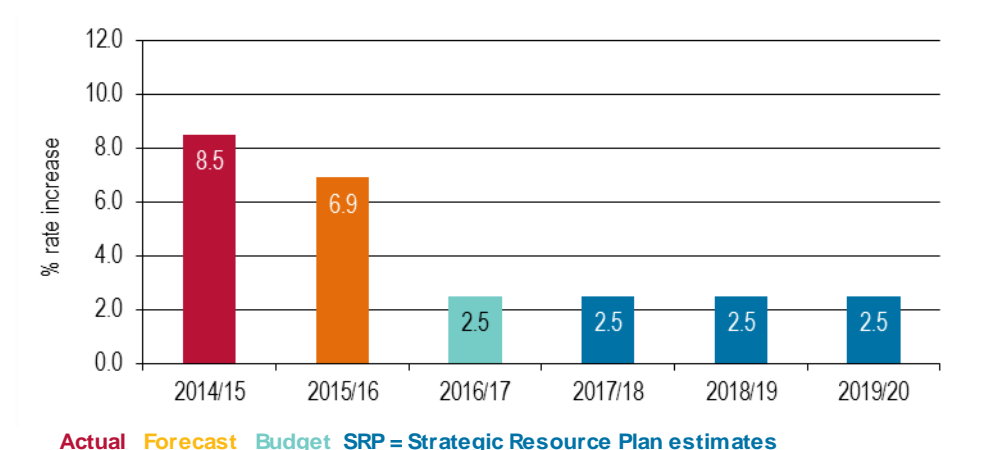
Over the coming year we will continue our work to ensure we continue to turn Mitchell around and make the difficult decisions needed so that we remain financially sustainable in a rate capped environment longer term.

Key statistical information is provided below comparing 2015/16 Budget to 2016/17.

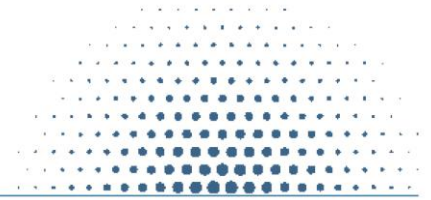
	Budget 2015/16 \$Million	Budget 2016/17 \$Million	Section Reference
Total Revenue	65.10	71.83	4.2
Total Expenditure	56.70	57.55	4.3
Accounting Operating Result	8.40	14.33	4.1
Underlying Operating Result*	(3.11)	(2.12)	4.1.1
Capital Works Expenditure	15.90	25.18	6.1

*Underlying operating result is an important measure of financial sustainability as it excludes income which is to be used for capital, from being allocated to cover operating expenses.

1. Rates and Charges



Total revenue from rates and charges is projected to be \$37.60M, which incorporates an average rate increase of 2.5%. This is in line with the new Fair Go Rates System (FGRS) which has capped rates increases by Victorian councils to the forecast movement in the Consumer Price Index (CPI) of 2.5%. While Council has not elected to apply to the Essential Services Commission (ESC) for a variation, operating costs have been reduced by an additional \$633K which has enabled rates to be reduced from the planned 4.5% to the proposed 2.5% increase (a total of \$2.63M in net cost reduction within this budget).

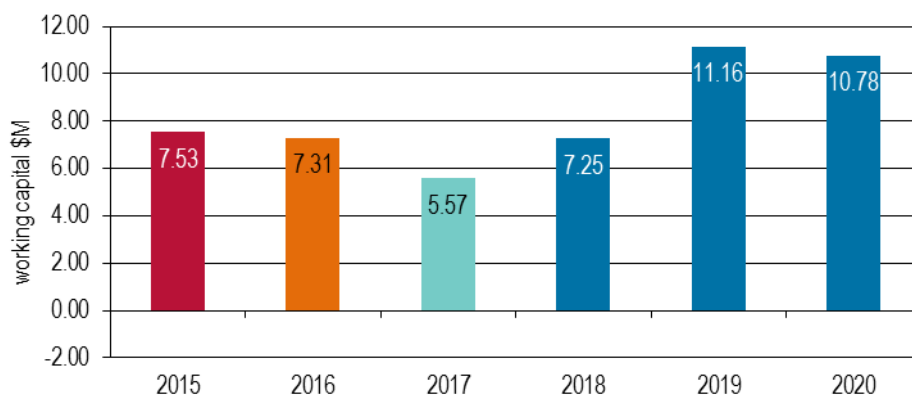


It is important to note, the actual rate increases experienced by individual ratepayers this year will most likely differ from the 2.5% increase due to this being a municipal revaluation year. In a revaluation year, rate increases are impacted by the average rate increase (2.5%) and the property valuation increases (or decreases) of individual properties relative to the average across the municipality. If your property increased in value by more than the average for the Shire (4.8%), your rates will increase by more than 2.5%. If your property value increased by less than the 4.8% average, your rates will increase by less than 2.5% and may in fact reduce from the previous year.

The chart above shows future annual rate increases of 2.5% for the following 3 years. However, this is premised on the ability of Council to find additional ongoing savings of \$750K in each of 2018/19 and 2019/20, or a reduction to the capital works program of \$2.25M over the same period. This is in addition to \$2.63M net cost reduction in 2016/17 and \$2M planned for 2017/18.

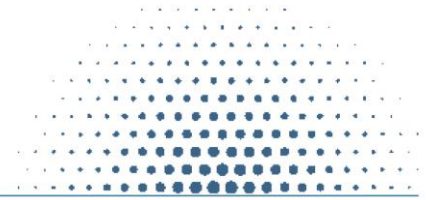
To work within a 2.5% annual rate rise, current maintenance standards and service levels will require further review and definition. Council, with the community, will need to redefine priorities for service delivery into the future.

2. Financial position

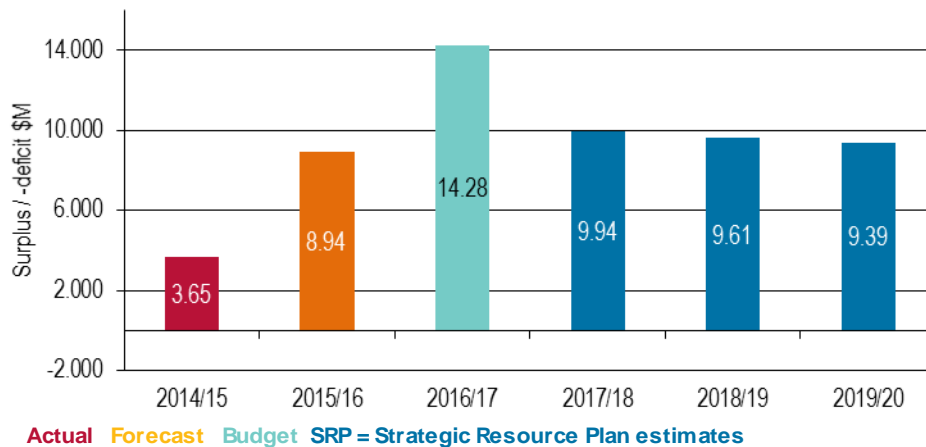


Actual Forecast Budget SRP = Strategic Resource Plan estimates

The financial position is expected to improve with net assets (net worth) to increase by \$14.27M to \$454.48M during 2016/17. Working capital is an indicator of councils ability to meet its financial obligations as and when they fall due (being current assets less current liabilities). Represented on the graph above there appears to be a drop in working capital during 2016/17. However, this due to the inclusion of the \$4.1M in cash held at the end of 2015/16 to complete capital works that will be carried forward into the 2016/17 year. If adjusted for this timing difference, working capital would show an improvement of \$2.4M during 2016/17 and a steady improvement is projected during the period of the SRP.

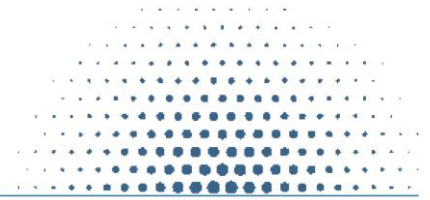


3. Operating result

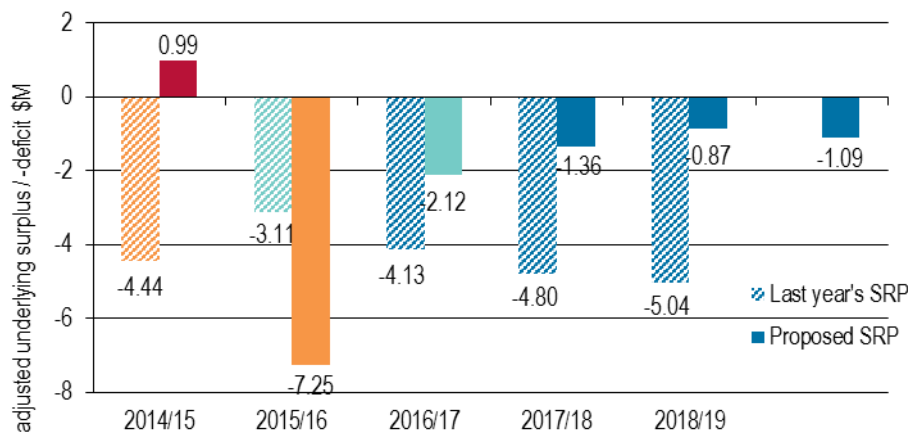


The expected operating result for the 2016/17 year is a surplus of \$14.28M, which is an increase of \$5.34M from 2015/16. This is primarily due to:

- increase in rates and charges \$1.2M (representing 2.5% increase on the rate base as well as an increase in the base due to growth in the South of the Shire);
- increase in operating grants \$3.2M (2014/15 includes a prepayment of \$3.2M of ongoing grant funding from the Victorian Grant's commission that relates to the 2015/16 year, 2016/17 sees a return to full year allocation in the year it relates to);
- increase in monetary contributions \$2.9M in relation to the funding of the Mandalay Community Centre;
- increase in non-monetary contributions \$2.5M (roads, drainage and open space that is recognised as income, in accordance with Australian Accounting Standards, when transferred to Council from developers for ongoing maintenance & renewal);
- a reduction in capital grants of \$5.2M (significant funding from the Interface Growth Fund was received during 2015/16. Note, only confirmed grant funding has been included in the works program for 2016/17 onwards);
- a reduction in materials and services of \$1M;
- employee costs held at 2015/16 forecast levels. Incorporated through a reduction in staffing levels in the 2016/17 budget as part of the \$2M savings target. Without these reductions, the annual increase on a \$23M staffing budget would be around \$900K for EBA and band increments; and
- increase in depreciation cost of \$1.06M.



4. Financial sustainability



Actual Forecast Budget SRP = Strategic Resource Plan estimates

A revised Strategic Resource Plan (SRP) has been prepared for the four year period ending 30 June 2020. The SRP is in turn set within a 10 year model to assist Council to adopt a budget within a longer term financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the Council's strategic objectives. The adjusted underlying result, which is a measure of financial sustainability, shows significant improvement over the term of the SRP, even with rate increases capped at 2.5%. These results already incorporate a \$2M reduction in operating costs in the proposed budget, a further \$2M reduction in 2017/18, \$750K reduction in 2018/19 and further \$750K in 2019/20. Note, the prepayment of half of the VGC grant allocation for 2015/16 on 30 June 2015 (\$3.2M), distorts the results in both 2014/15 and 2015/16 years.

These projections are a substantial improvement to the projections in last year's SRP due to the incorporation of \$4M (9%) reduction in operating costs (excluding depreciation) over the period 2016/17 and 2017/18 budget years.

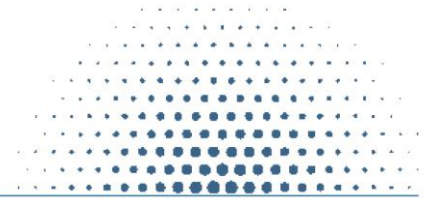
When considering planned future cost reductions as well as those implemented in 2014/15, the SRP incorporates \$7.13M or 15.8% of operating costs excluding depreciation, (\$1M salary reduction in 2014/15, \$4M reduction in 2016/17 & 2017/18, further \$633K in 2016/17 representing this year's difference between a 4.5% increase and 2.5%, plus \$750K in 2018/19; and \$750K in 2019/20, to stick within 2.5% cap.

The cumulative effect of annual rates rises of 2.5% compared to 4.5% is \$44M reduced revenue over a 10 year period. This simply cannot be achieved without services and or asset renewal being altered.

It is important to note, last year's SRP and most of this year's planning was based on future rates increases of 4.5%. In order to reflect a lower ongoing rates increase of 2.5%, significant future changes will be required into the future.

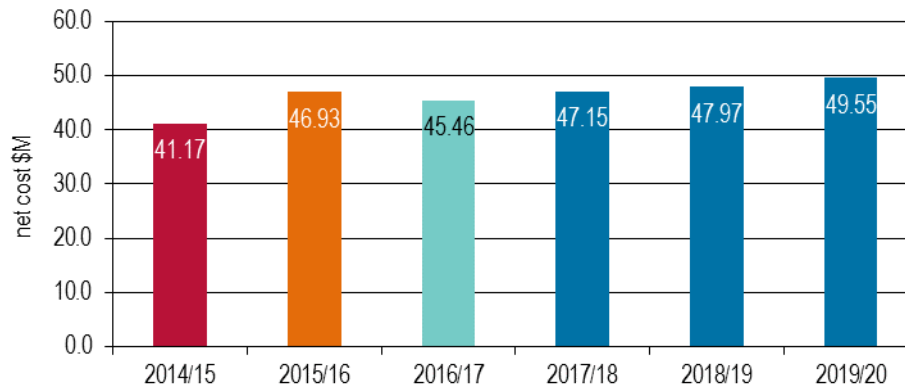
Continued underlying deficits are unsustainable. They indicate that, within a rate capping environment, Council needs to continue to work with the community to:

- Review and prioritise the services that we provide;
- Determine the level of service that can be afforded;
- Determine which assets are required to undertake the prioritised services;
- Determine any surplus assets that can be decommissioned or rationalised; and
- Determine where staffing resources may need to be realigned to deliver the shift in prioritised services.



The progress that has been made to date is an immense achievement to make our organisation more efficient and to reduce the cost of doing business in order to deliver reduced rates increases. This work will continue as we carry on reviewing our services and determine specific changes to effect the required reduction of \$2M for 2017/18. This budget has been developed through a rigorous process. More detailed budget information is available throughout this document.

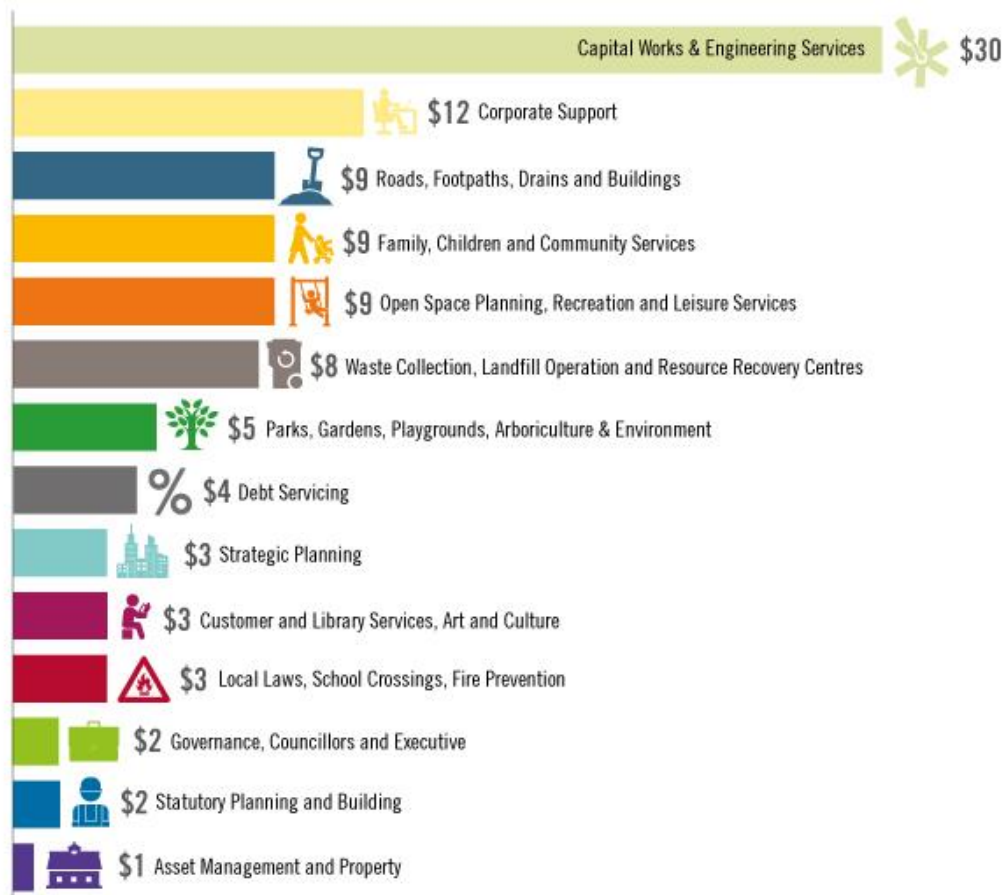
5. Services

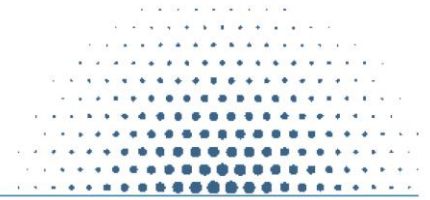


Actual **Forecast** **Budget** **SRP = Strategic Resource Plan estimates**

The net cost of services delivered to the community in 2016/17 year is expected to be \$45.46M which shows a decrease of \$1.47M over the forecast cost for 2015/16. However, due to the 50% prepayment of the VGC allocation for 2015/16 in 2014/15, the forecast is overstated by \$890K (the prepaid allocation relating to roads).

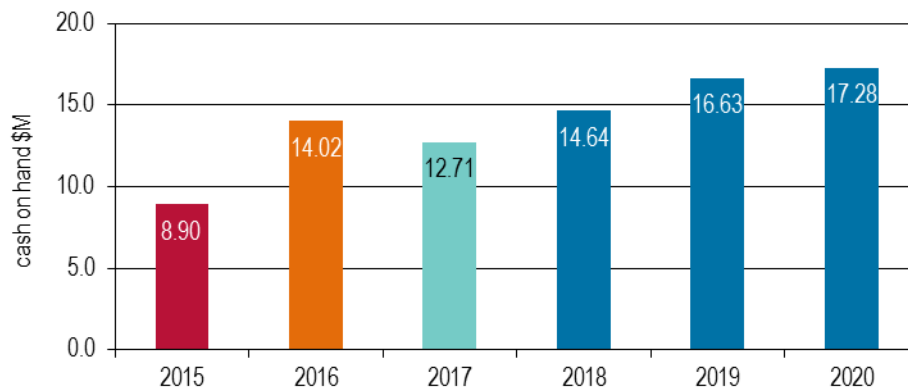
The chart below shows how much is allocated to each broad service area for every \$100 dollars that Council spends.





Council will continue to work with the community over the coming year to align community priorities and expectations with Council's service delivery model. This needs to be set within a financially sustainable framework. Further detail in relation to the cost of Council's services can be found in section 2 of this document.

6. Cash and investments

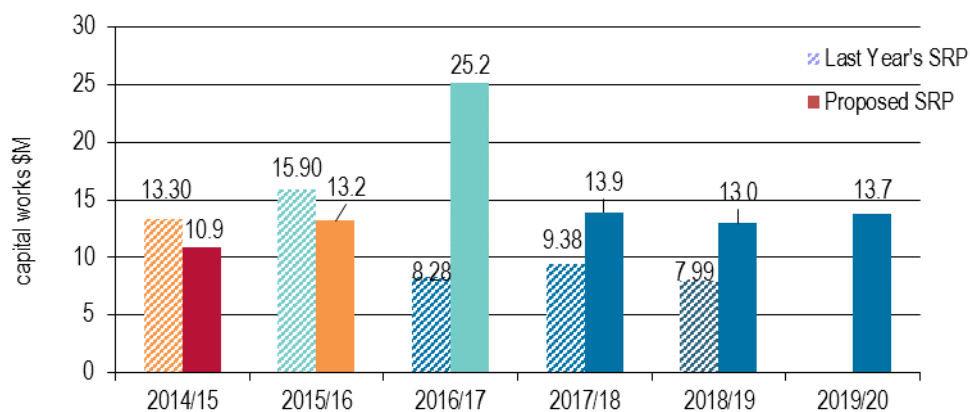


Actual Forecast Budget SRP = Strategic Resource Plan estimates

Cash and investments are expected to decrease by \$1.31M during the year to \$12.71M as at 30 June 2017. It is important to note the forecast cash balance at 30 June 2016 includes \$4.10M held for completion of capital works carried forward into 2016/17. The cash balance at 30 June 2017 incorporates the full 2016/17 capital works program (new and carried forward) being completed by 30 June 2017. Therefore the 2016/17 budget really recognises an improved cash position of \$2.79M.

Cash and investments are moving in a positive direction to meet the objective of improving current unsatisfactory cash levels and improving liquidity. Council must maintain a minimum of around \$10M in cash and investments to meet the day to day requirements of Council business. This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e. Developer Contribution Funds, trust money and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.

7. Capital works



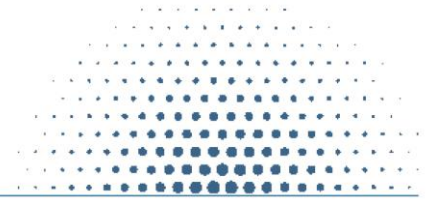
Actual Forecast Budget SRP = Strategic Resource Plan estimates

The \$25.18M capital works program is funded by:

- \$6.74M in grants and contributions;

BUDGET 2016/2017.

Mitchell Shire Council

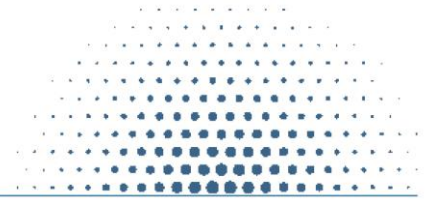


- \$7.41M in borrowings;
- \$360K in proceeds from sale of assets;
- \$6.57M cash generated from operations; and
- \$4.1M cash for net carried forward projects from 2015/16 (includes unspent grant funding of \$3.47M).

Capital works delivery is forecast to be \$13.19M for the 2015/16 year. The 2016/17 capital works program includes \$9.10M relating to projects to be carried forward from 2015/16 (including \$5M for the strategic land purchase in the South of the Shire and \$3.77M for projects that had their scope significantly expanded by securing additional grant funding during the year from the interface growth fund).

This budget has been developed through a rigorous process of consultation and review and I endorse it as financially responsible. More detailed budget information is available throughout this document.

David Turnbull
Chief Executive Officer



Budget processes

This section lists the budget processes to be undertaken in order to adopt the Budget in accordance with the *Local Government Act 1989* (the Act) and *Local Government (Planning and Reporting) Regulations 2014* (the Regulations).

Under the Act, Council is required to prepare and adopt an annual budget for each financial year. The budget must include certain information about the rates and charges that Council intends to levy as well as a range of other information required by the Regulations.

The 2016/17 budget is for the year 1 July 2016 to 30 June 2017 and is prepared in accordance with the Act and Regulations. This document includes budgeted financial statements (Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Statement of Capital Works). These statements have been prepared for the year ending 30 June 2017 in accordance with the Act and Regulations, and consistent with the annual financial statements which are prepared in accordance with Australian Accounting Standards. The budget also includes information about the rates and charges to be levied, the capital works program to be undertaken, the human resources required, and other financial information Council requires in order to make an informed decision about adoption of the budget.

In preparing the budget, officers first review and update Council's long term financial projections. Financial projections for at least four years are included in Council's Strategic Resource Plan, which is the key medium-term financial plan produced by Council on a rolling basis. Officers then prepare the operating and capital components of the annual budget during January and February. A draft consolidated budget is considered by Council at informal briefings in March and April. Once all changes are incorporated a 'proposed' budget is submitted to Council in April for approval 'in principle'. Council is then required to give 28 days' public notice that it intends to adopt the budget. During this time the budget must be available for inspection at its offices and on its web site. A person has a right to make a submission on any proposal contained in the budget and any submission must be considered before adoption of the budget by Council.

With the introduction of the State Governments Rate Capping legislation in 2015 Councils are now unable to determine the level of rate increase and instead must use a maximum rate increase determined by the Minister for Local Government which is announced in December for application in the following financial year.

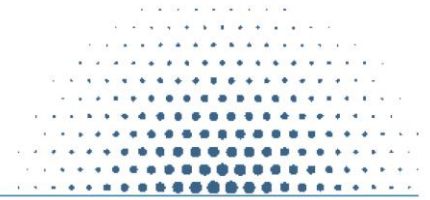
If a Council wishes to seek a rate increase above the maximum allowable it must submit a rate variation submission to the Essential Services Commission (ESC). The ESC will determine whether the rate increase variation submission has been successful by 31 May. In many cases this will require Councils to undertake 'public notice' on two separate proposed budgets simultaneously, i.e. the Ministers maximum rate increase and the Council's required rate increase.

The final step is for Council to adopt the budget after receiving and considering any submissions. The budget must be adopted by 30 June and a copy submitted to the Minister within 28 days after adoption.



The key dates for the budget process are summarised below:

Budget process	Timing
1. Officers update Council's long term financial projections	Nov/Jan
2. Minister of Local Government announces maximum rate increase	Dec
3. Officers prepare operating and capital budgets	Jan/Feb
4. Council to advise ESC if it intends to make a rate variation submission	Jan
5. Council submits formal rate variation submission to ESC (if applicable)	Mar
6. Councillors consider draft budgets at informal briefings	Mar/Apr
7. Proposed budget submitted to Council for approval	April
8. Public notice advising intention to adopt budget	April
9. Budget available for public inspection, comment and public submission process undertaken (28 days)	April/May
10. Submissions period closes	May
11. ESC advises whether rate variation submission is successful (if applicable)	May
12. Submissions considered by Council/Committee	May
13. Budget and submissions presented to Council for adoption	Jun
14. Copy of adopted budget submitted to the Minister	Jul
15. Revised budget where a material change has arisen	Sep-Jun



1. Linkage to the Council Plan

This section describes how the Annual Budget links to the Council Plan within an overall strategic planning framework. This framework guides the Council in identifying community needs and aspirations over the long (Community Plan), medium (Council Plan) and short term (Annual Budget) and then in holding itself accountable (Audited Statements).

1.1 Strategic planning and accountability framework

The Strategic Resource Plan (SRP), which is, included in the Council Plan, is a rolling four year plan outlining the financial and non-financial resources that Council requires to achieve the strategic objectives described in the Council Plan. The Annual Budget is framed within the SRP and specifies how Council will resource the delivery of services and initiatives on a year-by-year basis in order to achieve its Strategic Objectives. The diagram below depicts the planning and accountability framework that applies to local government in Victoria. At each stage of the planning and reporting cycle there are opportunities for community and stakeholder input. This is important to ensure transparency and accountability to residents and ratepayers.



Source: Department of the Environment, Land, Water & Planning

The Council Plan, including the SRP, is required to be completed by 30 June following a general election and is reviewed each year prior to the Annual Budget process.



1.2 Our purpose

Our vision - "Together with the community, creating a sustainable future"

Our mission - Working with our communities to build a great quality of life.

Mitchell Shire Council:

- is committed to providing good governance and compassionate leadership;
- is committed to supporting our diverse community;
- values community involvement and vigour and diversity of opinion;
- recognises the commitment of our staff;
- will protect and enhance our natural environment;
- will plan for and promote our future; and
- will promote economic development within our municipality.

Our Values






- Innovation – inspiring innovation and creativity for positive community outcomes.
- Collaboration – working together enthusiastically to achieve shared goals.
- Excellence – pursuing excellence in everything that we do.
- Accountability – enhancing transparency and accountability in our work.
- Integrity – demonstrating high personal and professional standards.

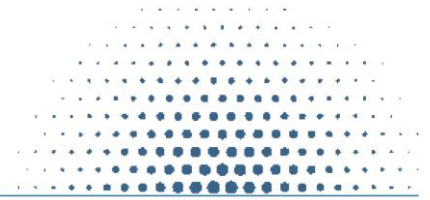
We strive to exceed community expectations and continuously work to improve our performance.

We are committed to governance processes that are fair, open and transparent.

1.3 Strategic objectives

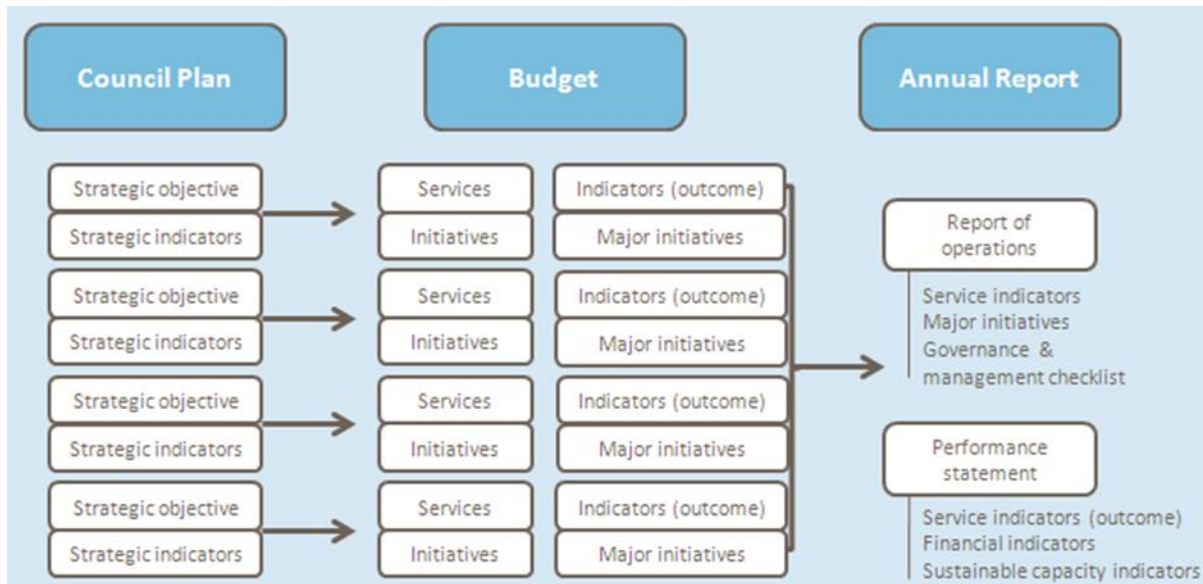
Council delivers services and initiatives under 21 major service categories. Each contributes to the achievement of one of five Strategic Objectives in the Council Plan 2013-17 (reviewed 2015), which are listed below.

	Strategic Objective	Description
	1. Sustainable growth and development	Shaping the future of our communities through forward planning and well built and maintained facilities and infrastructure
	2. Healthy and vibrant communities	Providing and supporting programs and services to build vibrant and healthy communities where people are proud to live
	3. Strong reputation and economy	Developing a strong regional reputation and supporting local tourism and economic development opportunities
	4. Environmental resilience	Responding to changing environmental conditions and protecting our natural environment to ensure long term sustainability
	5. Organisational capacity and performance	Excellent and innovative performance underpinned by good governance and responsible financial management.



2. Services, initiatives and service performance indicators

This section describes the services and initiatives to be funded in the Budget for the 2016/17 year and explains how these will contribute to achieving the Strategic Objectives specified in the Council Plan. It also includes a number of initiatives, major initiatives and service performance outcome indicators. The SRP is part of and prepared in conjunction with the Council Plan. The relationship between these components and the Annual Report, is shown below.



Source: Department of the Environment, Land, Water & Planning

A significant effort has been made to ensure that the annual budget and the medium term plan (SRP) put Council on a path to an affordable and sustainable future. A summary of the revised SRP can be found in Section 8 of this document.

2.1 Strategic Objective 1: Sustainable Growth and Development



To achieve our objective of Sustainable Growth and Development, over the period of the current Council Plan we will:

- plan for future growth and new communities to ensure sustainable and quality outcomes;
- build community pride by enhancing the look and feel of townships;
- plan for a mix of housing types;
- ensure Council assets and infrastructure support current and future needs; and
- manage and deliver the capital works program.

BUDGET 2016/2017.

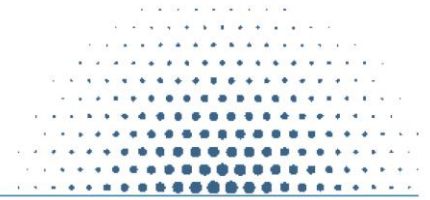
Mitchell Shire Council



The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Engineering	This service is responsible for providing Civil Engineering services for capital projects.	871 0 871
Facility Management	This service is responsible for building infrastructure maintenance and tracking, asset renewal expenditure and targets.	1,480 0 1,480
Operations (Roads)	This service is responsible for the maintenance of the Shire's infrastructure assets except buildings and parks and gardens. It includes roads, footpaths, bridges, drainage and street furniture. It also manages Council's plant and vehicle fleet.	17,144 (1,820) 15,324
Parks and Gardens	This service is responsible for maintaining parks and gardens, playgrounds and sportsfields and managing arboriculture, roadside fire prevention, environment and conservation.	3,434 (165) 3,269
Strategic Planning and Sustainability	This service delivers positive land use planning outcomes for current and future generations as well as an environmentally healthy and sustainable Council. It is also responsible for Growth Area Planning including planning and managing Section 173 Agreements and Precinct Structure Plans.	1,768 (19) 1,749
Statutory Planning	This service processes statutory planning applications, building approvals and also provides control and compliance under the relevant legislation.	1,543 (545) 998
Subdivisions and Major Developments	This service is mainly responsible for Subdivision plan checking and strategic transport assessments.	619 (258) 361
Initiatives funded within the Budget		
Strategic Planning	Developing Structure Plans for the key townships of Kilmore, Wandong, Heathcote Junction, Wallan South, Beveridge and Donnybrook and in the implementation of the Seymour Structure Plan \$900K	
Capital Initiatives - see appendix C for a detailed listing of proposed works		
Engineering	- Sealed and Gravel Road re-sheeting \$2.83M - Mandalay Community Centre \$4.40M	



Performance Indicators

Service	Indicator	Performance Measure	Computation
Statutory planning	Decision making	Council planning decisions upheld at VCAT (Percentage of planning application decisions subject to review by VCAT and that were upheld in favour of the Council)	[Number of VCAT decisions that upheld Council's decision in relation to a planning application / Number of decisions in relation to planning applications subject to review by VCAT] x100
Roads	Satisfaction	Satisfaction with sealed local roads (Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads)	Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads.

2.2 Strategic Objective 2: Healthy and Vibrant Communities



To achieve our objective of Healthy and Vibrant Communities, over the period of the current Council Plan we will:

- enhance Council infrastructure to foster healthy and vibrant communities;
- undertake service improvements to ensure programs and activities promote community connectedness and wellbeing;
- support initiatives that foster cultural inclusion and celebrate diversity;
- promote and support volunteers and community leadership;
- promote opportunities to support active and involved communities;
- continue to build strong partnerships with committees of management, health and community service providers; and
- actively engage with our communities to improve collaboration and consultation outcomes.

The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Arts & Culture	This service undertakes planning and community engagement to encourage community members to access and partake in arts and culture opportunities across the Shire, including public art, community events and activities.	20 (6) 14
Children's Services	This service is responsible for the management of eight licensed kindergartens, providing high quality education that enhances the health and wellbeing of children and families within the community.	2,448 (2,288) 160
Community Compliance	This service is an educational and enforcement team responsible for animal management, parking management, asset protection, Local Laws and the fire prevention program across the Shire.	1,260 (833) 427



Business area	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Community Development, aged care service planning and disability service planning	This service works in partnership with residents, community groups, organisations and government agencies to build an active, vibrant, healthy and socially connected community. This is achieved through targeted program and service delivery, social planning and policy.	838 (108) 730
Customer & Library Services	This service delivers four integrated libraries and customer service centres. It also provides outreach services to aged facilities, the house bound, and schools, as well as children's and youth activities. The Kilmore Library provides an extended service that includes Vic Roads, VLine, the sale of fishing and mining licenses and visitor information.	2,189 (366) 1,823
Leisure Centres	This service manages five leisure facilities - three outdoor seasonal pools and two indoor aquatic and fitness centres. This service also offers programs and services outside these facilities, mostly at the Broadford Leisure Centre.	4,031 (2,084) 1,947
Public Health	This service incorporates Maternal and Child Health, Immunisations and Environmental Health. Seven Maternal and Child Health Centres across the Shire deliver the schedule of contacts and activities prescribed by the Department of Education and Training for all families. This service has an emphasis on prevention, health promotion, early detection, and intervention as required. The childhood immunisation program is provided as prescribed in the National Immunisation Schedule. Immunisations are delivered at a range of public sessions across the Shire and to staff through the flu vaccination program, as well as directly to schools. Environmental Health implements and maintains effective Environmental Health services for the Mitchell community which protect public health and wellbeing.	1,697 (661) 1,036
Recreation and Open Space	This service directly manages five recreation facilities and sporting complexes in Mitchell Shire. It is the liaison point between Council, recreation committees, clubs and user groups regarding issues and management of recreation spaces. The service also undertakes future planning for recreation facilities and open space areas.	863 (54) 809
School Crossing Supervisors	This service provides school crossing services across the municipality.	267 (78) 189
Youth Services	This service provides support for young people. Key activities include policy formation, community development, referral, social education, participation programs, and skills development (such as leadership skills).	284 (27) 257
Capital Initiatives - see appendix C for a detailed listing of proposed works		
Children's Services	Early Learning Facility at Wallan Primary School - construction of a two room Early Learning Facility in Wallan.	
Customer and Library Services	Replacement of Library books \$150K	
Recreation and Open Space	- Harley Hammond Oval Renovation - Stage 2 \$240K - Greenhill football/netball pavilion upgrade/improvements to support female participation \$470K - Kings Park netball change room facility and second netball court construction \$270K	



Performance Indicators

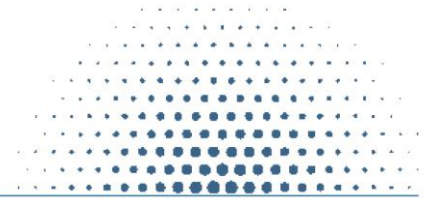
Service	Indicator	Performance Measure	Computation
Maternal and Child Health	Participation	Participation in the MCH Service	[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in th MCH service] x100
		Participation in the MCH service by Aboriginal children (Percentage of Aboriginal children attending the MCH key ages and stages visits)	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in th MCH service] x100
Libraries	Participation	Active library members (Percentage of the municipal population that are active library members)	[Number of active library members / municipal population] x100
Acquatic Facilities	Utilisation	Utilisation of pool facilities (The number of visits to pool facilities per head of municipal population)	Number of visits to pool facilities / Municipal population
Animal Management	Health and safety	Animal management prosecutions (Number of successful animal management prosecutions)	Number of successful animal management prosecutions
Food safety	Health and safety	Critical and major non-compliance notifications (Percentage of critical and major non-compliance notifications that are followed up by Council)	[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100

2.3 Strategic Objective 3: Strong Reputation and Economy



To achieve our objective of strong reputation and economy over the period of the current Council Plan we will:

- promote and support business and employment opportunities
- promote industry diversification and support key Mitchell's industries including manufacturing, defence, agriculture, transport, construction, retail and education.
- strongly advocate for the interests of the municipality
- support Mitchell's recognition as a tourist destination; and
- review/revise the Mitchell Economic Development Strategy.



The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Economic Development and Tourism	This service is responsible for assisting Economic Development by supporting local businesses and tourism operators as well as regional tourism and marketing. The service also coordinates community festivals and events and operates the Seymour Visitor Information Centre..	609 (3) 606

2.4 Strategic Objective 4: Environmental Resilience

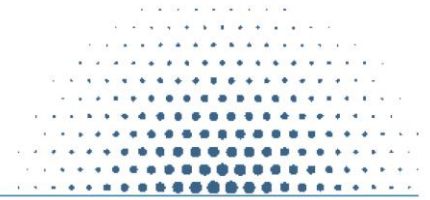


To achieve our objective of Environmental Resilience, over the period of the current Council Plan we will:

- provide relief and recovery support to communities during extreme weather events such as fires and floods;
- work with communities to assist them to plan for emergencies and extreme weather events;
- improve the sustainability of Council operations;
- provide efficient and effective waste management;
- build infrastructure and processes to support community resilience in the face of climate change; and
- encourage environmental best practice.

The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Environmental Sustainability	This service is responsible for conservation and achieving an environmentally healthy and sustainable Council including environmental planning, community planting and encouraging sustainable resource management.	471 (35) 436
Fire prevention and emergency management	This service is responsible for fire prevention activities and community education as well as emergency management planning including the Municipal Emergency Management Plan and the Seymour Flood Mitigation Project.	532 (105) 427
Waste Management	This service is responsible for the provision of waste management services at Seymour Landfill plus four resource recovery centres. This service also manages the kerbside waste collection service.	4,762 (1,647) 3,115
Capital Initiatives - see appendix C for a detailed listing of proposed works		
Fire prevention and emergency management	- Seymour Flood Levee (Stage 2/3) - Stage 2 (Planning Scheme Amendments) and Stage 3 (Land acquisition) \$1.32M	
Waste Management	- Rehabilitation and capping of closed Seymour Landfill - \$1.40M - Capping of cells 1-4 of Mitchell Landfill - \$600K	



Performance Indicators

Service	Indicator	Performance Measure	Computation
Waste collection	Waste diversion	Kerbside collection waste diverted from landfill (Percentage of recyclables and green organics collected from kerbside bins that is diverted from landfill)	[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100

2.5 Strategic Objective 5: Organisational capacity and performance



To achieve our objective of Organisational Capacity and Performance Council will focus on:

- Improving reporting and accountability;
- Improving organisational systems and processes; and
- Planning for the delivery and improvement of high quality, cost effective, accessible and responsive services.

The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Communications and Improvement	This services oversees all public relations activities associated with the organisation. Corporate planning and performance assists with capacity building at an organisational level. Continuous improvement helps facilitate progress and process enhancement.	681 - 681
Councillors and Chief Executive Officer support	This service includes the Mayor, Councillors, and the Chief Executive Officer and associated support which cannot be otherwise attributed to the direct service provision areas.	888 0 888
Finance	This service is responsible for financial services such as financial accounting, management accounting and accounts payable and receivable services. The costs include corporate expenses such as interest on borrowings, bad debt write off and fire services levies charged on Council properties.	2,550 (255) 2,295
Governance	This service ensures that we meet our legislative responsibilities by providing an ethical basis for good governance which facilitates informed and transparent decision making.	654 (36) 618
Information Services	Information Services provides services concerning the management, maintenance and disposal of all corporate information according to government legislation, Council strategy, policy, established procedures and business rules.	474 0 474



Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Information Services	Information Services provides services concerning the management, maintenance and disposal of all corporate information according to government legislation, Council strategy, policy, established procedures and business rules.	474 0 474
Information Systems	It delivers appropriate and cost effective technology, which supports Mitchell Shire Council and its employees in delivering services to the community.	2,773 0 2,773
People and Culture	This service is responsible for human resources, learning and development, employee relations, human resource services and payroll.	962 (3) 959
Rates Revenue	This service is responsible for the rates revenue for the Council and manages the valuation contract, rating system and rates enquires.	1,012 (692) 320
Risk and Occupational Health and Safety	This service ensures a safe workplace and good risk management processes; and to provide services with a fair and consistent application of legislation and processes to ensure that employees and community enjoy a safe and sustainable environment.	430 (2) 428
Capital Initiatives - see appendix C for a detailed listing of proposed works		
Information Systems	- Information Technology Hardware renewal - \$200K Software and phone system upgrades - \$250K	-

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Governance	Satisfaction	Satisfaction with Council decisions (Community satisfaction rating out of 100 with how Council has performed in making decisions in the interests of the community)	Community satisfaction rating out of 100 with how Council has performed in making decisions in the interests of the community

2.7 Performance Statement

The service performance indicators detailed in the preceding pages will be reported in the Performance Statement. This is prepared at the end of the year as required by section 132 of the Act and included in the 2016/17 Annual Report. The Performance Statement will also include reporting on prescribed indicators of financial performance (outlined in Section 8.3) and sustainable capacity, which are not included in this budget report. The full set of prescribed performance indicators is audited each year by the Victorian Auditor General who issues an audit opinion on the Performance Statement. Any major initiatives detailed above will be reported in the Annual Report in the form of a statement of progress in the report of operations.



2.8 Reconciliation with budgeted operating result

	Net Cost (Revenue) \$'000	Expenditure \$'000	Revenue \$'000
Sustainable growth and development	24,861	27,722	(2,861)
Healthy and vibrant communities	6,583	13,034	(6,451)
Strong reputation and economy	606	609	(3)
Environmental resilience	3,978	5,765	(1,787)
Organisational capacity and performance	9,436	10,424	(988)
Total services and initiatives	45,464	57,554	(12,090)
Other non-attributable *	(18,308)		
Deficit before funding sources	27,156		
Funding sources:			
Rates & charges	37,596		
Capital grants	3,835		
Total funding sources	41,431		
Surplus for the year	14,275		

* General Grants Commission Grants and Cash and Non Cash Capital Contributions

3. Budget influences

This section sets out the key budget influences arising from the internal and external environment within which Council operates.

3.1 Snapshot of Mitchell Shire

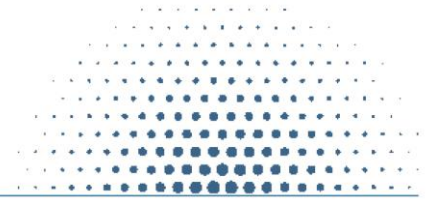
Location

The southern part of Mitchell Shire lies within Melbourne's designated growth boundary, while the central and northern parts of the Shire retain a largely rural landscape, requiring us to plan for and balance the needs of very diverse populations. In addition, Mitchell Shire is on the nationally significant transport corridor between Melbourne and Sydney.

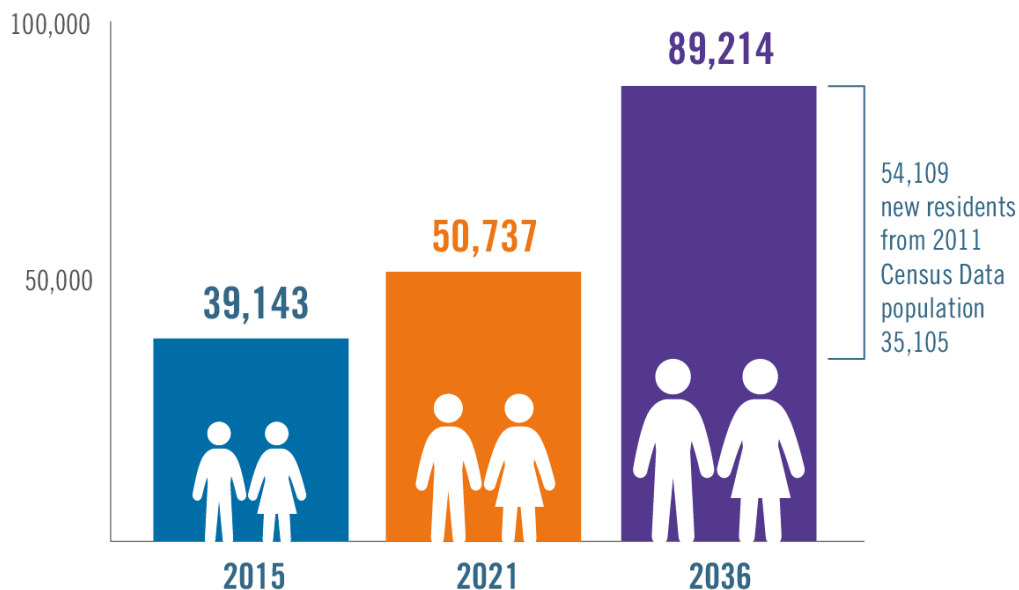
Along with easy access into Melbourne and an enviable country lifestyle, we have a long and diverse history, established communities and a depth of culture and heritage. Our increasing integration with metropolitan Melbourne is driving population growth, making Mitchell one of the fastest growing municipalities in Victoria

Mitchell Shire covers an area of 2,864 square kilometres and is one of the largest geographic municipalities in Victoria. The Shire incorporates the townships of Beveridge, Broadford, Heathcote Junction, Kilmore, Puckapunyal, Pyalong, Reedy Creek, Seymour, Tallarook, Tooborac, Wallan and Wandong as well as extensive rural areas.

Mitchell shares boundaries with Hume and Whittlesea to the south, Macedon Ranges, Mount Alexander and Greater Bendigo to the west, Strathbogie to the north and Murrindindi to the east.



Population



In 2015, Mitchell was estimated to be home to just over 39,143 residents across a mix of urban and rural communities and is forecast to grow at around 3-4% per annum. By 2036 the population is forecast to grow to 89,214, which will see 54,109 new residents move to Mitchell Shire between 2011 and 2036. More than 80% of this growth is expected to occur around Wallan and Beveridge, and in the new suburbs of Donnybrook, Lockerbie and Lockerbie North. Our Shire is comprised of 35% of residents aged below 25 whilst less than 19% of the population are aged over 60 years.

Cultural Diversity

As we grow, our community will become more culturally and linguistically diverse. The 2011 Census identified that 3,806 people living in Mitchell Shire were born overseas and 15% arrived in Australia within the last 5 years. Of these, 6% of people speak a language other than English at home, predominantly Italian, Greek or Maltese.

Households

At the 2011 Census, there were 13,844 dwellings in Mitchell with just over 90% being separate houses.

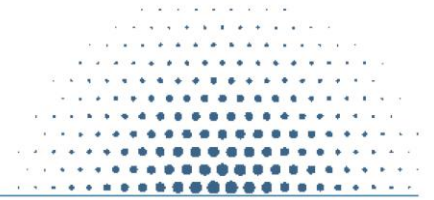
Overall, family households account for just over 46% of total households in Mitchell, whilst single person households account for one in five (20%). Couples without children make-up just over 25% of households which is slightly higher than the average for metropolitan Melbourne.

Over recent years the Shire has experienced growth in residential development, mainly in new estates within Kilmore, Wallan and Beveridge.

Industry and Economy

Key industry sectors by employment include construction, manufacturing, retail, agriculture and defence. Along with the Puckapunyal Army base, Mitchell Shire Council is one of the largest employers in the shire.

The majority of businesses in Mitchell Shire are sole-traders and the micro-small business sector constitutes the majority of all business activity.



Balancing Needs

In preparing our capital programs we must balance asset renewal against upgrade and build new infrastructure to meet the needs of our growing community. In doing so, Council takes into account the projected future increase in population and also the demographics within that population (e.g. there is a projected 59% increase in people of retirement age living in Mitchell Shire by 2021).

3.2 External influences

This section explains Council's approach to maintaining its financial sustainability in both the short and longer-term. This involves the management of short-term budget influences within the context of longer-term challenges.

Financial sustainability is a key challenge for all governments.

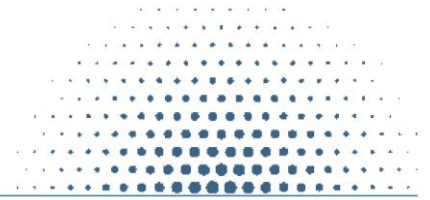
Council manages its finances through an annual budget, which identifies the expected revenue and expenditure for each year. The Budget is the means by which Council makes a formal commitment of resources to provide funding for services and projects.

A medium-term perspective is provided by the Strategic Resource Plan (SRP), which forms part of the Council Plan. This provides a four-year forecast of revenues and expenditures based on a series of assumptions. It identifies the resources necessary to implement the Council Plan over the next four years. The four years represented in the SRP are 2016/17 to 2019/20.

In preparing the Proposed 2016/17 Budget, a number of external influences have been taken into consideration as they are likely to impact significantly on the services delivered by Council in the budget period. These are outlined below:

- **Superannuation** - Council has an ongoing threat to fund any investment shortfalls in the Defined Benefits Scheme. The last call on Local Government was in the 2012/13 where Mitchell was required to pay \$2.6M to top up its share of the Defined Benefits Scheme. The amount and timing of any liability is dependent on the global investment market. At present the actuarial ratios are at a level that additional calls from Local Government are not expected in the next 12 months. Given Council's current financial constraints, additional borrowing would be required to be drawn should a call be made in relation to unfunded Defined Benefits Scheme contributions.
- **Victorian Grants Commission** - The largest source of government funding to Council is through the annual Victorian Grants Commission allocation. The overall State allocation is determined by the Federal Financial Assistance Grants to which a freeze is still in place on general indexation, resulting in a loss of expected revenue to Council.
- **Cost Shifting** - This occurs where Local Government provides a service to the community on behalf of the State and Federal Government. Over time the funds received by local governments do not increase in line with real cost increase, such as school crossing or libraries services, resulting in a further reliance on rates revenue to meet service delivery expectations.

Cost shifting remains a real concern for local government. As other tiers of government change or implement new legislation it creates a need for council to allocate resources accordingly, which in turn can mean a real impact is felt at a local level. Together with reduction in revenues, the shift of service or reporting responsibilities onto local government without adequate funding places additional strain on council finances and staffing resources.

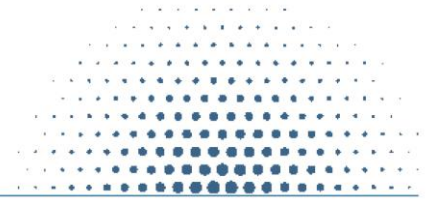


- **Enterprise Bargaining Agreement (EBA)** - Council's current EBA is for the 3 years ending 30 June 2017, which provides annual wage increases to staff at a level of 3% per annum. Preparations for a new EBA will commence at the beginning of the 2016/17 year.
- **Rate Capping** - The Victorian State Government has introduced a cap on rate increases from 2016/17. The cap for 2016/17 has been set at 2.5%.
- **Population growth** - In preparing our capital programs we must balance asset renewal against upgrade and new infrastructure to meet the needs of our growing and changing communities.

3.3 Internal influences

As well as external influences, there are a number of internal influences which are expected to impact on the 2016/17 Budget. These include:

- **Underlying Result** - In order to continue to address Council's historic trend of running underlying deficits and insufficient cash backing of reserves, while remaining mindful of the impact on residents, Council has proposed a rate increase of 2.5%. In order to achieve this while still focusing on returning to breakeven / surplus operating result, considerable savings have been projected in the 2016/17 and future projections over the life of the SRP. Further consultation with the community will be undertaken to align community and Council priorities in relation to service delivery within these financial constraints.
- **Cash reserves** - While Council continues to rebuild cash reserves, more interest from investments will be received and Council will be unable to commit to capital works that were to be funded from discretionary reserves.
- **Working Capital** - Council requires a certain level of cash to be able to meet its daily obligations (working capital). Current levels of cash are improving to ensure we adequately cover our short term requirements.
- **Operating expenditure** - In order to meet the rate cap and increase expenditure in infrastructure, a reduction of \$2.6M in recurrent net operating expenditure was required and incorporated in the 2016/17 budget. Future plans to decrease net operating expenditure in 2017/18 by a further \$2M and 2018/19 and 2019/20 by \$750K each year are also intended to ensure future lower rate rises.
- **Restructure** - Council will undertake an organisational restructure in 2016/17, designed to result in an employee cost savings of over \$1M and is reflected in the 2016/17 budget and future year estimates in the SRP.
- **Service Planning** - The current SRP incorporates savings as described in "Operating Expenditure" above. Council will need to review and prioritise its service planning and delivery, taking community consultation into account. Improved operating position is required to enable provision of sufficient funds to renew existing assets required to deliver its services as well as provision of new infrastructure in the urban growth zone.
- **Shire Demographics** - Some pockets of the Shire include a lower socio-economic demographic reflecting disadvantaged communities requiring higher levels of support.



3.4 Budget principles

In response to these influences, guidelines were prepared and distributed to all Council officers with budget responsibilities. The guidelines set out the key budget principles upon which the officers were to prepare their budgets. The principles include:

- Fees and charges reviewed for appropriateness annually as part of the budget process. The review considers the cost of the service, the price charged by comparable service providers (where applicable) and the extent to which Council is prepared to provide the service at less than full cost recovery. With the introduction of rate capping a strong focus is to ensure all fees and charges are adequate in relation to the service provided.
- Grants to be based on confirmed funding levels;
- New revenue sources to be identified where possible;
- In line with the ongoing service reviews, service levels are being evaluated so as to provide the best possible outcomes to the community and the Council with an emphasis on innovation and efficiency;
- An organisational restructure has been incorporated into the 2016/17 budget resulting in savings that offset the remaining salaries and wages that have been increased based on the Enterprise Bargaining Agreement (EBA);
- Construction and material costs to increase in line with the Engineering Construction Index;
- Real savings in expenditure and increases in revenue identified in 2015/16 to be preserved; and
- Operating revenues and expenses arising from completed 2015/16 capital projects to be included.

Council has commenced a process of internal service reviews to help better understand what each service costs and how it is performing. Through efficiencies, working smarter and adjusting where necessary to match community priorities, Council will be able to release some cash to invest in initiatives that will improve customer service or deliver longer term efficiencies (such as better technology). This is in line with our ongoing commitment to continuous improvement.

3.5 Long term strategies.

Including a number of long term strategies and contextual information helps Council to prepare the Budget in a proper financial management context. These include a Strategic Resource Plan for 2016/17 to 2019/20 (Section 8), Rating Information (Section 9) and Other Long Term Strategies (Section 10) including borrowings and infrastructure.



4. Analysis of operating budget

This section analyses the operating budget including Council's expected income and expenses for the 2016/17 year.

4.1 Budgeted income statement

	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Total income	4.2	66,517	71,829	5,312
Total expenses	4.3	(57,582)	(57,554)	28
Surplus (deficit) for the year		8,935	14,275	5,340
Grants - non-recurrent capital	4.2.6	(8,171)	(3,012)	5,159
Contributions - non-monetary assets		(7,500)	(10,000)	(2,500)
Capital contributions - other sources	4.2.4	(511)	(3,380)	(2,869)
Adjusted underlying surplus (deficit)		(7,247)	(2,117)	5,130

4.1.1 Adjusted underlying deficit (\$5.13 million decrease)

Although Council's projected operating results show a surplus of \$14.28M for the 2016/17 year, it is important to note that the more relevant figure is the *adjusted underlying deficit* of \$2.12M.

The adjusted underlying result is a measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by capital income items which can often mask the operating result. The adjusted underlying result for the 2016/17 year is a deficit of \$2.12M which is an improvement of \$5.13M from the 2015/16 year. However, it should also be noted that on 30 June 2015 Council received and recognised as income 50% (or \$3.2M) of the Financial Assistance grant from the Victorian Grants Commission which would ordinarily be paid and recognised in 2015/16. Adjusting for the timing of revenue recognition, the 2015/16 forecast would have been an underlying deficit of \$4.09M. A truer reflection of the significant efforts of Council to improve its financial situation for the next budget cycle is \$1.97M (\$4.09M compared to \$2.12M).

The adjustments made to the operating surplus to arrive at the adjusted underlying deficit relate to the following:

- **Non-monetary assets** are roads, footpaths, drains and open space (parks) that are transferred from property developers to Council at certain stages of the development of new estates. As the value of these assets increases Council's net worth, they are recognised as income in Council's financial statements, which are produced in line with Australian Accounting Standards. Although the value of these assets is counted as income and adds to the surplus shown on the income statement, this income clearly cannot be used to perform the services Council provides to the Community. As such the adjusted underlying result removes the effect of counting these asset as income, to show a truer reflection of Council's ability to fund the services it provides and assets it must maintain. The forecasted estimate of non-monetary assets for 2015/16 at quarter 2 was \$7.5M and is projected to be \$10M in 2016/17.
- **Non-recurrent capital grants and contributions** are also recognised in the income statement, but must be used for specific capital works projects. Non-recurrent capital grants are removed from the underlying result as they are not regular in nature. In recent years, Mitchell Shire has been fortunate to have received significant grant funding for capital works projects for the creation, upgrade or expansion of infrastructure assets that

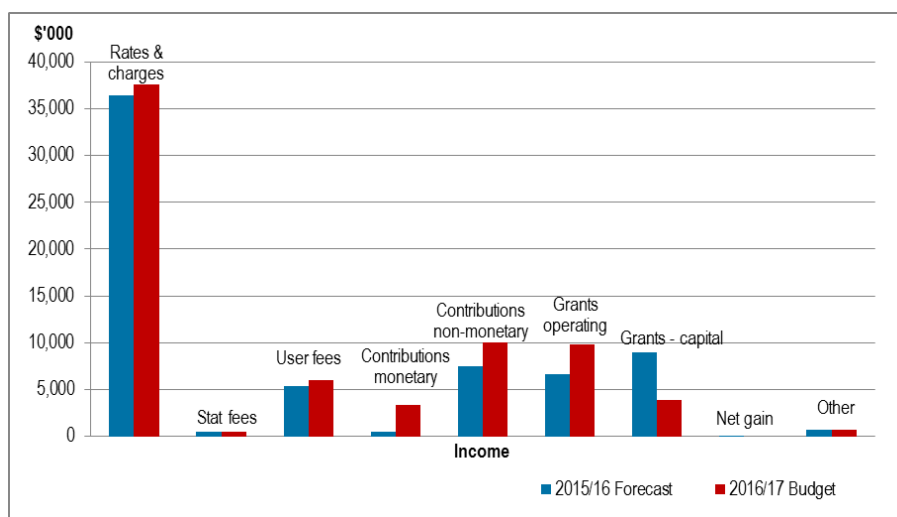


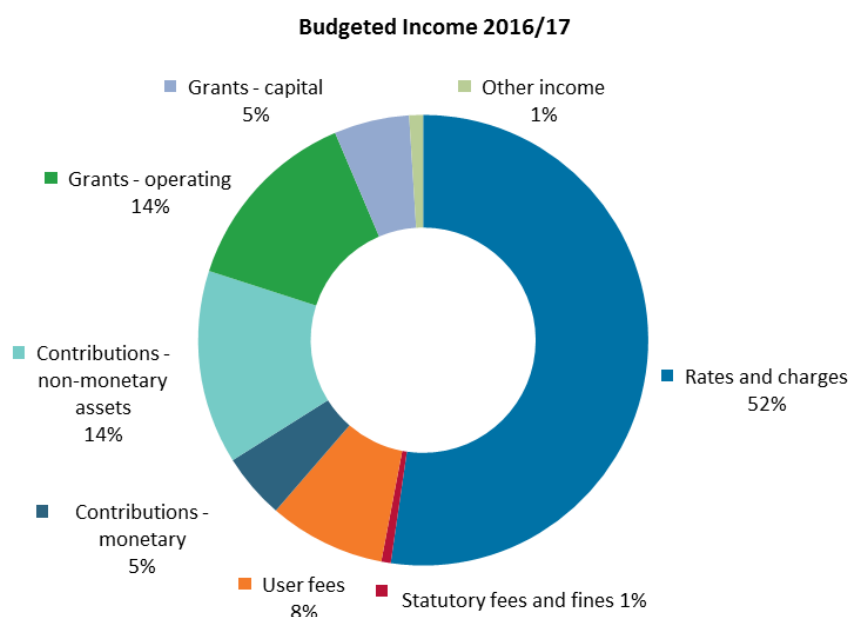
benefit our growing community. As a relatively small shire, located in Melbourne's growth corridor, Mitchell is heavily reliant on other levels of government to fund new infrastructure projects.

Note, the adjusted underlying deficit includes revenue from recurrent capital grants (regular grant funding which must be utilised for capital works expenditure) of \$823K. Council recognises \$823K of Roads to Recovery grant funding as recurrent, additional amounts have been provided as part of the Roads to Recovery program in 2015/16 (\$1.53M), 2016/17 (\$1.08M) and 2017/18 (\$0.81M), however as these amounts are once off in nature, they have been included in non-recurrent capital grants (refer to table at 4.2.7 for further details).

4.2 Income

Income Types	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Rates and charges	4.2.1	36,378	37,596	1,218
Statutory fees and fines	4.2.2	464	488	24
User fees	4.2.3	5,367	6,019	652
Contributions - monetary	4.2.4	511	3,380	2,869
Contributions - non-monetary assets	4.2.5	7,500	10,000	2,500
Grants - operating	4.2.6	6,601	9,795	3,194
Grants - capital	4.2.7	8,994	3,835	(5,159)
Net gain on disposal of property, infrastructure, plant & equip.		12	-	(12)
Other income		690	716	26
Total income		66,517	71,829	5,312





4.2.1 Rates and charges (\$1.22 million increase)

Total revenue from rates and charges is projected to be \$37.60M, which includes general rates, municipal charge and garbage charges. This is an increase of \$1.22M or 3.3% from the 2015/16 forecast. This is inclusive of an average 2.5% increase to the general rates and municipal charge plus growth in rateable properties and growth in garbage services. It is proposed the garbage charge (\$305 pa full service) will be held at 2015/16 levels and the municipal charge be increased to \$302.70 per annum. Section 9 "Rating Information" includes a more detailed analysis of the rates and charges to be levied for 2016/17. Council's rating strategy outlines in more detail the mix of differential rates used.

Information on rates and charges specifically required by the Regulations is included in Appendix B.

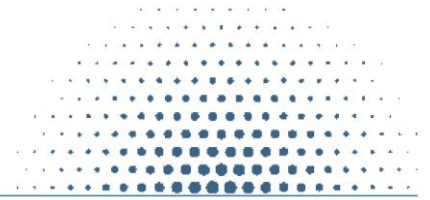
4.2.2 Statutory fees and fines (\$0.02 million increase)

Statutory fees and fines relate to fees and fines levied in accordance with legislation and include *Public Health and Wellbeing Act 2008* registrations, animal control, and parking fines, as well as town planning permits and subdivision fees.

Increases in statutory fees are made in accordance with legislative requirement and are not set by Council. Income from Statutory fees and fines are in line with estimates in the 2015/16 forecast. Some statutory fees are not being increased.

4.2.3 User fees (\$0.65 million increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include separate rating schemes, use of leisure, entertainment and other community facilities and the provision of community services such as kindergartens. In setting the budget, the key principle for determining the level of user charges has been to align increases with CPI or market levels. Benchmarking of fees and charges has been undertaken during the year



as part of the service review process. Some areas have had higher than CPI increases as a result of this work undertaken.

The Your Budget Your Priorities consultation undertaken in the last six months has indicated the community has a preference to increase user fees over higher rate rises. Some fee increases, such as those in waste management, have higher fees and charges for non-residents of Mitchell Shire and commercial customers, in order to minimise increased disposal costs for the Shire as a result of customers from outside the shire utilising our service due to a disparity of charges within neighbouring shires.

Revenue from user charges is projected to increase by 12% or \$650K compared to 2015/16. The main areas contributing to the increase are:

- Waste management \$350K (44%) increase. As noted in the 2nd quarter finance report, during 2015/16 the Mitchell landfill experienced a period of revenue loss as a result of cell 4 nearing capacity prior to the completion of cell 5 construction. During this time, acceptance of waste from commercial customers was limited. The 2016/17 budget is in line with 2015/16 budget estimates which incorporate a full year of operation;
- Leisure Centres \$120K (7%) increase, which is a combination of increased fees and usage.
- Public Health \$90K (88%) increase. As a result of change in fee structure and increased enforcement of permits for registered premises and septic tanks.
- Community Compliance (including animal management, animal control, local laws and fire prevention) \$70K (15%) increase as a result in change in fee structure and increased enforcement.

A detailed listing of fees and charges is included in Appendix D.

4.2.4 Contributions - monetary (\$2.87 million increase)

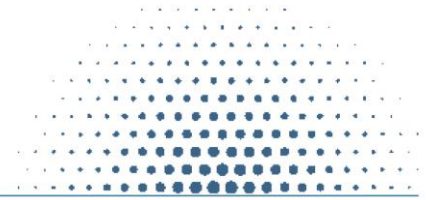
Contributions relate to monies paid by developers in regard to public recreation, drainage and car parking and other infrastructure in accordance with planning permits issued for property development. These contributions can only be used for specific purposes and monies collected are to be directed towards new capital in the townships (or in line with developer contribution Plan (DCP) or section 173 agreements) in which the contributions were collected. These contributions are tracked via statutory reserves. Any unspent contributions are transferred into reserves for the township or DCP to which they relate.

Contributions are projected to be higher than 2015/16 levels by \$2.9M. This estimate is based on continued development in the Shire at current levels (approximately \$480K p.a. in monetary developer contributions) plus a specific contribution of \$2.9M towards the construction of the Mandalay Community Centre in 2016/17.

4.2.5 Contributions – Non-Monetary Assets (\$2.5 million increase)

Developer Contributions (non-cash) are those assets that form part of the new developments that are given to Council at handover for ongoing maintenance (e.g. roads, drainage and open space). Accounting Standards require non-cash developer contributions to be shown as income.

Developer contributions have fluctuated over recent years. The amounts included in the 2016/17 Budget and SRP 2017-20 are based on current year forecasts and expected continued development in the Shire. Note, Quarter 2 forecast estimates are likely to be revised up in Quarter 3 for the 2015/16 year.



4.2.6 Grants - operating (\$3.19 million increase)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services. Overall, the level of operating grants has increased by \$3.2M compared to 2015/16. Note, the increase in grants commission relates to the \$3.2M prepayment of the 2015/16 allocation of the annual financial assistance grant in 2014/15. The budget for 2016/17 reflects a full year allocation.

A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

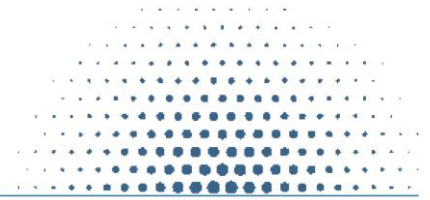
Operating Grant Funding Type and Source	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Recurrent - Commonwealth Government			
Victorian Grants Commission	3,373	6,688	3,315
Maternal and child health	9	9	-
Other (Roads of Access)	45	46	1
Recurrent - State Government			
Family and children	1,790	1,878	88
Maternal and child health	425	430	5
Libraries	282	290	8
School crossing supervisors	60	68	8
Community services	82	66	(16)
Aged care	28	29	1
Environmental planning	11	18	7
Youth services	25	25	-
Total recurrent grants	6,130	9,547	3,417
Non-recurrent - Commonwealth Government			
Family and children	2	-	(2)
Non-recurrent - State Government			
Emergency management	114	105	(9)
Environmental planning	94	47	(47)
Community services	6	-	(6)
Youth services	38	-	(38)
Family and children	21	51	30
Recreation, Leisure and Community	155	-	(155)
Other (Fire Services Property Levy)	41	45	4
Total non-recurrent grants	471	248	(223)
Total Operating Grants	6,601	9,795	3,194

4.2.7 Grants - capital (\$5.16 million decrease)

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Overall the level of capital grants have decreased by 57% or \$5.16M compared to 2016/17, due mainly to the mix of projects undertaken and their specific funding arrangements. Section 6 "Analysis of Capital Budget" includes a more detailed analysis of the grants and contributions expected to be received during 2016/17.

BUDGET 2016/2017.

Mitchell Shire Council



Mitchell Shire has been identified as one of 7 growth Councils specifically earmarked to absorb Melbourne's future urban growth and development and major transport interchanges, yet our current budget base is significantly lower than all other growth councils. This highlights the need for Victorian and Federal Government funding to enable us to plan strategically for the long and medium term and provide the infrastructure requirements of our growing populations. Mitchell Shire Council is committed to advocating on behalf of its Community to achieve the required funding.

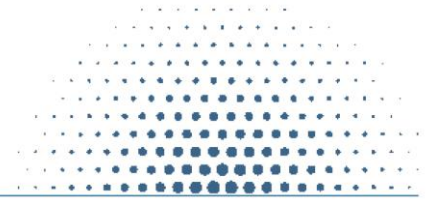
During 2015/16 the Shire was allocated funding of \$3.44M from the Interface Growth Fund. The budget for 2016/17 only includes confirmed grant funding. Further applications to the next staged releases of this funding have been undertaken to help fund new infrastructure assets for our growing Community.

Recurrent capital works funding represents \$823K Roads to Recovery funds. Additional \$1.53M funding on top of the annual allocation has been received during 2015/16 and further additional funding allocation of \$1.08M for 2016/17 and \$0.81M for 2017/18 has been confirmed. These additional allocations have been reported as non-recurrent capital grants as they are not part of the ongoing regular commitment and have therefore been excluded from the underlying result to avoid distortion.

Other significant funding includes \$237K for stage 2, planning scheme amendment, for the Seymour flood levee and \$1.08M for stage 3, land acquisition, \$470K Greenhill pavilion upgrade and improvements and \$184K Dropmore Road Bridge replacement works.

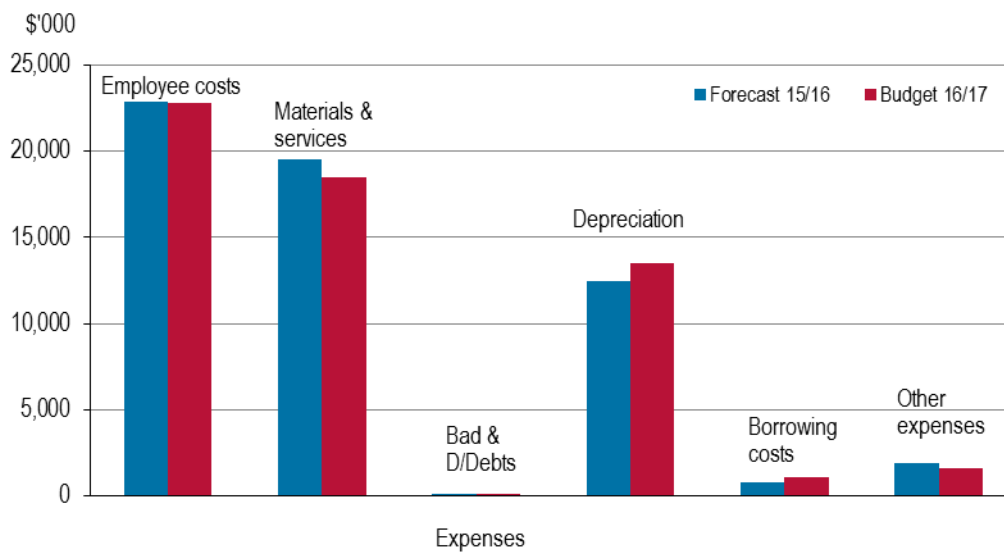
Capital Grant Funding Type and Source *	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Recurrent - Commonwealth Government			
Roads to Recovery	823	823	0
Total recurrent grants	823	823	0
Non-recurrent - Commonwealth Government funding			
Roads to Recovery - additional funding	1,532	1,077	(455)
Non-recurrent - State Government			
Country Roads & Bridges	-	-	0
Other Bridge funding	-	184	184
Drainage	5	-	(5)
Libraries	-	-	0
Waste	211	-	(211)
Roads	421	-	(421)
Road Safety	148	-	(148)
Land Acquisition	-	1,320	1,320
Parks and Open Space	1,713	-	(1,713)
Recreational, leisure and community facilities	4,140	431	(3,709)
Other Capital	1	-	(1)
Total non-recurrent grants	8,171	3,012	(5,159)
Total Capital Grants	8,994	3,835	(5,159)

* Grant funding in 2016/17 and beyond only includes confirmed funding.

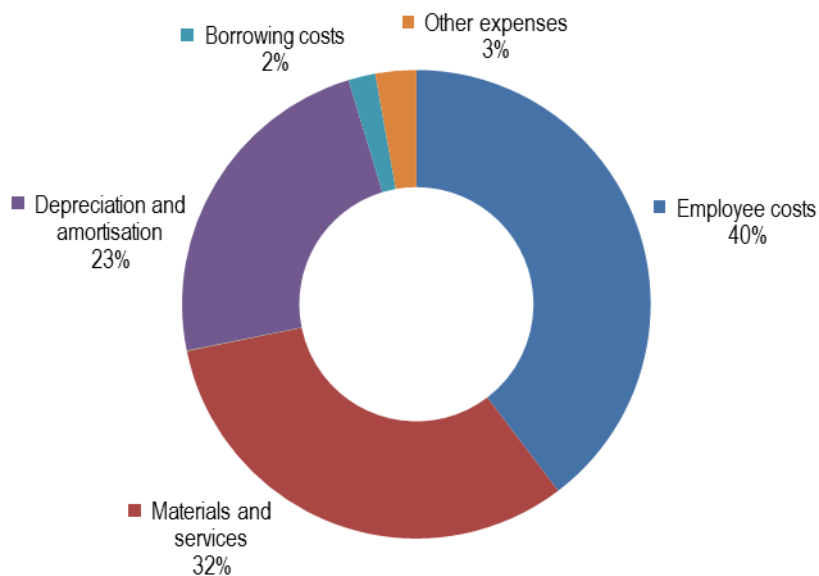


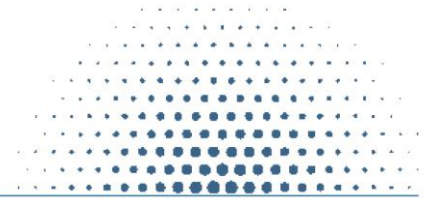
4.3 Expenses

Expense Types	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Employee costs	4.3.1	22,860	22,820	40
Materials and services	4.3.2	19,500	18,491	1,009
Bad and doubtful debts	4.3.3	42	24	18
Depreciation and amortisation	4.3.4	12,452	13,514	(1,062)
Borrowing costs	4.3.5	810	1,075	(265)
Other expenses	4.3.6	1,918	1,630	288
Total expenses		57,582	57,554	28



2016/2017 Budgeted Expenses





4.3.1 Employee costs (\$0.04 million decrease)

Employee costs include all labour related expenditure such as wages and salaries and on-costs such as allowances, leave entitlements, employer superannuation, rostered days off, etc.

Employee costs have decreased 0.2% from the 2015/16 forecast. This is as a result of a reduction of \$1.11M in salaries as part of \$2M savings target identified for 2016/17 and a further \$185K as part of the required further savings to limit rate increases for 2016/17 to 2.5% (rather than 4.5% previously planned).

Employee costs have been held at 2015/16 forecast levels despite the effect of an increase of 3% for year 3 of the Enterprise Bargaining Agreement (EBA) and band increments (equivalent to approximately \$900K on a \$22.8M staff base). In addition, it is important to note the 2015/16 forecast figure incorporates a reduction in cost due to staff vacancies, some of which would have been partially offset by increased contractor costs.

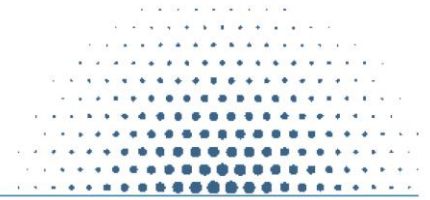
The only increase to staffing proposed in the 2016/17 budget is an additional senior staff member in strategic planning in order to build in house expertise in relation to strategic planning priorities and project work and enable a reduced spend in consultant costs in this area.

A summary of human resources expenditure categorised according to Council's structure is included below:

Directorate	Budget 2016/17 \$'000	Comprises	
		Permanent Full Time \$'000	Permanent Part Time \$'000
Sustainable Communities	9,957	5,328	4,629
Engineering & Infrastructure	6,174	5,646	528
Corporate Services & Executive	4,088	3,826	262
Total permanent staff expenditure	20,219	14,800	5,419
Casuals and other expenditure	2,601		
Capitalised labour costs	459		
Total expenditure	23,279		

A summary of the number of full time equivalent (FTE) Council staff in relation to the above expenditure is included below:

Directorate	Budget FTE	Comprises	
		Permanent Full Time	Permanent Part Time
Sustainable Communities	118	55	63
Engineering & Infrastructure	74	68	6
Corporate Services & Executive	41	38	3
Total	233	161	72
Casuals and other	23		
Capitalised labour costs	5		
Total staff	261		



4.3.2 Materials and services (\$1.01 million decrease)

Materials and services include the purchases of consumables, payments to contractors for the provision of services and utility costs. Materials and services are forecast to decrease by 5.2% or \$1.01M compared to 2016/17.

The most significant changes include reductions of:

- \$770K in strategic planning projects (including town structure planning and implementation). The 2015/16 forecast included expenditure of \$140K for Kilmore Town Centre Grant received in 2014/15. It also included \$280K for the completion of projects funded in the 2014/15 budget. Total contractors and consultants for 2016/17 in relation to Strategic Planning is still significant at \$900K, to ensure appropriate planning of our growing townships and developments areas. This was reduced from \$1.1M as part of the savings required to facilitate a 2.5% rate increase.
- \$280K in contribution towards HACC Services ceased as part of the \$2M savings target;
- \$180K in relation to once off grant expenditure in 2015/16 for Wallan to Heathcote Rail Trail feasibility;
- \$120K Economic Development contractors redirected to restructured in house resources.
- \$100K in facilities maintenance contracts (cleaning and essential service contract)
- \$273K in contract labour (offset by reduced salaries in 2015/16)

These are partially offset by increases of:

- \$350K waste management, offset by increased revenue from fees and charges;
- \$180K Council election costs
- \$350K increased information technology licences, maintenance, communication networking and transitional restructure support costs.

4.3.3 Bad and doubtful debts (\$0.02 million decrease)

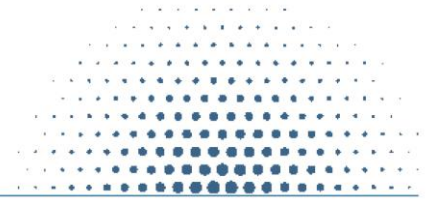
Bad and doubtful debts are in line with 2015/16 forecast projections.

4.3.4 Depreciation and amortisation (\$1.06 million increase)

Depreciation is an accounting measure which attempts to allocate the value of an asset over its useful life for Council's property, plant and equipment including infrastructure assets such as roads and drains. The increase of \$1.06M for 2016/17 is due mainly to an internal review of Council's assets which is currently underway. It also includes an increase to depreciation as a result of completion of the 2015/16 capital works program and contributed assets. When finalised, the asset review is also likely to increase the quarter 3 forecast for depreciation.

4.3.5 Borrowing costs (\$0.27 million increase)

Borrowing costs relate to interest charged by financial institutions on funds borrowed. The increase in borrowings costs relate to additional borrowings to be drawn down during 2016/17. Refer to section 10.1 for further details in relation to new borrowings.



4.3.6 Other expenses (\$0.29 million decrease)

Other expenses relate to a range of unclassified items including contributions to community groups, councillor allowances, EPA landfill levy and other miscellaneous expenditure items. Other expenses have decreased by \$290K compared to 2015/16. This is mainly due to a reduction in grants paid to the community \$320K that have been cut as part Council's \$2.62M ongoing cost savings in this year's budget (\$120K environmental grants, \$140K Community grants program, \$60K Tourism grants) offset by an increase in landfill levy compared to forecast of \$40K, reflecting the cost of a full year of uninterrupted operation. Note, \$10K has been included for "Tastes of the Goulburn" after the community consultation process in order to honour a 3 year funding agreement previously entered into by Council.

5. Analysis of budgeted cash position

This section analyses the expected cash flows from Council's operating, investing and financing activities for 2016/17. Budgeting cash flows for Council is a key factor in setting the level of rates and providing a guide to the level of capital expenditure that can be sustained with or without using existing cash reserves.

The analysis is based on three main categories of cash flow:

- **Operating activities** - Refers to the cash generated or used in Council's normal service delivery functions. Cash remaining after paying for the provision of services to the community may be available for investment in capital works, repayment of debt, or rebuilding cash balances to sustainable levels.
- **Investing activities** - Refers to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property and equipment.
- **Financing activities** - Refers to cash generated or used in the financing of Council functions and include borrowings from financial institutions and advancing of repayable loans to other organisations. These activities also include repayment of the principal component of loan repayments for the year.



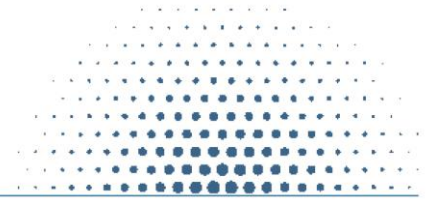
5.1 Budgeted cash flow statement

	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Cash flows from operating activities	5.1.1			
<i>Receipts</i>				
Rates and charges		36,378	37,596	1,218
User fees and fines		5,831	6,507	676
Grants - operating		6,601	9,795	3,194
Grants - capital		9,921	3,835	(6,086)
Interest		400	515	115
Other receipts		801	3,581	2,780
		59,932	61,829	1,897
<i>Payments</i>				
Employee costs		(22,847)	(22,807)	40
Other payments		(22,425)	(20,146)	2,279
		(45,272)	(42,953)	2,319
Net cash provided by operating activities		14,660	18,876	4,216
Cash flows from investing activities	5.1.2			
Payments for property, infrastructure, plant & equipment		(13,194)	(25,182)	(11,988)
Proceeds from sale of property, infrastructure, plant & equipment		931	360	(571)
Payments for investments		-	-	-
Proceeds from investments		-	-	-
Loans and advances made		-	-	-
Repayments of loans and advances		-	-	-
Net cash used in investing activities		(12,263)	(24,822)	(12,559)
Cash flows from financing activities	5.1.3			
Finance costs		(810)	(1,075)	(265)
Proceeds from borrowings		-	7,410	7,410
Repayment of borrowings		(1,455)	(1,698)	(243)
Net cash provided from / (used in) financing activities		(2,265)	4,637	6,902
Net increase / (decrease) in cash and cash equivalents		132	(1,309)	(1,441)
Cash and cash equivalents at the beginning of the year		13,884	14,016	132
Cash and cash equivalents at end of the year	5.1.4	14,016	12,707	(1,309)

5.1.1 Operating activities (\$4.22 million increase)

The increase in cash inflows from operating activities is an increase in total receipts of \$1.90M, mainly as a result of \$1.22M increase in rates receipts, an increase in operating grant receipts of \$3.19M (reflecting a full year of VGC allocation in 2016/17), a decrease in capital grants of \$6.09M (based on inclusion of confirmed grant funding only), increase in fees and charges of \$676K and an increase in capital contributions of \$2.9M in relation to the Mandalay Community Centre. The increase in rates and charges receipts compared to the 2015/16 forecast is more than 2.5% due to growth in rateable properties as a result of development in the shire.

Council continues to make headway towards improved debt recovery practices. Reductions to outstanding rates debt in particular, will contribute further to an improved cash position.



The net cash flows from operating activities does not equal the surplus (deficit) for the year as the expected revenues and expenses of the Council include non-cash items which have been excluded from the Cash Flow Statement. The budgeted operating result is reconciled to budgeted cash flows available from operating activities as set out in the following table.

	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Surplus (deficit) for the year	8,935	14,275	5,340
Depreciation	12,452	13,514	1,062
Loss (gain) on disposal of property, infrastructure, plant & equipment	(12)	-	12
Finance costs	810	1,075	265
Non cash contribution	(7,500)	(10,000)	(2,500)
Net movement in current assets and liabilities (excluding landfill provision)	(25)	12	37
Cash flows available from operating activities	14,660	18,876	4,216

5.1.2 Investing activities – net cash used (\$12.83 million increase)

The increase in payments for investing activities represents 2015/16 projects that will be carried forward and completed in 2016/17 and the new capital works projects for 2016/17 as detailed in section 6. Proceeds from sale of assets reflect the expected cash flow from asset sales. Included in the 2015/16 forecast are \$400K in property sales deferred from 2014/15.

5.1.3 Financing activities – net cash provided (\$6.90 million increase)

The increase of \$6.9M is due to new borrowings included in 2016/17 of \$7.41M in relation to strategic land purchases in the South of the Shire \$5M (deferred from the 2015/16 budget), stage 2 and 3 of the Seymour Flood Levee (\$910K) and Council's contribution towards the Mandalay Community Centre (\$1.5M). Finance costs and repayment of borrowings have increased as a result of these new borrowings.

5.1.4 Cash and cash equivalents at end of the year (\$1.31 million decrease)

Overall, total cash and investments is forecast to decrease by \$1.31M to \$12.71M by 30 June 2017. Note, the forecast cash position at 30 June 2016 of \$14.07M includes \$4.10M required to complete the capital works carried forward into 2016/17. After accounting for completion of all capital works, the 2016/17 budget shows a real improvement to cash balances of \$2.74M. Council remains focused on building cash levels to an appropriate level in the medium to long term.



5.2 Restricted and unrestricted cash and investments

Cash and cash equivalents held by Council are restricted in part, and not fully available for Council's operations. The budgeted cash flow statement above indicates that Council is estimating it will have cash and investments of \$12.71M at 30 June 2017, which is restricted as shown in the following table.

	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Total cash and investments		14,016	12,707	(1,309)
Restricted cash and investments				
- Statutory reserves	5.2.1	(3,964)	(4,344)	(380)
- Cash held to carry forward capital works	5.2.2	(4,103)	-	4,103
- Trust funds and deposits		(2,209)	(2,209)	-
Unrestricted cash and investments	5.2.3	3,740	6,154	2,414
- Discretionary reserves	5.2.4	(8,013)	(7,153)	860
Unrestricted cash adjusted for discretionary reserves	5.2.5	(4,273)	(999)	3,274

The above reconciliation shows that while Council has sufficient funds to undertake operations, it is using restricted cash balances to do so. This is evidence of the need to build cash levels and focus on building working capital in the immediate future.

5.2.1 Statutory reserves (\$4.34 million)

These funds must be applied for specified statutory purposes in accordance with various legislative requirements. While these funds earn interest revenues for Council, the funds are not available for other purposes. During the 2016/17 year, statutory reserves are forecast to increase by \$380K. This includes developer contributions forecast to be received during the year (\$480K) less \$100K to be transferred out, for the design of the Maternal Child Health / Kindergarten centre in Wallara Waters.

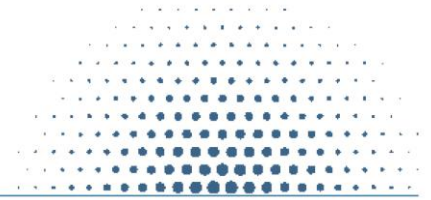
5.2.2 Cash held to fund carry forward capital works (\$4.10 million)

An amount of \$4.10M is forecast to be held at 30 June 2016 to fund capital works budgeted, but not completed, in the 2015/16 financial year. This represents total capital works carried forward into 2016/17 (\$9.10M) less deferred borrowings (\$5M to fund the strategic land purchase in the South of the Shire). Refer to section 6 for further details. Note, \$3.47M of the \$4.10M represents grant funding forecast to be received by 30 June 2016 and spent on carried forward projects in 2016/17.

5.2.3 Unrestricted cash and investments (\$6.15 million)

Unrestricted cash at 30 June 2017 is closing cash less statutory reserves and trust funds. Council's projected cash position at 30 June 2017 shows an unrestricted cash balance of \$6.15M.

Council must maintain a minimum of around \$10M in cash and investments to meet the day to day requirements of Council business. This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e. Developer Contribution Funds, trust money and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.

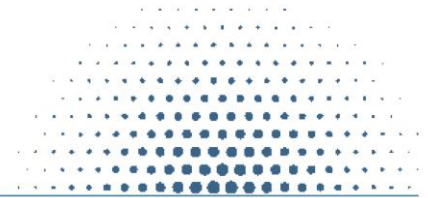


6. Analysis of capital budget

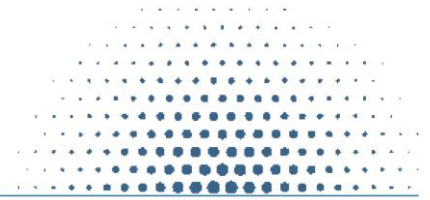
This section analyses the planned capital works expenditure budget for the 2016/17 year and the sources of funding for the capital budget.

6.1 Capital works expenditure

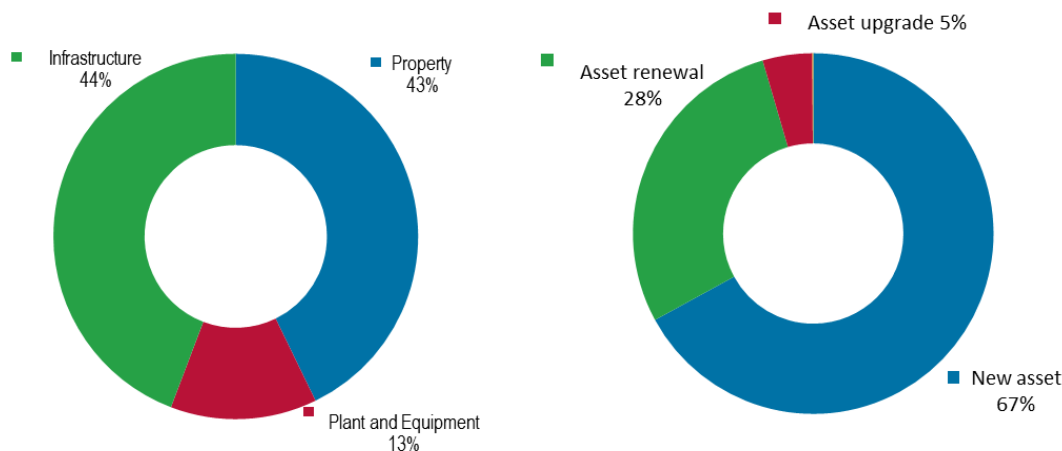
Capital Works Areas	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Works carried forward	6.1.1			
Property				
Land		-	5,000	5,000
Land improvements		-	-	-
Total land		-	5,000	5,000
Buildings		12	2,800	2,788
Heritage buildings		-	-	-
Building improvements		-	-	-
Leasehold improvements		-	-	-
Total buildings		12	2,800	2,788
Total property		12	7,800	7,788
Plant and equipment				
Heritage plant and equipment		-	-	-
Plant, machinery and equipment		-	-	-
Fixtures, fittings and furniture		-	-	-
Computers and telecommunications		115	-	(115)
Library books		-	-	-
Total plant and equipment		115	-	(115)
Infrastructure				
Roads		574	-	(574)
Bridges		635	-	(635)
Footpaths and cycleways		-	-	-
Drainage		21	200	179
Recreational, leisure and community		1,260	1,103	(157)
Waste management		1,338	-	(1,338)
Parks, open space and streetscapes		-	-	-
Aerodromes		-	-	-
Off street car parks		-	-	-
Other infrastructure		-	-	-
Total infrastructure		3,828	1,303	(2,525)
Total works carried forward		3,955	9,103	5,148



Capital Works Areas	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
New works				
Property	6.1.2			
Land		-	2,480	2,480
Land improvements		-	-	-
Total land		-	2,480	2,480
Buildings		1,332	4,400	3,068
Heritage buildings		-	-	-
Building improvements		-	-	-
Leasehold improvements		-	-	-
Total buildings		1,332	4,400	3,068
Total property		1,332	6,880	5,548
Plant and equipment	6.1.3			
Heritage plant and equipment				
Plant, machinery and equipment		1,399	1,210	(189)
Fixtures, fittings and furniture			150	150
Computers and telecommunications		440	580	140
Library books		150	150	-
Total plant and equipment		1,989	2,090	101
Infrastructure	6.1.4			
Roads		3,170	2,715	(455)
Bridges		650	368	(282)
Footpaths and cycleways		378	520	142
Drainage		149	95	(54)
Recreational, leisure and community		1,040	1,279	239
Waste management		531	2,000	1,469
Parks, open space and streetscapes			82	82
Aerodromes			-	-
Off street car parks			-	-
Other infrastructure			50	50
Total infrastructure		5,918	7,109	1,191
Total new works		9,239	16,079	6,840
Total capital works expenditure		13,194	25,182	11,988
Represented by:				
New asset	6.1.5	4,203	16,885	12,682
Asset renewal	6.1.5	7,948	7,157	(791)
Asset upgrade	6.1.5	1,013	1,120	107
Asset expansion	6.1.5	30	20	(10)
Total capital works expenditure		13,194	25,182	11,988



2016/17 Budgeted Capital Works Expenditure



Source: Appendix A. A detailed listing of the capital works program is included in Appendix C.

6.1.1 Carried forward works (\$9.10 million)

At the end of each financial year there are projects which are either incomplete or not commenced due to factors including planning issues, weather delays and extended consultation. For the 2015/16 year it is forecast that \$9.10M of capital works will be incomplete and be carried forward into the 2016/17 year. The more significant projects include:

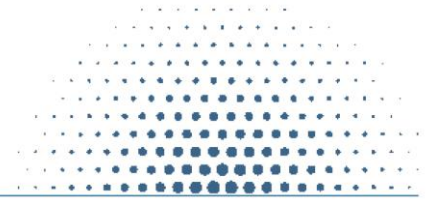
- \$5M - Land acquisition project for the South of the Shire (due to prolonged negotiations);
- \$2.8M - Early Years Learning Centre (Total project cost \$3.5M, scope increased in 2015/16 due to \$1.5M additional funding from interface growth fund);
- \$670K - Hadfield Park Wallan - AAA Playground project cost (scope increased in 2015/16 as a result of \$950K interface growth and \$520K Bendigo Bank funding);
- \$200K - Kilmore Playspace, Hudson Park (scope increased in 2015/16 due to \$100K interface growth funding);
- \$130K - Sports Pavilion Broadford Leisure Centre Precinct - Stage 1;
- \$100K - Harley Hammond Oval Renovation - Stage 1; and
- \$200K - Seymour Flood Levee.

A full listing of carried forward capital works projects can be found at Appendix C. Final capital works carry forwards will be detailed in the June 2016 Finance report and then updated in the 2016/17 quarter 1 forecast.

6.1.2 Property (\$6.88 million)

The property class comprises land, land improvements, buildings and building improvements and heritage buildings.

For the 2016/17 year, \$6.88M will be expended on new property projects. This includes an amount of \$2.48M for planning scheme amendments and land acquisition in relation to the Seymour Flood Levee project and \$4.40M for the construction of the Mandalay Community Centre.



6.1.3 Plant and equipment (\$2.09 million)

Plant and equipment includes plant, machinery and equipment, computers and telecommunications, and library books.

For the 2016/17 year, \$2.09M will be expended on this asset class. The more significant projects include ongoing cyclical replacement of the plant and vehicle fleet (\$1.21M), expansion, upgrade and renewal of information technology (\$540K), new information technology projects (\$40K) and library material purchases (\$150K).

6.1.4 Infrastructure (\$7.11 million)

Infrastructure includes roads, bridges, footpaths and cycleways, drainage, recreation, leisure and community facilities, parks, open space and streetscapes, off street car parks and other structures.

For the 2016/17 year, \$2.72M will be expended on road renewal and upgrade projects. The more significant projects include gravel road re-sheeting (\$1.08M), sealed road re-sheeting program (\$935K) and the upgrade of Queen Street (between Northern Highway and Windham Street) (\$700K).

Expenditure is also planned for the Dropmore road bridge (\$370K).

Expenditure on renewal of Footpaths and Cycleways will be \$400K. New footpaths are planned to link Nexus Health in Murchison St, Broadford (\$80K) and Powlett Street, Kilmore (\$40K).

Expenses on drainage are planned for \$100K which includes Collas Street, Seymour Drainage Renewal (\$30K), Extension of Rupert Street Culvert (\$30K) and Hanley Crescent, Seymour (\$30K)

\$1.28M will be expended on Recreational, Leisure and Community Facilities, including Harley Hammond Oval Renovation - Stage 2 (\$240K), Greenhill football/netball pavilion upgrade/improvements to support female participation (\$470K), Kings Park netball change room facility and second netball court construction (\$270K) and design for Wallara Waters Community Facility including a maternal child health centre and a Kindergarten (\$100K).

Parks Openspace and Streetscapes expenditure of \$80K for the play space improvement program.

Expenditure on Waste Management renewal will be \$2M, for rehabilitation and capping of the closed Seymour landfill site (\$1.6M) and capping of the Mitchell landfill cells 1-4 (\$600K).

Other infrastructure expenditure of \$50K is for the upgrade of Township Entrance Signage (\$50K).

6.1.5 Asset renewal (\$7.16 million), new assets (\$16.88 million), Asset upgrades (\$1.12 million) and Asset expansion (\$0.02 million)

A distinction is made between expenditure on new assets, asset renewal, upgrade and expansion. Expenditure on asset renewal is expenditure on an existing asset, or on replacing an existing asset that returns the service of the asset to its original capability. Expenditure on new assets does not have any element of expansion or upgrade of existing assets but will result in an additional burden for future operation, maintenance and capital renewal.

The major projects included in the above categories, which constitute expenditure on new assets, are strategic property purchase in the South of the Shire (\$5 M), Mandalay Community Centre (\$4.4M), Land Acquisition for the Seymour Flood Levee Project (\$2.48M), Early Years centre at Wallan (\$2.80M), Greenhill football/netball pavilion upgrade/improvements to support female participation



(\$470K), Hadfield park Wallan – AAA playground (\$670K), Kilmore playspace – Hudson Park (\$200K), Kings Park netball change room facility and second netball court construction (\$270K) and Wallara Waters Community Facility which includes a maternal child health centre and a Kindergarten (\$100K).

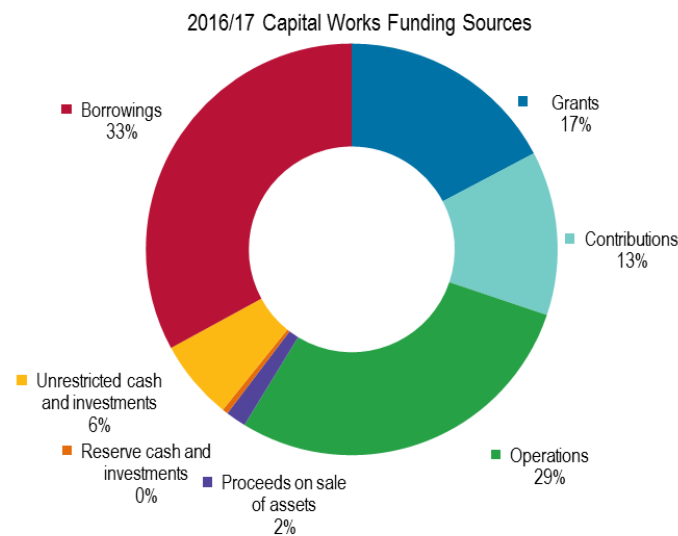
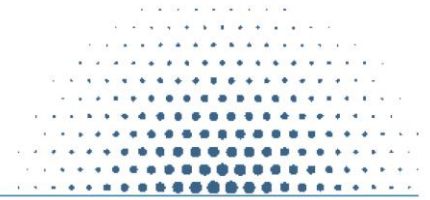
The major projects included constitute renewal expenditure are rehabilitation of the landfill sites (\$2M), Plant and Fleet renewal programs (\$1.21M), Sealed and Gravel Road re-sheeting (\$2.02M), Harley Hammond Oval Renovation - Stage 2 (\$240K), Footpaths and Cycleways (\$400K), Dropmore Road Bridge Replacement Works (\$370K), Library Books replacements program (\$150K) and Information technology renewal of (\$420K).

Major upgrades included in the 2016/17 Budget are Queen Street - between Northern Highway and Windham Street (\$700K), Information technology and phone system upgrades (\$250K) and Township Entrance Signage Upgrade (\$50K).

6.2 Funding sources

Sources of funding	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Works carried forward				
Current year funding				
Grants		2,052	-	(2,052)
Contributions		-	-	-
Borrowings		-	5,000	5,000
Council cash				
- operations		-	-	-
- proceeds on sale of assets		400	-	(400)
- reserve cash and investments		-	-	-
- unrestricted cash and investments		1,503	4,103	2,600
Total works carried forward	6.2.1	3,955	9,103	5,148
New works				
Current year funding				
Grants	6.2.2	6,942	3,835	(3,107)
Contributions	6.2.3	71	2,900	2,829
Borrowings	6.2.4	-	2,410	2,410
Council cash				
- operations	6.2.5	1,708	6,474	4,766
- proceeds on sale of assets	6.2.6	518	360	(158)
- reserve cash and investments	6.2.7	-	100	100
- unrestricted cash and investments		-	-	-
Total new works		9,239	16,079	6,840
Total funding sources		13,194	25,182	11,988

* Council cash includes unspent grant funding in relation to 2015/16 capital works program.



6.2.1 Carried forward works (\$9.10 million)

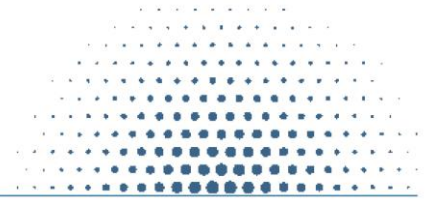
At the end of each financial year there are projects which are either incomplete or not commenced due to factors including planning issues, weather delays and extended consultation and changes to scope due to additional funding. For the 2015/16 year it is forecast that \$9.10M of capital works will be incomplete and be carried forward into the 2016/17 year. These carried forward works will be funded by borrowings (\$5M) for land acquisition in the South of the Shire which has been deferred from 2015/16. The balance is funded from Council's cash balances (\$4.10M) which includes forecast unspent grants for the carried forward projects of \$3.47M.

6.2.2 Grants (\$3.84 million)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Grant funding for new projects for the year totals \$3.84M. Grant revenue includes \$1.32M for the remainder of stage 2 (planning scheme amendments) and stage 3 (land acquisition) of the Seymour Flood Levee project, gravel road renewal (\$850K), sealed road re-sheeting projects (\$485K), Queen Street upgrade - between Northern Highway and Windham Street (\$565K), Dropmore Road Bridge Replacement Works (\$184K), Greenhill football/netball pavilion upgrade/improvements to support female participation (\$421K) and stage 2 of Harley Hammond Oval renovation (\$10K).

6.2.3 Contributions (\$2.90 million)

\$2.9M relates to a contribution from the property developer of the Mandalay subdivision for the construction of a community centre in line with planning permit conditions.



6.2.4 Borrowings (\$2.41 million)

Borrowings for new projects includes Council's contribution towards stage 2 and 3 of the Seymour Flood Levee project (\$910K) and stage 1 of the Mandalay Community Centre building (\$1.5M). Borrowings will only be drawn down once these projects are underway.

6.2.5 Council cash - operations (\$6.47 million)

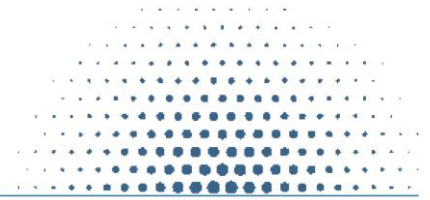
Council generates cash from its operating activities, which is used as a funding source for the capital works program. It is forecast that \$6.47M generated from operations will be used to fund the 2016/17 capital works program. Cash generated from operations is adjusted for capital grants that are required to be spent for the purpose of funding, developer contributions that we will hold until such time that we undertake the works, principle debt repayments and borrowing costs.

6.2.6 Council cash - proceeds from sale of assets (\$0.36 million)

Proceeds from sale of assets include plant and motor vehicle sales in accordance with Council's fleet renewal policy of \$360K.

6.2.7 Council cash – reserve cash and investments (\$0.10 million)

Council holds amounts received as contributions from developers in separate reserves until funds are spent in accordance with the relevant restricted purpose. Wallara Waters Community Centre design (\$100K) is funded from one such reserve.



7. Analysis of budgeted financial position

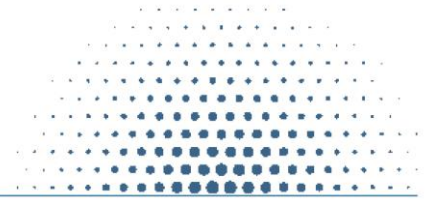
This section analyses the movements in assets, liabilities and equity between 2015/16 and 2016/17. It also considers a number of key performance indicators.

7.1 Budgeted balance sheet

	Ref	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Current assets	7.1.1			
Cash and cash equivalents		14,016	12,707	(1,309)
Trade and other receivables		6,014	6,014	0
Financial assets		-	-	-
Other assets		352	352	-
Total current assets		20,382	19,073	(1,309)
Non-current assets	7.1.1			
Trade and other receivables		23	23	-
Investments in joint ventures		5	5	-
Property, infrastructure, plant and equipment		449,826	469,135	19,309
Total non-current assets		449,854	469,163	19,309
Total assets		470,236	488,236	18,000
Current liabilities	7.1.2			
Trade and other payables		3,633	3,647	(14)
Trust funds and other deposits		2,209	2,209	-
Provisions		5,536	5,736	(200)
Interest-bearing loans and borrowings		1,698	1,908	(210)
Total current liabilities		13,076	13,500	(424)
Non-current liabilities	7.1.2			
Provisions		5,159	2,959	2,200
Interest-bearing loans and borrowings		11,794	17,296	(5,502)
Total non-current liabilities		16,953	20,255	(3,302)
Total liabilities		30,029	33,755	(3,726)
Net assets		440,207	454,481	14,274
Equity	7.1.4			
Accumulated surplus		212,273	227,028	14,755
Reserves		227,934	227,453	(481)
Total equity		440,207	454,481	14,274

7.1.1 Current Assets (\$1.31 million decrease) and Non-Current Assets (\$20.15 million increase)

Cash and cash equivalents include cash and investments such as cash held in the bank, as petty cash and the value of investments in deposits or other highly liquid investments with short term maturities of three months or less. These balances are projected to decrease by \$1.31M during the year. Note, although the cash balance shows a decrease of \$1.31M, it is actually an improved position of \$2.79M



as the forecast cash balance for 30 June 2016 of \$14.02M includes \$4.10M in cash held to complete the 2015/16 works program to be carried forward into 2016/17.

Trade and other receivables are monies owed to Council by ratepayers and others. Council will continue efforts to reduce debtor balances during 2016/17, which when collected improve Council's cash position.

Property, infrastructure, plant and equipment is the largest component of Council's worth and represents the value of all the land, buildings, roads, vehicles, equipment, etc. which has been built up by Council over many years. The increase of \$19.31M is attributable to the net result of projected non cash developer contributions (\$10M), the completion of the 2016/17 capital works program (\$25.18M) the decrease in provision for landfill rehabilitation (\$2M), depreciation of assets (\$13.5M) and sale of property, plant and equipment (\$360K).

7.1.2 Current Liabilities (\$0.42 million increase) and Non-Current Liabilities (\$3.30 million increase)

Trade and other payables are those to whom Council owes money as at 30 June. These liabilities are budgeted to remain consistent with 2015/16 levels.

Provisions include accrued long service leave, annual leave and rostered days off owing to employees. These employee entitlements have been held constant due to the proposed restructure in 2016/17 which will hold employee costs at today's levels and an active management of entitlements despite factoring in an increase for Collective Agreement outcomes.

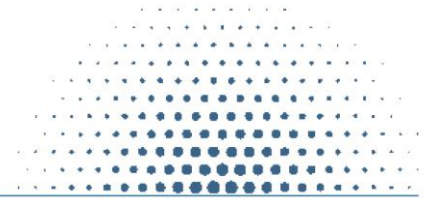
Provision for landfill rehabilitation accounts for assessments of the rehabilitation required over the next 10 years. Capital expenditure for rehabilitation (\$2M) is used to reduce the provision.

Interest-bearing loans and borrowings are borrowings of Council. Council is budgeting to undertake new borrowings of \$7.41M and repay loan principal of \$1.70M over the year.

7.1.3 Working Capital (\$1.73 million decrease)

Working capital is the difference between current assets and current liabilities.

Working capital is forecast to be positive in 2016/17 at \$5.57M. This means that current assets are projected to be more than current liabilities by \$5.57M. Although there is a projected decrease in working capital from 30 June 2016 to 30 June 2017, it should be noted that the cash balance at the end of 2015/16 includes \$4.1M cash to complete the capital works projects carried forward into 2016/17. Adjusting opening balances for this, there is actually a projected improvement to working capital of \$2.4M during 2016/17.



The table below shows further restrictions on the use of Council's cash assets.

	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Current assets	20,382	19,073	(1,309)
Current liabilities	13,076	13,500	(424)
Working capital	7,306	5,573	(1,733)
Restricted cash and investment current assets			
- Statutory reserves	(3,964)	(4,344)	(380)
- Cash used to fund carry forward capital works	(4,103)	-	4,103
Unrestricted working capital	(761)	1,229	1,990

Council is still addressing the shortfall in unrestricted funds due to past decisions, the main reason for the current position is:

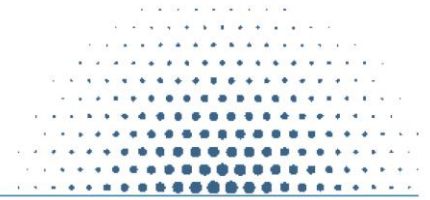
- Payment of unfunded defined benefits superannuation in full from cash balances of \$2.6M (April 2013);
- Council was unable to recover funding from the state government to compensate for the \$1.66M of expenditure incurred in relation to the 2009 Bushfire Recovery; and
- In the past, borrowings have been linked to funding the capital works program and then not drawn down to the level budgeted when the works were undertaken.

The \$6.8M combined effect of the three points above have eroded Council's cash balances over time, leaving it with poor working capital levels to carry out its day to day operations.

In effect Council is currently using restricted cash balances to fund day to day operations. It is important to rebuild unrestricted cash balances to levels that allow Council to run its operations without using cash restricted for other purposes. If Council needs to draw on statutory reserves in the short term it will need to be funded from further borrowings until such time that council has rebuilt cash and cash equivalents to an appropriate level. The 2016/17 budget shows an improvement of \$2.0M to unrestricted working capital.

Council must maintain a minimum of around \$10M in cash and investments to meet the day to day requirements of Council business. This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e. Developer Contribution Funds, trust money and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.

In addition to the restrictions above council also holds notional discretionary reserves in the financial statements. These reserves are not cash backed at this time and council through its long term planning will rebuild cash levels over time.



7.1.4 Equity (\$14.27 million increase)

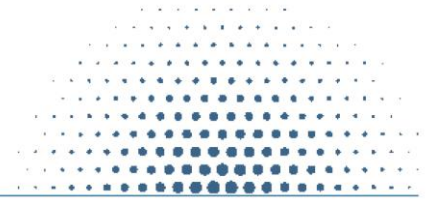
Total equity equals net assets and is made up of the following components:

- Asset revaluation reserve which represents the difference between the previously recorded value of assets and their current valuations.
- Other reserves that are funds that Council wishes to separately identify as being set aside to meet a specific purpose in the future and to which there is no existing liability. These amounts are transferred from the Accumulated Surplus of the Council to be separately disclosed.
- Accumulated surplus which is the value of all net assets less Reserves that have accumulated over time. The increase in accumulated surplus of \$ 14.76M results directly from the surplus for the year (\$ 14.28M) plus the net amount transferred from reserves (\$480K).
- During the year a net amount of \$380K is budgeted to be transferred to statutory reserves from accumulated surplus. This reflects the developer contributions that are forecast to be received and not spent in 2015 (\$480K) less contributions used to part fund the Wallara Waters Maternal Child Health / Kindergarten Centre (\$100K).
- The anticipated net transfer from non-statutory reserves is \$860K representing the net movement in the waste reserve.

7.2 Key assumptions

In preparing the Budgeted Balance Sheet for the year ending 30 June 2017, it was necessary to make a number of assumptions about assets, liabilities and equity balances. The key assumptions are as follows:

- The capital works program for 2016/17 will be \$25.18M.
- Borrowings of \$7.41M will be undertaken to fund the capital works program.
- Debtors and creditors to remain consistent with 2015/16 levels
- Employee entitlements to be remain consistent with 2015/16 levels
- Repayment of loan principal to be \$1.70M



8. Strategic resource plan and financial performance indicators

This section includes an extract of the Strategic Resource Plan to provide information on the long term financial projections of the Council.

8.1 Plan development

Council has prepared a Strategic Resource Plan (SRP) for the four years 2016-17 to 2019-20. The SRP takes the strategic objectives and strategies as specified in the Council Plan and expresses them in financial terms for the next four years. In preparing the SRP, Council has also been mindful of the need to comply with the following principles of sound financial management as contained in the Act:

- prudently manage financial risks relating to debt, assets and liabilities
- provide reasonable stability in the level of rate burden
- consider the financial effects of Council decisions on future generations
- provide full, accurate and timely disclosure of financial information

The four years represented in this SRP have been developed taking into consideration a longer period. Council maintain and revise each year a financial model inclusive of 10 years. This longer term modelling has been developed assuming a continual 2.5% rate cap.

Through the review and redevelopment of this plan, Council has remained focused on addressing legacy financial challenges including, low cash levels, underlying operating deficits, renewing existing assets, addressing the need for capital upgrades and expansions, as well as servicing an existing community whilst addressing the needs of a growing community.

This plan is prepared with the best known information to affect Mitchell Shire Council at this time. An important part of the plan are the assumptions used to inform the financial modelling. Council's previous SRP had indicated future rate increases in the order of 4.5%. Council has committed to meeting an assumed 2.5% rate cap. In order to continue to meet service and infrastructure needs Council will maintain an underlying deficit until 2023/24. Councils' financial sustainability will be achieved over the longer term.

Mitchell Shire Council continues to have a number of key challenges. Our Shire comprises both rural and urban areas with continued strong growth, particularly in the South which brings a requirement to plan appropriately, build new infrastructure for our new communities as well as to then provide appropriate services to these communities. Other challenges include supporting general development across the shire which often requires a substantial financial or in-kind contribution, addressing pockets of socio economic disadvantage, providing support to communities that are prone to natural disasters and offsetting the continued reduction in grants commission funding.

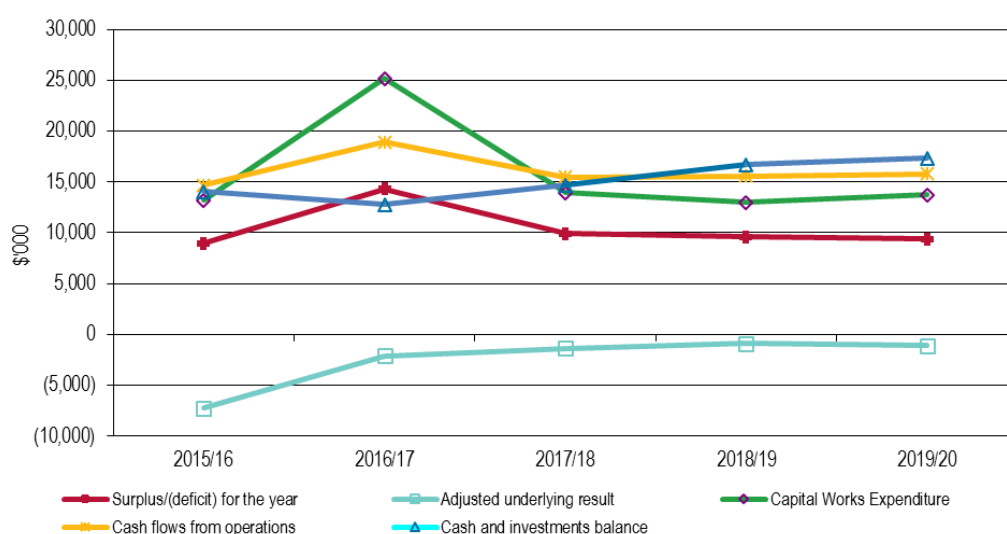


8.2 Financial resources

The following table summarises the key financial results for the next four years as set out in the SRP. Appendix A includes a more detailed analysis of the financial resources to be used over the four year period.

Indicator	Actual	Forecast	Budget	Strategic Resource Plan			Trend
	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	
Surplus/(deficit) for the year	15,324	8,935	14,275	9,935	9,613	9,386	+
Adjusted underlying result	985	(7,247)	(2,117)	(1,360)	(867)	(1,094)	+
Cash and investments balance	13,884	14,016	12,707	14,637	16,628	17,283	+
Cash flows from operations	16,718	14,660	18,876	15,471	15,569	15,803	+
Capital works expenditure	10,922	13,194	25,182	13,935	12,960	13,720	+

The following graph shows the general financial indicators over the four year period.

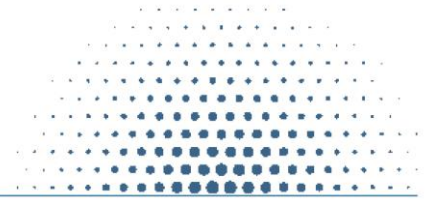


The financial indicators above show a decrease in the annual surplus in the later three years following the 2016/17 budget year. The higher than average surplus in 2016/17 is due to an increase in confirmed capital grants and contributions of \$5.91M, in the later years only recurrent roads to recovery grant of \$823K per annum is included (plus additional non-recurrent roads to recovery funding of \$815K in 2017/18). A detailed listing of the grant funded projects are included in section 6.2.

When reviewing the variance in actuals 2014/15 to forecast in 2015/16, the prepayment of the Victorian Grants Commission grant must be taken into account. \$3.2M of 2015/16 funding was paid at the end of 2014/15. Adjusting for this payment brings more consistency to the indicators.

The adjusted underlying result removes non-recurrent capital grants, non-monetary asset contributions and capital contributions from other sources from the operating surplus / (deficit) result and indicates a slight improvement over the term of the SRP. Council plan for this deficit to reduce to nil over the longer term and have factored in operating efficiencies to ensure this will be achieved.

Cash and investments are moving in a positive direction to meet the objective of improving current unsatisfactory cash levels and improving liquidity. Council must maintain a minimum of around \$10M in cash and investments to meet the day to day requirements of Council business. This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e. Developer Contribution Funds, trust money and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.



Council will continue to advocate strongly for additional external funding to increase council's ability to increase capital funding.

The key outcomes of the SRP are as follows:

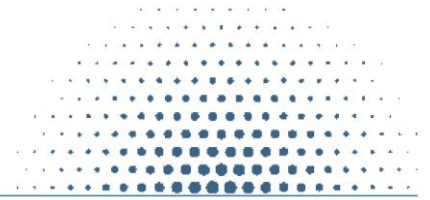
- **Financial sustainability (section 5)** - Cash and investments is forecast to increase steadily over the four year period from \$14.02M to \$17.33M, which indicates a balanced budget on a cash basis in each year.
- **Rating levels (section 9)** – Rate increases of 2.5% for 2016/17 and the next 3 years will require further significant cost reductions. In addition to the \$2.6M incorporated into the 2016/17 budget. The SRP assumes a further \$2M in 2017/18 plus \$750K each year in 2018/19 and 2019/20 to enable Council to improve its cash position and reduce underlying deficits while allocating as much as possible to provide for renewal of infrastructure assets as well as some new infrastructure to a growing community.
- **Borrowing strategy (section 10)** – Borrowings are forecast to increase from \$13.49M to \$19.58M over the four year period. This includes new borrowings of \$7.41M in 2016/17, \$3.01M in 2017/18, \$2.20M in 2018/19 and \$1.65M in 2019/20. Borrowings are for long term investments relating to strategic land purchases in the south of the shire, Seymour Flood levee projects and Council's contribution towards infrastructure required under developer contribution plans.
- **Infrastructure strategy (section 10)** - Capital expenditure over the four year period will total \$56.69M at an average of \$14.17M (excluding projects carried forward from 2015/16 into 2016/17).



8.3 Financial performance indicators

The following table highlights Council's current and projected performance across a range of key financial performance indicators. These indicators provide a useful analysis of Council's financial position and performance and should be used in the context of the organisation's objectives.

Indicator	Measure	Notes	Strategic Resource Plan						Trend +/-
			Actual 2014/15	Forecast 2015/16	Budget 2016/17	Projections			
Operating position									
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	1.8%	-14.4%	-3.8%	-2.3%	-1.4%	-1.8%	+
Liquidity									
Working Capital	Current assets / current liabilities	2	155.1%	155.9%	141.7%	153.1%	194.7%	184.2%	+
Unrestricted cash	Unrestricted cash / current liabilities		35.7%	15.6%	9.3%	31.6%	59.9%	57.5%	+
Obligations									
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	44.4%	37.1%	51.1%	50.8%	49.4%	46.2%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		6.9%	6.2%	7.4%	7.8%	8.1%	8.4%	-
Indebtedness	Non-current liabilities / own source revenue		50.3%	39.5%	45.2%	40.0%	38.4%	34.9%	+
Asset renewal	Asset renewal expenditure / depreciation	4	52.8%	63.8%	53.0%	61.2%	61.2%	35.7%	-
Stability									
Rates concentration	Rate revenue / adjusted underlying revenue	5	60.1%	72.3%	67.8%	68.6%	68.7%	68.7%	o
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.50%	0.53%	0.54%	0.57%	0.58%	0.59%	-
Efficiency									
Expenditure level	Total expenditure / no. of property assessments		\$2,988	\$3,061	\$3,032	\$3,111	\$3,146	\$3,223	-
Revenue level	Residential rate revenue / No. of residential property assessments		\$1,698	\$2,184	\$2,239	\$2,356	\$2,404	\$2,452	-
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year		19.6%	17.6%					o



Key to Forecast Trend:

- + Forecast improvement in Council's financial performance/financial position indicator
- o Forecasts that Council's financial performance/financial position indicator will be steady
- Forecast deterioration in Council's financial performance/financial position indicator

The Victorian Auditor General's Office assess each Council annually in terms of sustainability. Council is expected to be assessed as a low risk council in 2015/16 and 2016/17 (mainly due to the relatively high level of state and federal funding towards the capital works program) and will be expected to then decline to a medium risk due to a low amount of funding available for capital replacement, with only minimal confirmed grant funding.

Notes to indicators

1 Adjusted underlying result – An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. The declining trend follows a surplus in 2014/15 where an early payment was received by the Victorian Grants Commission of \$3.2M. This prepayment also impacts the 205/16 year forecast through overstating the deficit. Removing this payment would show a slight improvement in trend. On our current long term planning assumptions it is believed that the underlying result will peak at 0.1% in 2023/24.

2 Working Capital – With a focus on building cash and investments Council's working capital will improve over the coming years. Current assets will sufficiently cover Council operations and current liabilities.

3 Debt compared to rates – Council's current plan includes future borrowings for developer contribution capital expenditure in the growth areas including Wallan, Beveridge and Lockyerbie as well as Land Acquisition in the South and funds for the Seymour Flood Levee. These additional borrowings cause a slight increase in loans and borrowings in 2016/17 compared to rate revenue however declines throughout the SRP.

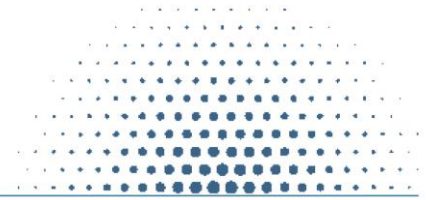
It is expected that Council's indebtedness ratio will peak in the 2016/17 year at 45.9% and then decline over the longer term. This ratio will be dependent upon Council's capital works requirements and will be refined each year as the growth is realised and further borrowings are identified.

4 Asset renewal - This percentage indicates the extent of Council's renewals against its depreciation charge (an indication of the decline in value of its existing capital assets). A percentage greater than 100 indicates Council is maintaining its existing assets, while a percentage less than 100 means its assets are deteriorating faster than they are being renewed and future capital expenditure will be required to renew assets.

Council's expenditure on asset renewal will increase gradually over the SRP, a project to divert \$4M over the 2016/17 and 2017/18 years from operating costs into capital has allowed further funding for the renewal of assets.

Mitchell Shire is unique in that the location offers urban, peri-urban and rural landscapes. Being a council balancing the needs of growth, interface and rural adds pressure for new and renew as Council strives to balance the individual town needs.

The level of asset renewal achievable within the plan is detrimental to the asset base within the Shire. Strategies are being developed and services reviewed to enable increased funds being directed to the renewal of assets in addition to retiring assets no longer required.



5 Rates concentration - Reflects extent of reliance on rate revenues to fund all of Council's on-going services. Trend indicates Council will become more reliant on rate revenue compared to all other revenue sources. This increase in trend is due to an anticipated reduction in Grants and Contributions being received from other levels of Government. During 2016/17 the Financial Assistance Grants will not increase in line with CPI for the second consecutive year. There is a direct correlation between the loss of funding and the decline in asset renewal funding.

8.4 Non-financial resources

Council recognises that our staff are a valuable asset and critical to the delivery of quality services and facilities to our community.

A summary of Council's anticipated human resources requirements for the 2016/17 year and beyond is shown below:

Indicator	Actual 2014/15	Forecast 2015/16	Budget 2016/17	Strategic Resource Plan Projections		
				2017/18	2018/19	2019/20
Employee costs (\$'000)						
- Operating	22,674	22,860	22,820	24,419	25,456	26,919
- Capital	462	327	459	477	496	516
Total	23,136	23,187	23,279	24,896	25,952	27,435
Employee numbers (FTE)	281	266	261	270	272	279

Capital works employee costs are lower than usual in the 2015/16 forecast due to vacancies in the roads maintenance crew in the operating budget being backfilled by the capital works team.

Forecast dollars and EFT for 2015/16 is based on actual hours paid, they include a reduction for periods of staff vacancies. For some roles, vacancies are backfilled with labour hire (agency staff or contractors) to meet service requirements. In the Quarter 2 forecast, the estimated annual cost of labour hire for 2015/16 is \$317K.

A restructure commencing in late 2015/16, to be completed within early 2016/17, has been incorporated in the budgets and FTE numbers.

It is not envisaged that staffing numbers will alter greatly following the 2016/17 year. However, future decreases may result as a direct impact of service reductions or cessation with future service reviews to be undertaken to ensure Council are able to work within the rate capping framework. Increases will rely on community growth and need. Mitchell Shire Council is committed to being a high performing organisation, with continuous improvement activities across the organisation.

Just over two thirds of our staff live within the Mitchell Shire. Coupled with their experience in the job, a large number of our staff offer a unique quality, bringing local perspective and knowledge. These qualities strengthen the services we provide to our community.

Council is one the largest employers in the Shire (Puckapunyal Army Base being the largest), an onus Council takes seriously.

An Employee Opinion Survey was undertaken during March 2015. This survey in addition to a further recent review will guide Council in developing strategies to ensure staff are engaged, motivated and efficient. The aim being to continually improve organisational performance.

9. Rating information



This section contains information on Council's past and foreshadowed rating levels along with Council's rating structure. This section should be read in conjunction with Appendix B and Council's rating strategy.

9.1 Rating context

In developing the Strategic Resource Plan (referred to in Section 8.), rates and charges were identified as an important source of revenue, accounting for 52% (68% of underlying revenue, which is total revenue excluding non-monetary contributions, cash contributions and non-recurrent capital grants). Rates will continue to be an important source of revenue for Council.

9.2 Rating structure

Council has adopted a formal Rating Strategy that contains expanded information on Council's rating structure and the reasons behind its choices in applying the rating mechanisms it has used. An extract of the rating strategy has been included here, please refer to the full strategy for further information.

Differential Rating - Section 161 Local Government Act:

Council will raise general rates by the application of differential rates because it considers that the differential rates will contribute to the equitable and efficient distribution of rate burden.

Objectives of Differential Rating

Council has a diverse mix of land with respect to geographical locations and land uses. The establishment of differential categories ensures greater equity and appropriate contribution from rates according to land use characteristics in relation to affordability and taxation principles. The general objectives of each of the differential rates is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including:

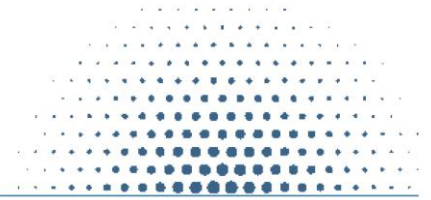
- advocating and promoting proposals which are in the best interests of the local community;
- planning for and providing services and facilities for the local community;
- providing and maintaining community infrastructure in the municipal district;
- undertaking strategic and land use planning for the municipal district;
- raising revenue to enable Council to perform its functions;
- making and enforcing local laws;
- exercising, performing and discharging the duties, functions and powers of Council under the Local Government Act 1989 and other Acts; and
- any other function relating to the peace, order and good government of the municipal district.

Each differential rate may also have specific objectives.

Council has determined that the rating objectives described are best supported by the declaration of the proposed differential rates having regard to the tax design principles of equity, simplicity, efficiency, sustainability, cross border competitiveness and competitive neutrality.

It is proposed that the following ratios be applied to each differential rate category:

Differential Category	Ratio
General Land	1.0



Vacant Land	2.0
Vacant Commercial or Industrial Land *	2.1
Rural Agricultural Land (40ha-100ha)	0.9
Rural Agricultural Land (greater than 100ha)	0.8
Subdivisional Land	2.0

* Note, as outlined in Council's Rating strategy the differential ratio for Vacant Commercial or Industrial land will increase by 0.1 per annum from 2016/17 until the differential ratio for the category reaches a cap of 2.5.

Service Rate and Charges - Section 162 of the Local Government Act:

Council will levy a service charge for, among other things, the collection and disposal of refuse. In determining the amount of the service charge to be levied, Council will have regard to the budgeted cost of providing the relevant service and any strategic objectives relating to the service.

Special Rates and Charges - Section 163 of Local Government Act:

Council may levy special rates or charges for the funding of defined projects where special benefit will accrue to the persons required to pay the special rates or charges.

Municipal Charge - Section 159 of the Local Government Act:

Council will levy a municipal charge to ensure that some of its fixed administrative costs are recovered as a uniform contribution by all of its ratepayers, subject to any exemption granted pursuant to section 159(3) of the Local Government Act 1989. Council proposes that the amount of the municipal charge be calculated at approximately 17%, which is less than the maximum allowable limit of 20% of the sum total of the general rate and municipal charge revenue, divided by the number of applicable charges.

Basis of Rating - Section 157 of the Local Government Act:

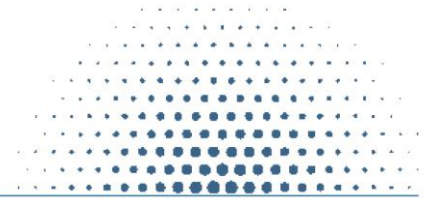
The Council will use the capital improved value system of valuation as the basis of calculating general rates.

Interest on Overdue Rates - Section 172 of the Local Government Act:

Council will charge interest on overdue rates at the rate prescribed pursuant to the Penalty Interest Rates Act 1983 and applied on the first day of July immediately before the due date for the payment.

Recovery of Overdue Rates - Section 180 of Local Government Act:

Recovery of overdue rates shall be in accordance with the Debt Recovery Policy.



Methods of Rate Payment

Rate payment methods to be offered shall be by Bpay, Phone, Internet, Post Office, Mail, Customer Service Centres and Direct Debit.

The following table summarises the rates to be determined for the 2016/17 year. A more detailed analysis of the rates to be raised is contained in Appendix B 'Statutory Disclosures'.

Rate type	How applied	2015/16	2016/17	Change
General Land	Cents/\$CIV	0.3782	0.3701	-2.14%
Vacant Land	Cents/\$ CIV	0.7564	0.7402	-2.14%
Vacant Commercial or Industrial Land (NEW)	Cents/\$ CIV	0.7564	0.7772	2.75%
Rural Agricultural Land (40ha-100ha)	Cents/\$ CIV	0.3404	0.3331	-2.14%
Rural Agricultural Land (greater than 100ha)	Cents/\$ CIV	0.3026	0.2961	-2.14%
Subdivisional Land	Cents/\$ CIV	0.7564	0.7402	-2.14%
Municipal charge	\$/ property	299.00	302.70	1.24%
Garbage Charge (full service)	\$/ property	305.00	305.00	0.00%
Garbage Charge (extra service)	\$/ property	195.00	195.00	0.00%
Recycling Charge (extra service)	\$/ property	110.00	110.00	0.00%

Please note that the table above reflects an average rate rise of 2.5%, however in a general revaluation year the rate in the dollar is also effected by the Shire wide property value increase of 4.8%.

Previous year rate increases:

Historically Council's rate increases have included the following:

Year	Rate increase %	Year	Rate increase %
2001/02	4.20	2009/10	4.95
2002/03	2.55	2010/11	7.85
2003/04	2.90	2011/12	9.00
2004/05	4.50	2012/13	7.00
2005/06	3.50	2013/14	11.00
2006/07	13.75	2014/15	8.50
2007/08	7.50	2015/16	6.90
2008/09	6.00	2016/17	2.50



10. Other strategies

This section sets out summaries of the strategies that have been developed and incorporated into the Strategic Resource Plan including borrowings and infrastructure.

10.1 Borrowings

In developing this year's revised Strategic Resource Plan (SRP) (see Section 8), it was noted that borrowings will, in the future, be an important means of expanding Council's infrastructure base in the south of the Shire as the growing population requires more community facilities. This infrastructure is likely to be required prior to a time when the increased rate base of that growing population can provide a funding source. Therefore in order to have the borrowing capacity for this purpose, borrowings should only be considered appropriate when linked to specific infrastructure projects.

Borrowings will be used to fund capital projects of a magnitude that could not otherwise be funded from ongoing income sources and that provide benefit across generations. Council borrowings will be set at a financially sustainable level and within agreed limits.

The Strategic Resource Plan includes planned borrowings for the Seymour Flood Levee, strategic land purchase in the south of the Shire as well as capital expenditure associated with growth and developer contributions.

This year's revised SRP takes into account the need for future expansion required in the medium to long term, however it undertakes to provide for renewal of infrastructure from cash generated from operations. The SRP also seeks to replenish Council's cash balances to provide for sufficient working capital and also provide funds for future capital works.

Council needs to ensure that when population growth requires additional infrastructure in the south it is able to provide those community assets and not already be at a maximum level of borrowings.

In the past, borrowings have been linked to funding the capital works program and then not drawn down to the level budgeted when the works were undertaken. This has eroded Council's cash balances over time, leaving it with poor working capital levels to carry out its day to day operations.

In the budget for 2016/17 borrowings of \$7.41M has been included to allow the strategic purchase of land in the south (\$5M, carried forward from 2015/16), Council's contribution towards stage 2 and 3 of the Seymour Flood Levee project (\$910K) and Council's contribution towards Mandalay Community Centre, stage 1 (\$1.5M). These borrowings will only be drawn down when such projects go ahead.

The table below shows the borrowings identified in the current SRP:

Year	New Borrowings \$'000	Principal Paid \$'000	Interest Paid \$'000	Balance 30 June \$'000
2015/16	-	1,455	810	13,492
2016/17	7,410	1,698	1,075	19,204
2017/18	3,000	1,908	1,198	20,296
2018/19	2,200	2,144	1,174	20,352
2019/20	1,646	2,414	1,160	19,584



The table below shows information on borrowings specifically required by the Regulations.

	2015/16 \$	2016/17 \$
Total amount borrowed as at 30 June of the prior year	14,947,000	13,492,198
Total amount proposed to be borrowed	-	7,410,000
Total amount projected to be redeemed	(1,454,802)	(1,698,286)
Total amount of borrowings as at 30 June	13,492,198	19,203,912

10.2 Infrastructure

Council has developed an Asset Management Framework that includes an Asset Management Policy, Asset Management Strategy and various Asset Management Plans for its infrastructure. This framework sets out Council's capital expenditure requirements for the next 10 years by class of asset and is a key input to the long term financial plan. It predicts infrastructure consumption; renewal needs and considers infrastructure needs to meet future community service expectations.

The framework has been developed through a rigorous process of evaluation as follows:

- Long term capital works planning process which integrates with the Council Plan, Strategic Resource Plan and Annual Budget processes.
- Identification of capital projects through the preparation of asset management plans.
- Prioritisation of capital projects within classes on the basis of evaluation criteria.
- Methodology for allocating annual funding to classes of capital projects.

A key objective of the Asset Management Plan is to maintain or renew Council's existing assets at desired condition levels. If sufficient funds are not allocated to asset renewal then Council's investment in those assets will reduce, along with the capacity to deliver services to the community.

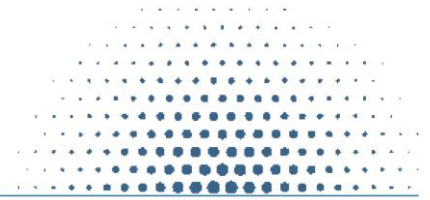
At present, Council is similar to a number of municipalities in that it is unable to fully fund asset renewal requirements identified in the Asset Management Plans.

The SRP continues a focus on renewal of Council's assets over the creation and /or purchase of new assets. It endeavours to close the gap between annual renewal requirements and the renewal program delivered. However, it will take time to return Council to a position where it can fully meet all its asset renewal requirements.

The table below shows the proposed capital program over the period of the SRP and respective funding sources.

Year	Total Capital Program \$(000)	Grants \$(000)	Summary of funding sources		
			Contributions \$(000)	Council Cash \$(000)	Borrowings \$(000)
2015/16	13,194	8,994	71	4,129	-
2016/17	25,182	3,835	2,900	11,037	7,410
2017/18	13,935	1,638	-	9,297	3,000
2018/19	12,960	823	-	9,937	2,200
2019/20	13,720	823	-	11,251	1,646

Only confirmed capital grants are included in the SRP. From 2017/18 only Roads to Recovery recurrent funding of \$823K per annum (plus \$815K non-recurrent roads to recovery funding in



2017/18) has been included. Grant funding from other levels of government are key to the ability of Council to fund new infrastructure for its growing community. Being the one of the fastest growing municipalities in the state, Council will continue its strong advocacy campaigning to seek further funding from other levels of government to meet the strategic objectives of Council and the needs of the Community. The high level of grant funding in the current year's budget can be attributed to our success so far in presenting the needs of the Mitchell Shire community to State and Federal government.

The net capital works spending is calculated based on the funds that can be provided from operations, plus any grant funding. Council's cash balances are insufficient in the short to medium term to add to these further, leaving borrowings and external funding as the only remaining option (refer to section 10.1).



Appendices

The following appendices include voluntary and statutory disclosures of information which provide support for the analysis contained in sections 1 to 10 of this report.

This information has not been included in the main body of the budget report in the interests of clarity and conciseness. Council has decided that while the budget report needs to focus on the important elements of the budget and provide appropriate analysis, the detail upon which the annual budget is based should be provided in the interests of open and transparent local government.

The contents of the appendices are summarised below:

Appendix	Nature of information	Page
A	Budgeted statements	69
B	Rates and charges	76
C	Capital works program	88
D	Fees and charges schedule	93



Appendix A

Budgeted Statements

This appendix presents information in regard to the Budgeted Financial Statements and Statement of Human Resources. The budget information for the years 2016/17 to 2019/20 has been extracted from the Strategic Resource Plan.

At the end of each financial year Council is required to include in the Financial Statements in its Annual Report a comparison of actual income and expenditure compared with the income and expenditure in the financial statements in the Budget,

The appendix includes the following budgeted information:

- Budgeted Comprehensive Income Statement
- Budgeted Balance Sheet
- Budgeted Statement of Changes in Equity
- Budgeted Statement of Cash Flows
- Budgeted Statement of Capital Works
- Budgeted Statement of Human Resources



Budgeted Comprehensive Income Statement

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Income					
Rates and charges	36,378	37,596	39,944	41,157	42,399
Statutory fees and fines	464	488	497	507	518
User fees	5,367	6,019	6,125	6,311	6,505
Grants - Operating	6,601	9,795	10,102	10,373	10,707
Grants - Capital	8,994	3,835	1,638	823	823
Contributions - monetary	511	3,380	480	480	480
Contributions - non-monetary	7,500	10,000	10,000	10,000	10,000
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	12.00	-	-	-	-
Fair value adjustments for investment property	-	-	-	-	-
Share of net profits/(losses) of associates and joint ventures	-	-	-	-	-
Other income	690	716	722	738	755
Total income	66,517	71,829	69,508	70,389	72,187
Expenses					
Employee costs	22,860	22,820	24,419	25,456	26,919
Materials and services	19,500	18,491	20,015	20,582	21,542
Bad and doubtful debts	42	24	24	24	24
Depreciation and amortisation	12,452	13,514	14,324	14,767	15,243
Borrowing costs	810	1,075	1,198	1,174	1,160
Other expenses	1,918	1,630	1,649	1,679	1,715
Net cost reduction target *	-	-	(2,056)	(2,906)	(3,802)
Total expenses	57,582	57,554	59,573	60,776	62,801
Surplus/(deficit) for the year	8,935	14,275	9,935	9,613	9,386
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods:					
Net asset revaluation increment /(decrement)	-	-	-	-	-
Share of other comprehensive income of	-	-	-	-	-
Items that may be reclassified to surplus or deficit in future periods	-	-	-	-	-
(detail as appropriate)					
Total comprehensive result	8,935	14,275	9,935	9,613	9,386

* This represents the cumulative effect of \$2M in 2017/18, \$750K in 2018/19, \$750K in 2019/20 adjusted for inflation.



Budgeted Balance Sheet

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Assets					
Current assets					
Cash and cash equivalents	14,016	12,707	14,637	16,628	17,283
Trade and other receivables	6,014	6,014	6,014	6,014	6,014
Other financial assets	-	-	-	-	-
Inventories	130	130	130	130	130
Non-current assets classified as held for sale	-	-	-	-	-
Other assets	222	222	222	222	222
Total current assets	20,382	19,073	21,003	22,994	23,649
Non-current assets					
Trade and other receivables	23	23	23	23	23
Investments in associates and joint ventures	5	5	5	5	5
Property, infrastructure, plant & equipment	449,826	469,135	476,046	481,539	490,110
Investment property	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total non-current assets	449,854	469,163	476,074	481,567	490,138
Total assets	470,236	488,236	497,077	504,561	513,787
Liabilities					
Current liabilities					
Trade and other payables	3,633	3,647	3,660	3,674	3,689
Trust funds and deposits	2,209	2,209	2,209	2,209	2,209
Provisions	5,536	5,736	5,736	3,536	4,351
Interest-bearing loans and borrowings	1,698	1,908	2,144	2,414	2,619
Total current liabilities	13,076	13,500	13,749	11,833	12,868
Non-current liabilities					
Provisions	5,159	2,959	759	759	539
Interest-bearing loans and borrowings	11,794	17,296	18,152	17,938	16,965
Total non-current liabilities	16,953	20,255	18,911	18,697	17,504
Total liabilities	30,029	33,755	32,660	30,530	30,372
Net assets	440,207	454,481	464,417	474,031	483,415
Equity					
Accumulated surplus	212,273	227,028	238,123	248,481	257,532
Reserves	227,934	227,453	226,294	225,550	225,883
Total equity	440,207	454,481	464,417	474,031	483,415



Budgeted Statement of Changes in Equity

For the four years ending 30 June 2020

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2017				
Balance at beginning of the financial year	440,207	212,273	215,957	11,977
Surplus/(deficit) for the year	14,275	14,275	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,621)	-	1,621
Transfer from other reserves	-	2,100	-	(2,100)
Balance at end of the financial year	454,482	227,027	215,957	11,498
2018				
Balance at beginning of the financial year	454,480	227,027	215,957	11,496
Surplus/(deficit) for the year	9,935	9,935	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,540)	-	1,540
Transfer from other reserves	-	2,701	-	(2,701)
Balance at end of the financial year	464,415	238,123	215,957	10,335
2019				
Balance at beginning of the financial year	464,415	238,123	215,957	10,335
Surplus/(deficit) for the year	9,613	9,613	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,456)	-	1,456
Transfer from other reserves	-	2,201	-	(2,201)
Balance at end of the financial year	474,028	248,481	215,957	9,590
2020				
Balance at beginning of the financial year	474,028	248,481	215,957	9,590
Surplus/(deficit) for the year	9,386	9,386	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,370)	-	1,370
Transfer from other reserves	-	1,035	-	(1,035)
Balance at end of the financial year	483,414	257,532	215,957	9,925



Budgeted Statement of Cash Flows

For the four years ending 30 June 2020

	Strategic Resource Plan				
	Forecast	Budget	Projections		
	2015/16 \$'000 Inflows (Outflows)	2016/17 \$'000 Inflows (Outflows)	2017/18 \$'000 Inflows (Outflows)	2018/19 \$'000 Inflows (Outflows)	2019/20 \$'000 Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	36,378	37,596	39,944	41,157	42,399
Statutory fees and fines	464	488	497	507	518
User fees	5,367	6,019	6,125	6,311	6,505
Grants - operating	6,601	9,795	10,102	10,373	10,707
Grants - capital	9,921	3,835	1,638	823	823
Contributions - monetary	511	3,380	480	480	480
Interest received	400	515	571	630	671
Dividends received	-	-	-	-	-
Trust funds and deposits taken	-	-	-	-	-
Other receipts	290	201	151	108	84
Net GST refund / payment	-	-	-	-	-
Employee costs	(22,847)	(22,807)	(24,405)	(25,441)	(26,905)
Materials and services	(19,500)	(18,491)	(20,015)	(20,582)	(21,542)
Service Reduction savings	-	-	2,056	2,906	3,802
Trust funds and deposits repaid	(965)	-	-	-	-
Other payments	(1,960)	(1,655)	(1,673)	(1,703)	(1,739)
Net cash provided by/(used in) operating activities	14,660	18,876	15,471	15,569	15,803
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(13,194)	(25,182)	(13,935)	(12,960)	(13,720)
Proceeds from sale of property, infrastructure, plant and equipment	931	360	500	500	500
Payments for investments	-	-	-	-	-
Proceeds from sale of investments	-	-	-	-	-
Loan and advances made	-	-	-	-	-
Payments of loans and advances	-	-	-	-	-
Net cash provided by/ (used in) investing activities	(12,263)	(24,822)	(13,435)	(12,460)	(13,220)
Cash flows from financing activities					
Finance costs	(810)	(1,075)	(1,198)	(1,174)	(1,160)
Proceeds from borrowings	0	7,410	3,000	2,200	1,646
Repayment of borrowings	(1,455)	(1,698)	(1,908)	(2,144)	(2,414)
Net cash provided by/(used in) financing activities	(2,265)	4,637	(106)	(1,118)	(1,928)
Net increase/(decrease) in cash & cash equivalents	132	(1,309)	1,930	1,991	655
Cash and cash equivalents at the beginning of the financial year	13,884	14,016	12,707	14,637	16,628
Cash and cash equivalents at the end of the financial year	14,016	12,707	14,637	16,628	17,283



Budgeted Statement of Capital Works

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Property					
Land	0	7480	0	2210	250
Land improvements	-	-	-	-	-
Total land	0	7480	0	2210	250
Buildings	1,344	7,200	105	0	3,560
Heritage buildings	-	-	-	-	-
Building improvements	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
Total buildings	1,344	7,200	105	0	3,560
Total property	1,344	14,680	105	2,210	3,810
Plant and equipment					
Heritage plant and equipment	-	-	-	-	-
Plant, machinery and equipment	1,399	1,210	1,400	2,200	1,568
Fixtures, fittings and furniture	-	150	225	250	100
Computers and telecommunications	555	580	620	255	820
Library books	150	150	150	150	150
Total plant and equipment	2,104	2,090	2,395	2,855	2,638
Infrastructure					
Roads	3744	2,715	2,835	2,633	4,321
Bridges	1285	368	560	0	300
Footpaths and cycleways	378	520	775	280	611
Drainage	170	294	3,752	0	150
Recreational, leisure and community facilities	2300	2383	355	1982	512
Waste management	1869	2000	2700	2200	1035
Parks, open space and streetscapes	-	82	315	800	343
Aerodromes	-	-	-	-	-
Off street car parks	-	-	25	-	-
Other infrastructure	-	50	118	-	-
Unallocated capital \$ included in modelling	-	-	-	-	-
Total infrastructure	9,746	8,412	11,435	7,895	7,272
Total capital works expenditure	13,194	25,182	13,935	12,960	13,720
Represented by:					
New asset expenditure	4,203	16,885	4,258	2,905	6,867
Asset renewal expenditure	7,948	7,157	8,760	9,035	5,443
Asset expansion expenditure	30	20	622	135	10
Asset upgrade expenditure	1,013	1,120	295	885	1,400
Total capital works expenditure	13,194	25,182	13,935	12,960	13,720



Budgeted Statement of Human Resources

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Staff expenditure					
Employee costs - operating	22,860	22,820	24,419	25,456	26,919
Employee costs - capital	327	459	477	496	516
Total staff expenditure	23,187	23,279	24,896	25,952	27,435
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	266	261	270	272	279
Total staff numbers	266	261	270	272	279

Capital works employee costs are lower than usual in the 2015/16 forecast due to vacancies in the roads maintenance crew in the operating budget being backfilled by the capital works team.

Forecast dollars and EFT for 2015/16 are based on actual hours paid, they include a reduction for periods of staff vacancies. For some roles, vacancies are backfilled with labour hire (agency staff or contractors) to meet service requirements. In the Quarter 2 forecast, the estimated annual cost of labour hire for 2015/16 is \$317K.

A restructure commencing in late 2015/16, to be completed within early 2016/17, has been incorporated in the budgets and FTE numbers.

The dollar and FTE projections in years 2017/18 and beyond are likely to reduce as net cost reduction targets are realised.



Appendix B

Rates and charges

This appendix presents information about rates and charges which the Act and the Regulations require to be disclosed in the Council's annual budget.



Rates and charges

1. Rates and charges

1.1 The rate in the dollar to be levied as general rates under section 158 of the Act for each type or class of land compared with the previous financial year

Type or class of land	2015/16 cents/\$CIV	2016/17 cents/\$CIV
General Land	0.3782	0.3701
Vacant Land	0.7564	0.7402
Vacant Commercial or Industrial Land (NEW)	0.7564	0.7772
Rural Agricultural Land (40ha-100ha)	0.3404	0.3331
Rural Agricultural Land (Greater than 100ha)	0.3026	0.2961
Subdivisional Land	0.7564	0.7402

1.2 The estimated total amount to be raised by general rates in relation to each type or class of land, and the estimated total amount to be raised by general rates, compared with the previous financial year

Type or class of land	2015/16 \$	2016/17 \$
General Land	20,191,082	20,886,134
Vacant Land	1,752,746	2,146,432
Vacant Commercial or Industrial Land (NEW)	235,522	258,388
Rural Agricultural Land (40ha-100ha)	1,249,007	1,335,201
Rural Agricultural Land (Greater than 100ha)	1,878,918	2,064,243
Subdivisional Land	657,870	558,029
Total amount to be raised by general rates	25,965,145	27,248,427

1.3 The estimated number of assessments in relation to each type or class of land, and the total number of assessments, compared with the previous financial year

Type or class of land	2015/16	2016/17
General Land	15,809	16,098
Vacant Land	1236	1,352
Vacant Commercial or Industrial Land (NEW)	110	112
Rural Agricultural Land (40ha-100ha)	693	703
Rural Agricultural Land (Greater than 100ha)	446	459
Subdivisional Land	17	15
Total number of assessments	18,311	18,739

1.4 The basis of valuation to be used is the Capital Improved Value (CIV)



1.5 The estimated total value of each type or class of land, and the estimated total value of land, compared with the previous financial year

Type or class of land	2015/16 \$	2016/17 \$	Percentage Change
General Land	5,338,935,000	5,643,376,000	5.70%
Vacant Land	231,730,000	289,980,000	25.14%
Vacant Commercial or Industrial Land (NEW)	31,138,000	33,246,000	6.77%
Rural Agricultural Land (40ha-100ha)	366,933,000	400,841,000	9.24%
Rural Agricultural Land (Greater than 100ha)	620,932,000	697,144,000	12.27%
Subdivisional Land	86,974,000	75,389,000	-13.32%
Total value of land	6,676,642,000	7,139,976,000	6.94%

1.6 The municipal charge under section 159 of the Act compared with the previous financial year

Type of Charge	Per Rateable Property 2015/16 \$	Per Rateable Property 2016/17 \$	Change
Municipal	299.00	302.70	1.24%

1.7 The estimated total amount to be raised by municipal charges compared with the previous financial year

Type of Charge	2015/16 \$	2016/17 \$
Municipal	5,384,691	5,579,971

1.8 The rate or unit amount to be levied for each type of service rate or charge under section 162 of the Act compared with the previous financial year

Type of Charge	Per Rateable Property 2015/16 \$	Per Rateable Property 2016/17 \$	Change
Garbage Charge (full service)	305.00	305.00	0.00%
Garbage Charge (Optional extra service)	195.00	195.00	0.00%
Recycling Charge (Optional extra service)	110.00	110.00	0.00%

1.9 The estimated total amount to be raised by each type of service rate or charge, and the estimated total amount to be raised by service rates and charges, compared with the previous financial year

Type of Charge	2015/16 \$	2016/17 \$
Garbage Charges	4,444,255	4,547,785
Total	4,444,255	4,547,785



1.10 The estimated total amount to be raised by all rates and charges compared with the previous financial year

Type of Charge	2015/16 \$	2016/17 \$
General Rates	25,965,145	27,248,427
Garbage Charges	4,444,255	4,547,785
Municipal Charges	5,384,691	5,579,971
Supplementary rates (all sources)	583,977	220,000
Total rates and charges	36,378,068	37,596,183

1.11 Proposed percentage change in the rate in the dollar for each type of rate to be levied, compared to the previous year

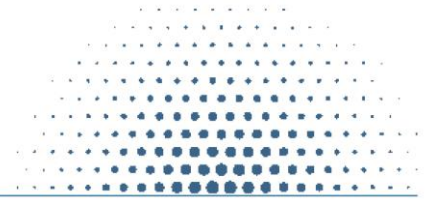
Type or class of land	2015/16	2016/17
General Land	9.75%	-2.14%
Vacant Land	9.75%	-2.14%
Vacant Commercial or Industrial Land (NEW)	9.75%	2.75%
Rural Agricultural Land (40ha-100ha)	9.74%	-2.14%
Rural Agricultural Land (Greater than 100ha)	9.74%	-2.14%
Subdivisional Land	9.75%	-2.14%

- * Note, although the average rates charge per property will increase by 2.5%, the 2016/17 percentage change in the rate in the dollar shows a reduction for most categories. This is due both the average valuation increase of properties across the Shire of 4.8% due to the general revaluation of properties which is conducted every 2 years and the introduction of the new Vacant Commercial and Industrial Differential Category.

1.12 Any significant changes that may affect the estimated amounts to be raised by rates and charges

There are no known significant changes which may affect the estimated amounts to be raised by rates and charges. However, the total amount to be raised by rates and charges may be affected by:

- The making of supplementary valuations including general and waste increases {2015/16: estimated \$220,000 (allowing for valuation objections) forecast for 2015/16: \$583,977}. The amount of supplementary rates revenue fluctuates with the amount of development in any one year;
- The variation of returned levels of value (e.g. valuation appeals)
- Changes in use of land such that rateable land becomes non-rateable land and vice versa
- Changes in use of land such that rural agricultural land becomes general land (residential)



2. Differential rates

2.1 Definition of Land

In this clause, the term “land” means a parcel or multiple parcels of land for which a single valuation has been returned pursuant to the Valuation of Land Act 1960 and upon which a single rate notice is issued by Council.

2.2 General Land Differential Rate

2.2.1 Definition of the type or classes of land which are subject to the General Land Differential Rate:

General Land is all rateable land which is not subject to any other differential rate.

2.2.2 Statement of reasons for the use and level of the General Land Differential Rate in relation to those types or classes of land:

The General Land Differential Rate is the default rate in instances where land does not meet the characteristics of any other differential rate. As such, it has a differential ratio of 1.0 and is the base around which all other differential rate ratios are determined.

The objective of the General Land Differential Rate is to ensure that the land makes an equitable financial contribution to cost of carrying out the functions of Council in accordance with the general objectives of differential rating adopted by Council.

2.2.3 Identification of the types or classes of land which are subject to the General Land Differential Rate in respect of:

- **uses of the land:**
Any use which is consistent with the definition of General Land.
- **geographic location of the land:**
Anywhere within Council’s municipal district.
- **planning scheme zoning of the land:**
Any zone within the Mitchell Planning Scheme.
- **types of buildings on the land:**
Any buildings which are consistent with the definition of General Land.
- **any other criteria relevant to the General Land Differential Rate:**
Nil

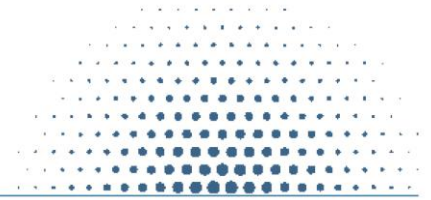
2.2.4 The characteristics of the land which are the criteria for declaring the General Land Differential Rate:

General Land is rateable land which is not subject to any other differential rate.

2.3 Vacant Land Differential Rate:

2.3.1 Definition of the type or classes of land which are subject to the Vacant Land Differential Rate:

Vacant Land is rateable land located wholly or partly in one of the planning zones listed below where -



- there is no building constructed on the land; or
- any buildings located on the land are considered to be -
 - in the case of a dwelling, unfit for human habitation; or
 - in the case of any other building, unfit for use for the purpose for which it was originally constructed -
- by Council's municipal building surveyor or another officer of Council authorised for this purpose -

but excludes any land that:

- is subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate; or
- is subject to the Rural Agricultural Land (greater than 100ha) Differential Rate ;or
- is subject to the Vacant Commercial or Industrial Differential Rate; or
- is subject to the Subdivisional Land Differential Rate.

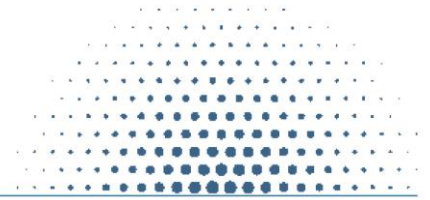
2.3.2 Statement of reasons for the use and level of the Vacant Land Differential Rate in relation to those types or classes of land:

The Vacant Land Differential Rate applies to land situated in a planning zone in which residential development is encouraged and supported. As vacant land valuations are typically one-half of developed land, the ratio applied to this rate represents an equalisation factor between the Vacant Land Differential Rate and General Land Differential Rate.

The objective of the Vacant Land Differential Rate differential rate is to ensure that land makes an equivalent contribution towards the services and facilities invested in by the Council, as there is an expectation that these services and facilities will be immediately available upon development of the land.

2.3.3 Identification of the types or classes of land which are subject to the Vacant Land Differential Rate in respect of:

- **uses of the land:**
Any use.
- **geographic location of the land:**
Anywhere in Council's municipal district, which is wholly or partially within one or more of the planning zones listed below.
- **planning scheme zoning of the land:**
Land which is wholly or partially within one or more of the following planning zones under the Mitchell Planning Scheme:
CDZ1 Comprehensive Development Schedule 1
CDZ2 Comprehensive Development Schedule 2
LDRZ Low Density Residential
MUZ Mixed Use
R1Z Residential 1
RLZ Rural Living
- **types of buildings on the land:**
As per the definition of Vacant Land above.
- **any other criteria relevant to the Vacant Land Differential Rate:**
The Vacant Land Differential Rate excludes Rural Agricultural Land (40ha to 100ha) Differential Rate or the Rural Agricultural Land (greater than 100ha) Differential Rate due the reduced demand and supply of services and facilities in rural localities.



The Vacant Land Differential Rate excludes Subdivisional Land as the existence of a planning permit to subdivide is a precursor to the application of the Vacant Land Differential Rate.

2.3.4 The characteristics of the land which are the criteria for declaring the Vacant Land Differential Rate:

Rateable land located wholly or partly in one of the planning zones listed below where -

- there is no building constructed; or
- any building located on the land is considered to be –
 - in the case of a dwelling, unfit for human habitation; or
 - in the case of any other building unfit for use for the purpose for which it was originally constructed -
- by Council's municipal building surveyor or another officer of Council authorised for this purpose -

but excludes any land that:

- is subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate; or
- is subject to the Rural Agricultural Land (greater than 100ha) Differential Rate; or
- is subject to the Vacant Commercial or Industrial Differential Rate; or
- is subject to the Subdivisional Land Differential Rate.

2.4 Vacant Commercial or Industrial Land Differential Rate:

2.4.1 Definition of the type or classes of land which are subject to the Vacant Commercial or Industrial Land Differential Rate:

Vacant Land Commercial or Industrial is rateable land located wholly or partly in one of the planning zones listed below where -

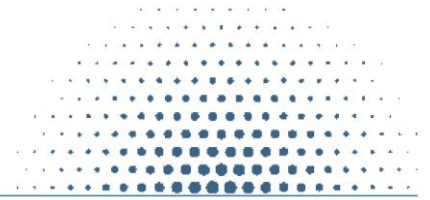
- there is no building constructed on the land; or
- any buildings located on the land are considered to be -
 - in the case of a dwelling, unfit for human habitation; or
 - in the case of any other building, unfit for use for the purpose for which it was originally constructed -
- by Council's municipal building surveyor or another officer of Council authorized for this purpose -

but excludes any land that:

- is subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate; or
- is subject to the Rural Agricultural Land (greater than 100ha) Differential Rate;
- is subject to the Subdivisional Land Differential Rate.

2.4.2 Statement of reasons for the proposed use and level of the Vacant Commercial or Industrial Land Differential Rate in relation to those types or classes of land:

- uses of the land:
Any use.
- geographic location of the land:



Anywhere in Council's municipal district, which is wholly or partially within one or more of the planning zones listed below.

- **planning scheme zoning of the land:**

Land which is wholly or partially within one or more of the following planning zones under the Mitchell Planning Scheme:

BZ1 Business 1
B2Z Business 2
B4Z Business 4
IN13Z Industrial 1
IN1Z Industrial 1
IN3Z Industrial 3

- **types of buildings on the land:**

As per the definition of Vacant Land above.

- **any other criteria relevant to the Vacant Commercial or Industrial Land Differential Rate:**

The Vacant Commercial or Industrial Land Differential Rate excludes Rural Agricultural Land (40ha to 100ha) Differential Rate or the Rural Agricultural Land (greater than 100ha) Differential Rate due the reduced demand and supply of services and facilities in rural localities.

The Vacant Commercial or Industrial Land Differential Rate excludes Subdivisional Land.

2.5 Rural Agricultural Land (40ha to 100ha) Differential Rate:

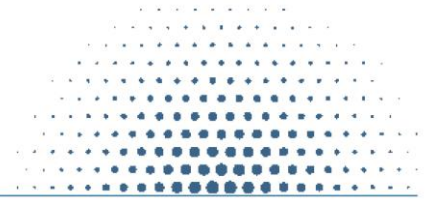
2.5.1 Definition of the type or classes of land which are subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate:

Rural Agricultural Land (40ha to 100ha) is rateable land -

- that is cumulatively across all land owned by the ratepayer not less than 40 hectares and not greater than 100 hectares in area;
- that is wholly contained within, or is contiguous with land outside of, the municipal district;
- that is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, horticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
- that is used by a business-
 - that has a significant and substantial commercial purpose or character;
 - that seeks to make a profit on a continuous or repetitive basis from its activities on the land;
 - that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating; *and*
 - that is registered with the Australian Taxation Office as a primary producer.

2.5.2 Statement of reasons for the use and level of the Rural Agricultural Land (40ha to 100ha) Differential Rate in relation to those types or classes of land:

The objective of the Rural Agricultural Land (40ha to 100ha) Differential Rate is set at a lower rate than the General Land Differential Rate in recognition that occupiers of the Rural Agricultural Land (40ha to 100ha) tend to utilize and consume Council assets and services at a lower rate, relative to the land occupied by them, than occupiers of General Land.



The Rural Agricultural Land (40ha to 100ha) Differential Rate is also intended to provide incentive for the retention of Rural Agricultural Land (40ha to 100ha) within the municipal district in agricultural usage.

2.5.3 Identification of the types or classes of land which are subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate in respect of:

- **uses of the land:**
As per the definition above of Rural Agricultural Land (40ha to 100ha).
- **geographic location of the land:**
Anywhere within Council's municipal district which is consistent with the definition of Rural Agricultural Land (40ha to 100ha).
- **planning scheme zoning of the land:**
FZ Farming Zone
UGZ Urban Growth Zone
- **types of buildings on the land:**
Any buildings consistent with the definition of Rural Agricultural Land (40ha to 100ha).
- **any other criteria relevant to the Rural Agricultural Land (40ha to 100ha) Differential Rate:**
Nil

2.5.4 The characteristics of the land which are the criteria for declaring the Rural Agricultural Land (40ha to 100ha) Differential Rate:

Rural Agricultural Land (40ha to 100ha) is rateable land -

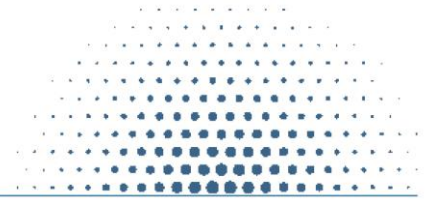
- that is cumulatively across all land owned by the ratepayer not less than 40 hectares and not greater than 100 hectares in area;
- that is wholly contained within, or is contiguous with land outside of, the municipal district;
- that is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, horticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
- that is used by a business –
 - that has a significant and substantial commercial purpose or character;
 - that seeks to make a profit on a continuous or repetitive basis from its activities on the land;
 - that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating; and
 - that is registered with the Australian Taxation Office as a primary producer.

2.6 Rural Agricultural Land (greater than 100ha) Differential Rate:

2.6.1 Definition of the type or classes of land which are subject to the Rural Agricultural Land (greater than 100 ha) Differential Rate:

Rural Agricultural Land (greater than 100ha) is rateable land –

- that is cumulatively across all land owned by the ratepayer greater than 100 hectares in area; and
- that is wholly contained within, or is contiguous with land outside of, the municipal district;



- that is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, horticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
- that is used by a business –
 - that has a significant and substantial commercial purpose or character;
 - that seeks to make a profit on a continuous or repetitive basis from its activities on the land;
 - that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating; and
 - that is registered with the Australian Taxation Office as a primary producer.

2.6.2 Statement of reasons for the use and level of Rural Agricultural Land (greater than 100 ha) Differential Rate in relation to those types or classes of land:

The objective of the Rural Agricultural Land (greater than 100ha) is set at a lower rate than the General Land Differential Rate in recognition that occupiers of the Rural Agricultural Land (greater than 100ha) tend to utilize and consume Council assets and services at a lower rate, relative to the land occupied by them, than occupiers of General Land.

The Rural Agricultural Land (greater than 100ha) Differential Rate is also intended to provide incentive for the retention of Rural Agricultural Land (greater than 100ha) within the municipal district in agricultural usage.

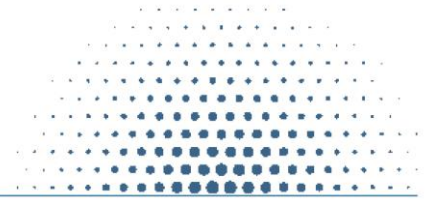
2.6.3 Identification of the types or classes of land which are subject to the Rural Agricultural Land (greater than 100 ha) Differential Rate in respect of:

- uses of the land:
As per the definition above of Rural Agricultural Land (greater than 100ha).
- geographic location of the land:
Anywhere within Council's municipal district that is consistent with the definition of Rural Agricultural Land (greater than 100ha).
- Strategic Resource Plan planning scheme zoning of the land:
FZ Farming Zone
UGZ Urban Growth Zone
- types of buildings on the land:
Any buildings that are consistent with the definition of Rural Agricultural Land (greater than 100ha).
- any other criteria relevant to the Rural Agricultural Land (greater than 100 ha) Differential Rate:
Nil

2.6.4 The characteristics of the land which are the criteria for declaring the Rural Agricultural Land (greater than 100 ha) Differential Rate:

Rural Agricultural Land (greater than 100ha) is rateable land:

- that is cumulatively across all land owned by the ratepayer greater than 100 hectares in area; and
- that is wholly contained within, or is contiguous with land outside of, the municipal district;



- that is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, horticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
- that is used by a business –
 - that has a significant and substantial commercial purpose or character;
 - that seeks to make a profit on a continuous or repetitive basis from its activities on the land;
 - that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating; and
 - that is registered with the Australian Taxation Office as a primary producer.

2.7 Subdivisional Land Differential Rate:

2.7.1 Definition of the type or classes of land which are subject to the Subdivisional Land Differential Rate:

Subdivisional Land is rateable land for which -

- a planning permit to subdivide the land into three (3) or more lots has been issued and has not lapsed; and
- a separate certificate of title has not been issued for any of those lots.
but excludes any land that:
- is subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate; or
- is subject to the Rural Agricultural Land (greater than 100ha) Differential Rate.

2.7.2 Statement of reasons for the use and level of Subdivisional Land Differential Rate in relation to those types or classes of land:

Subdivisional Land by definition is the originator of land before it becomes subject to Vacant Land Differential Rate.

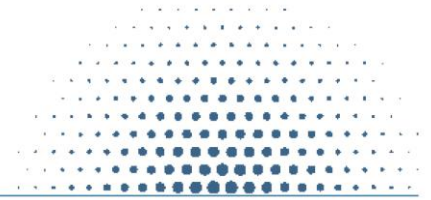
It is considered Subdivisional Land should make the same equitable contribution towards the services and facilities invested in by the Council as the Vacant Land Differential Rate.

The objective of the Subdivisional Land Differential rate is to ensure makes an equitable financial contribution towards direct and indirect costs attributable to land development within Council's municipal district, including increases in:

- utilisation of Council road infrastructure; and/or
- noise, dust and environment monitoring; and/or
- local law compliance; and/or
- provision of services and facilities by Council; and/or
- administration costs for rateable properties created by the Subdivisional Land.

2.7.3 Identification of the types or classes of land which are subject to the Subdivisional Land Differential Rate in respect of:

- uses of the land:
Any use
- geographic location of the land:
Anywhere in Council's municipal district



- planning scheme zoning of the land:
Nil
- types of buildings on the land:
Any buildings
- any other criteria relevant to the Subdivisional Land Differential Rate:
The Subdivisional Land Differential Rate excludes Rural Agricultural Land (40ha to 100ha) Differential Rate or the Rural Agricultural Land (greater than 100ha) Differential Rate due to the reduced demand and supply of services and facilities in rural localities.

2.7.4 The characteristics of the land which are the criteria for declaring the Subdivisional Land Differential Rate:

Subdivisional Land is rateable land for which -

- a planning permit to subdivide the land into three (3) or more lots has been issued and has not lapsed; and
- a separate certificate of title has not been issued for any of those lots.
but excludes any land that:
- is subject to the Rural Agricultural Land (40ha to 100ha) Differential Rate; or
- is subject to the Rural Agricultural Land (greater than 100ha) Differential Rate.



Appendix C

Capital works program

This appendix presents a listing of the capital works projects that will be undertaken for the 2016/17 year:

	\$('000)	
Carry forward Projects	9,103	(Page 89)
New Projects	16,079	(Page 90-92)
Total	<u>25,182</u>	



2016/17 Capital Works Program – Carry Forward works for 2016/17

1. Carry forwards

Capital Works	Project Cost \$000	Asset expenditure				Funding sources			
		New \$000	Renewal \$000	Upgrade \$000	Expansion \$000	Grants / Contributions \$000	Sales \$000	Council Cash \$000	Borrowings \$000
2016/17									
Land									
Strategic Land Acquisition in South of Shire	5,000	5,000	-	-	-	-	-	-	5,000
Total for Land	5,000	5,000	-	-	-	-	-	-	5,000
Buildings									
Early Learning Facility at Wallan Primary School *	2,800	2,800	-	-	-	-	-	2,800	
Total for Buildings	2,800	2,800	-	-	-	-	-	2,800	-
Recreation Leisure & Community									
Hadfield Park, Wallan - AAA Playground *	674	674	-	-	-	-	-	674	
Harley Hammond Oval Renovation - Stage 1 *	100	-	100	-	-	-	-	100	
Sports Pavilion Broadford Leisure Centre Precinct - Stage 1	130	130	-	-	-	-	-	130	
Kilmore Playspace - Hudson Park *	200	200	-	-	-	-	-	200	
Total for Recreation Leisure & Community	674	674	-	-	-	-	-	674	-
Drainage									
Seymour Flood Levee - Stage 2 *	200	200	-	-	-	-	-	200	
Total Drainage	200	200	-	-	-	-	-	200	-
Total for Capital Works Program	9,103	9,003	100	-	-	-	-	4,103	5,000

* Funding source is shown as Council Cash as the carried forward projects are funded from cash forecast to be held at 30 June 2016 to complete these projects. Note, of the total \$4.103M funded by Council cash shown in the above table, \$3.47M represents forecast grants to be received by 30 June 2016 in relation to these projects.

DRAFT BUDGET 2016/2017.

Mitchell Shire Council



2016/17 Capital Works Program - New works for 2016/17

2. New works

Capital Works Area	Project Cost \$000	Asset expenditure				Funding sources				
		New \$000	Renewal \$000	Upgrade \$000	Expansion \$000	Grants / Contributions \$000	Sales \$000	Council Cash \$000	Borrowings \$000	
Land										
Seymour Flood Levee - Land Acquisition (NDRGS)	750	750	-	-	-	250	-	250	250	
Seymour Flood Levee - Land Acquisition (RGF)	1,250	1,250	-	-	-	833	-	-	417	
Seymour Flood Levee Stage 2 - Planning Scheme Amendments	480	480	-	-	-	237	-	-	243	
Total for Land	2,480	2,480	-	-	-	1,320	-	250	910	
Buildings										
Mandalay Community Centre - Stage 1 2016/17	4,400	4,400	-	-	-	2,900	-	-	1,500	
Total for Buildings	4,400	4,400	-	-	-	2,900	-	-	1,500	
Vehicles, Plant, Machinery and Equipment										
Fleet Renewal 2016/17	775	-	775	-	-	-	225	550	-	
Plant Renewal 2016/17	435	-	435	-	-	-	135	300	-	
Total for Vehicles, Plant, Machinery and Equipment	1,210	-	1,210	-	-	-	360	850	-	
Fixtures Fittings and Furniture										
Building renewal internal fit out 16/17	150	-	150	-	-	-	-	150	-	
Total for Fixtures Fittings and Furniture	150	-	150	-	-	-	-	150	-	
Computers and Telecommunications										
Councillors Equipment 2016/17	30	-	30	-	-	-	-	30	-	
IT hardware renewal 2016/17	200	-	200	-	-	-	-	200	-	
Network infrastructure repair and renewal - 2016/17	20	-	20	-	-	-	-	20	-	
Sharepoint integration - 2016/17	20	-	20	-	-	-	-	20	-	
Phone System Upgrades - 2016/17	50	-	-	50	-	-	-	50	-	
Technology One Upgrade 2016/17	200	-	-	200	-	-	-	200	-	
System Hardware Additional Server for Citrix	20	-	-	-	20	-	-	20	-	
Info Council Trim Integration Module	30	30	-	-	-	-	-	30	-	
Power Protection - 2016/17	10	10	-	-	-	-	-	10	-	
Total for Computers and Telecommunications	580	40	270	250	20	-	-	580	-	

DRAFT BUDGET 2016/2017.

Mitchell Shire Council



2016/17 Capital Works Program - New works for 2016/17

Capital Works Area	Project Cost \$000	Asset expenditure				Funding sources			
		New \$000	Renewal \$000	Upgrade \$000	Expansion \$000	Grants / Contributions \$000	Sales \$000	Council Cash \$000	Borrowings \$000
Library Books									
Library Stock Renewal 2016/17	150	-	150	-	-	-	-	150	-
Total for Library Books	150	-	150	-	-	-	-	150	-
Roads									
Gravel Road Re-sheeting Program 2016/17	1,080	-	1,080	-	-	850	-	230	-
Road Re-Sheeting Program (Sealed Road) 16/17	785	-	785	-	-	485	-	300	-
Shoulder resheeting 2016/17- roads to be determined	150	-	150	-	-	-	-	150	-
Queen Street (between Northern Highway and Windham Street)	700	-	-	700	-	565	-	135	-
Total for Roads	2,715	-	2,015	700	-	1,900	-	815	-
Bridges									
Dropmore Road Bridge 1394 - Replacement Works	368	-	368	-	-	184	-	184	-
Total for Bridges	368	-	368	-	-	184	-	184	-
Footpaths and Cycleways									
Footpaths and Cycleways 16/17	400	-	400	-	-	-	-	400	-
Footpath to link Nexus Health in Murchison St, Broadford (335m)	80	80	-	-	-	-	-	80	-
Powlett St, Kilmore (183m)	40	40	-	-	-	-	-	40	-
Total for Footpaths and Cycleways	520	120	400	-	-	-	-	520	-
Drainage									
Collas Street, Seymour Drainage Renewal	30	-	30	-	-	-	-	30	-
Industrial Lane Erosion Control	10	-	10	-	-	-	-	10	-
Extension Of Rupert Street Culvert	30	-	-	30	-	-	-	30	-
Hanley Crescent, Seymour	25	-	-	25	-	-	-	25	-
Total for Drainage	95	-	40	55	-	-	-	95	-

DRAFT BUDGET 2016/2017.

Mitchell Shire Council



2016/17 Capital Works Program - New works for 2016/17

Capital Works Area	Project Cost \$000	Asset expenditure				Funding sources			
		New \$000	Renewal \$000	Upgrade \$000	Expansion \$000	Grants / Contributions \$000	Sales \$000	Council Cash \$000	Borrowings \$000
Recreational, Leisure and Community Facilities									
Football goal post replacement program	10	-	10	-	-	-	-	10	-
Harley Hammond Oval Renovation - Stage 2	240	-	240	-	-	10	-	230	-
Lane rope renewal SWMOP	8	-	8	-	-	-	-	8	-
Skate Park / BMX renewal	20	-	20	-	-	-	-	20	-
Swimming Pool Works - 2016/17	60	-	60	-	-	-	-	60	-
Tennis /netball court renewal program - 2016/17	35	-	35	-	-	-	-	35	-
Power Supply Upgrade	40	-	-	40	-	-	-	40	-
Sports pavilion upgrade program - Kitchen compliance	25	-	-	25	-	-	-	25	-
Greenhill football/netball pavilion upgrade/improvements to support female participation	471	471	-	-	-	421	-	50	-
Kings Park netball change room facility and second netball court construction	270	270	-	-	-	-	-	270	-
Wallara Waters Community Facility incls. MCH and Kinder Design	100	100	-	-	-	-	-	100	-
Total for Recreational, Leisure and Community Facilities	1,279	841	373	65	-	431	-	848	-
Waste Management									
Mitchell Landfill - Cap Cells 1-4 - 2016/17	600	-	600	-	-	-	-	600	-
Seymour Closed Landfill - Cap and rehabilitate site - 2016/17	1,400	-	1,400	-	-	-	-	1,400	-
Total for Waste Management	2,000	-	2,000	-	-	-	-	2,000	-
Parks, Open Space and Streetscapes									
Play space improvement program - 2016/17	82	-	82	-	-	-	-	82	-
Total for Parks, Open Space and Streetscapes	82	-	82	-	-	-	-	82	-
Other Infrastructure									
Township Entrance Signage Upgrade	50	-	-	50	-	-	-	50	-
Total for Other Infrastructure	50	-	-	50	-	-	-	50	-
Total for 2016/17	16,079	7,881	7,058	1,120	20	6,735	360	6,574	2,410



Appendix D

Rates and charges

This appendix presents a listing of Council's proposed fees and charges for 2016/17.

Note, this schedule only includes fees that Council sets. There are other fees that are set by statute and charged by Council in addition to this list.