

# MITCHELL SHIRE COUNCIL STRATEGIC RESOURCE PLAN 2018 – 2021

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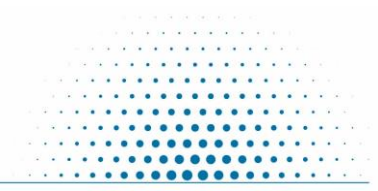
MITCHELL SHIRE COUNCIL



# STRATEGIC RESOURCE PLAN 2018 – 2021.

*Mitchell Shire Council*

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## Contents

Introduction .....	1
Planning and Reporting Framework .....	1
Plan Development .....	2
Financial Objectives and Resources .....	3
Key Financial Results .....	4
Key Financial Indicators .....	6
Notes to indicators .....	7
Non-Financial Resources .....	8
Human Resources .....	8
Infrastructure .....	8
Key Challenges .....	9
Rate Capping .....	9
Population and Growth .....	9
Infrastructure .....	9
Risk Management .....	10
Service Delivery and growing community expectations .....	10
Government Funding .....	10
Municipal emergency planning and preparedness .....	10
Accessibility .....	11
Key Assumptions .....	11
Strategic Resource Plan Model .....	13
Budgeted Standard Income Statement .....	14
Budgeted Standard Balance Sheet .....	15
Budgeted Statement of Changes in Equity .....	16
Budgeted Standard Cash Flow Statement .....	17
Budgeted Standard Capital Works Statement .....	18
Budgeted Statement of Human Resources .....	19



### Introduction

All Councils in Victoria are required to prepare a Strategic Resource Plan (SRP) as part of the Planning and Accountability Framework in the *Local Government Act 1989*.

One of Mitchell Shire Council's seven key strategic objectives in the Council Plan is 'excellent and innovative performance underpinned by good governance and responsible financial management'. Councillors are committed to operating with probity, transparency and accountability and to ensuring sound and sustainable financial management.

The SRP is a core part of this commitment and is developed with four primary objectives:

- Long term financial sustainability
- Delivering quality services to the community and planning to meet the needs of future communities in our growth areas
- Community capacity to contribute through rates
- Probity, transparency and accountability.

The SRP sets financial targets and helps guide financially sustainable decision making over the next four years. The SRP shows what resources will be needed over the next four years (both financial and non-financial) to implement on Council's commitments through adopted plans and strategies and to meet community aspirations and needs. The SRP helps assess these commitments and aspirations against Council's capacity to resource them and identifies areas where adjustments may be needed to these commitments or to Council's financial plans.

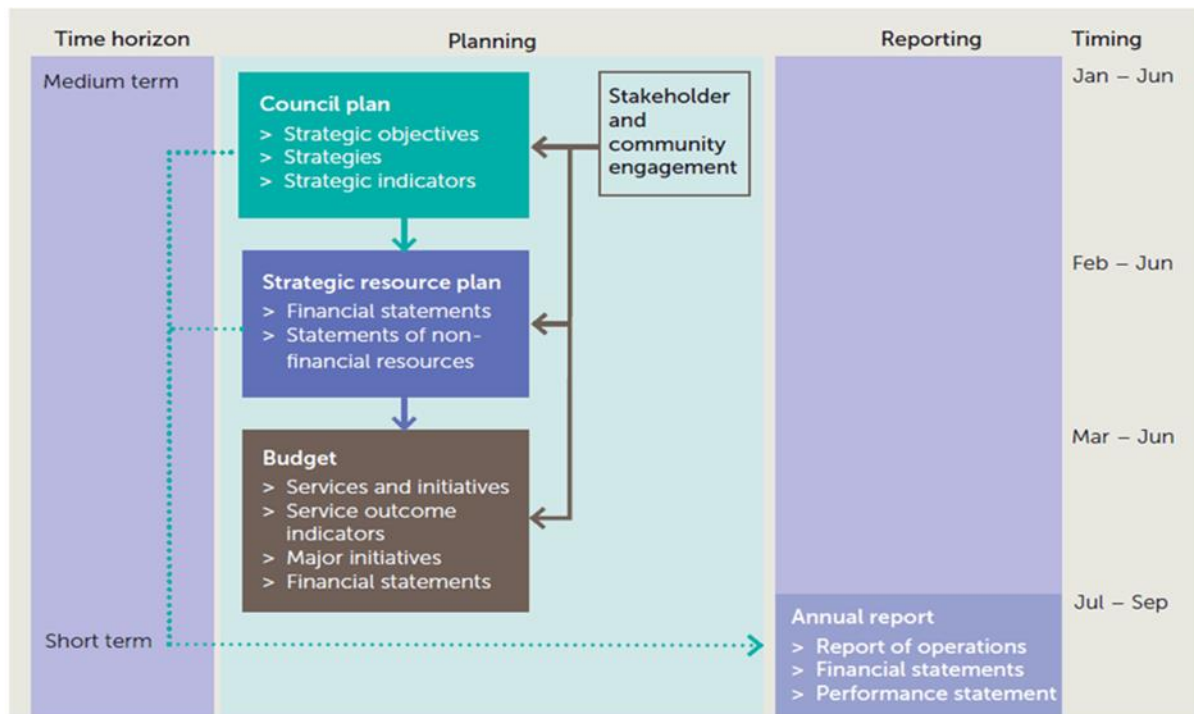
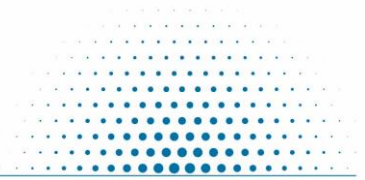
Council's financial plans must remain flexible and be able to adapt to changes in circumstances outside of our control, e.g. rate capping, reduced grant funding, natural disasters, a sector-wide defined benefits superannuation call. Therefore, this plan is reviewed and adapted annually to incorporate any changes to assumptions and external factors.

Mitchell Shire Council has undergone major changes in the last four years to improve our financial sustainability over the medium and long term. Previously we set targets to achieve this based on 4.5% rates rises, however with the current rate capping environment, Council has endeavoured to meet the ambitious targets of redirecting \$4.0M over 2016/17 and 2017/18 from operating to capital.

Council's aim is to be financially sustainable over the long term to ensure that sufficient funds are generated to provide the community with agreed levels of service and infrastructure. This plan has been developed based on a 2.0% rate cap. Our long-term goal of financial sustainability has not changed, but we have adjusted the SRP to reflect this new operating environment.

### Planning and Reporting Framework

The diagram below details the relationship between the key planning and reporting documents that make up the planning and accountability framework for local government. 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

## Plan Development

Council has prepared this SRP for the four years 2017/18 to 2020/21. 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 being to:

- 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 modelling has been developed assuming a continual 2.0% rate cap.

Through the review and redevelopment of this plan, Council has remained focused on a sustainable future and working towards removing 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.

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 and providing support to communities that are prone to natural disasters. It is expected grants commission funding will resume indexation in 2017/18 following three years of a nil increase.



## Financial Objectives and Resources

Council's modelling set out the strategies to be employed to support the achievement of Council Plan objectives within a sustainable financial framework. The outcomes of this plan are reflected in the Budgeted Standard Statements, and form part of the overall SRP. The following provides a summary of the key strategies identified in Council's modelling.

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### FINANCIAL AREA and STRATEGY

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#### *Financial Sustainability*

A key driver in the development of the long-term financial plan is maintaining a path to financial sustainability. This involves four key pillars:

- Eliminating the underlying deficit and returning Council to an underlying surplus;
- increasing the amount of money spent on renewing existing assets, to ensure that those assets continue to deliver the level of service which the community expects;
- retaining adequate cash levels; and
- supporting existing and future communities.

These objectives will not be achieved over the four years of this plan but this plan continues to set the path to meet these goals in the future.

#### *Rates*

Rate capping commenced on 1 July 2016. Year 1 was set at 2.5%, Year 2 (2017/18) has been set at 2.0%. The SRP has been prepared assuming a 2.0% annual increase and no application for exemption is assumed.

Council remains focused on minimising rate increases to the community and this 2.0% rate is a 0.5% decrease compared to the previous adopted SRP of 2.5%. The remaining long term plan has been built on a reduced annual rate increase of 2.0%; however, this is subject to formal notification of future rate caps as well as further work to understand long term impacts and projections in partnership with the community as we prepare our new four-year Council Plan and associated future budget deliberations.

The waste management component of the rate reflects the cost of providing waste collection services to the community, including provision for the substantial cost to rehabilitate landfill sites at the end of their useful life. This charge is not subject to the annual rate cap and has increase following a review of all income and expenditure.

Differential rates will be applied to ensure appropriate allocation of rates considering the use of land. Refer to the current Rating Strategy for further information on Councils rate strategy.

Rate capping as a key challenge is discussed on page 10.

#### *Government Funding*

Council will continue to strongly advocate for government funding, particularly to support the development of infrastructure to meet the growing needs of the population in the south of the Shire. Government funding and the challenges it presents are discussed on page 12.

#### *Fees and Charges*

Fees and charges are 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 (including other councils and private operators where applicable) and the extent to which Council is prepared to provide the service at less than full cost recovery.



## FINANCIAL AREA and STRATEGY

Council has made some adjustments to ensure fees and charges continue to reflect the cost of providing these services. Council has also introduced a number of new fees this year based on benchmarking with other Councils and service providers.

### *Loan Borrowings*

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 in line with the Borrowings Policy.

The Strategic Resource Plan includes potential borrowings for the Seymour Flood Levee, as well as capital expenditure associated with growth in our communities.

### *Recurrent Operating Expenditure*

Funding for recurrent operating expenditure will be increased annually in line with general cost movements. Services will continue to be reviewed against community expectations, shifting demand for services and the desire to lower rate increases.

In order to meet the rate cap and increase expenditure in infrastructure Council, has achieved in 2017/18 a reduction of \$2.0M in net operating costs. To reduce the impact of costs escalating at a greater rate than revenue in the last three years of the plan, it is expected that Council continues to reduce net costs by \$0.65M in 2018/19 and \$0.60M per annum in 2019/20 and 2020/21, adjusted for inflation.

### *New Initiatives and Cost Pressures*

Where achievable, allocations of funding will be available annually specifically for recurrent new initiatives and one-off projects that do not form part of the recurrent operating budget but benefit the community and / or increase the effective and efficient operations within council.

### *Capital Works*

Council aims to dedicate sufficient resources to maintain and in some instances, improve the existing asset base in the long term, with remaining funds being allocated to acquire new assets.

This SRP sees lower than required funds available for the purpose of new and renewed capital works which increases the gap between the required asset renewal expense and the financially achievable expense. Council is working towards increasing renewal spend over the coming years to address this shortfall.

A continued focus will be on identifying additional funding sources in addition to reviewing current services, assets and associated standards to reduce this substantial burden.

## Key Financial Results

The following table summarises the key financial results for the next four years as set out in the SRP. The Standard Budget Statements commencing on page 15 provide a more detailed analysis of the financial resources to be used over the next four years.

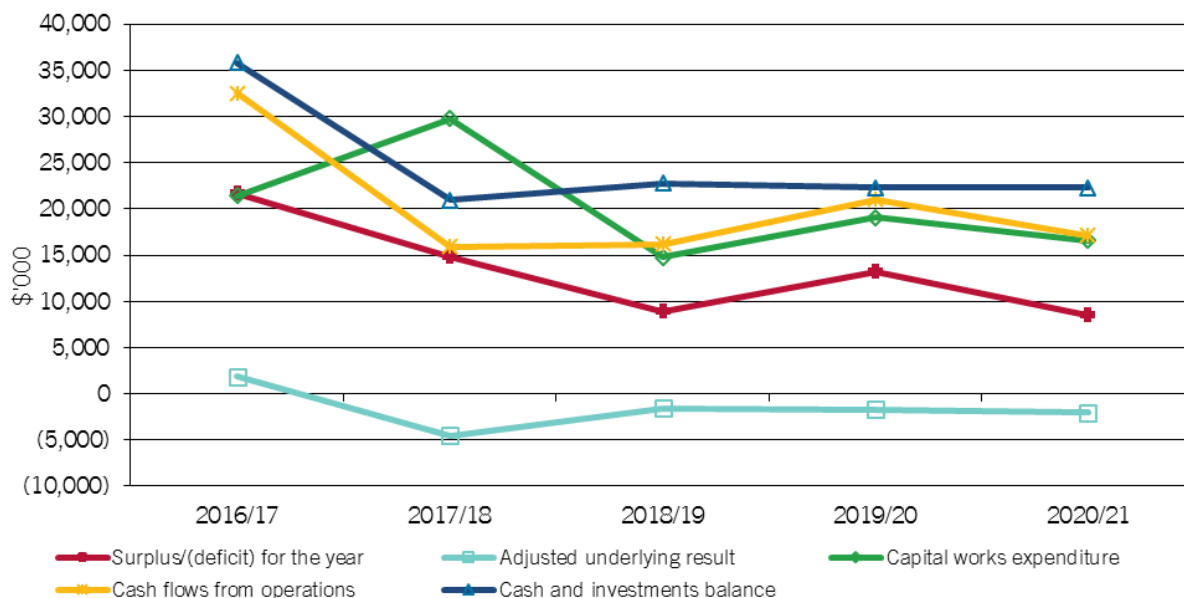
# STRATEGIC RESOURCE PLAN 2018 – 2021.

Mitchell Shire Council



Indicator				Strategic Resource Plan Projections			Trend
	Actual	Forecast	Budget	2018/19	2019/20	2020/21	+/-
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	
Surplus/(deficit) for the year	7,073	21,679	14,810	8,940	13,224	8,482	-
Adjusted underlying result	(6,804)	1,866	(4,543)	(1,540)	(1,707)	(2,019)	o
Cash and investments balance	19,855	35,809	20,961	22,756	22,277	22,317	+
Cash flows from operations	17,541	32,526	15,875	16,190	21,040	17,128	o
Capital works expenditure	9,768	21,389	29,724	14,766	19,039	16,547	+

The following graph of the financial indicators over the next four years illustrates the trends.



The financial indicators above show a decrease in the annual surplus in the later three years following the 2017/18 budget year. The higher than average surplus in 2017/18 is due to capital grants and contributions of \$9.97M, when in the later years only confirmed non-current grants and recurrent roads to recovery grant income (\$823K per annum) is included. A detailed listing of the grant funded projects is included in section 12.

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. Even though a slight regression is indicated 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.

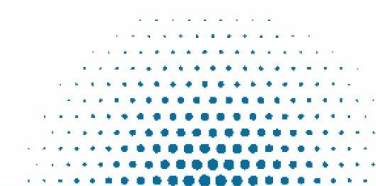
Cash and investments are moving in a positive direction to meet the objective of improving current unsatisfactory cash levels and improving liquidity.

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



# STRATEGIC RESOURCE PLAN 2018 – 2021.

Mitchell Shire Council



## Key Financial Indicators

The table to follow highlights Council's current and projected performance across a range of key financial indicators (KFI). KFIs provide a useful analysis of Council's financial position and performance and should be used in the context of setting the organisation's long term financial planning.

Indicator	Measure	KPI	Notes	Actual 2015/16	Forecast 2016/17	Budget 2017/18	Strategic Resource Plan Projections			Trend +/-
							2018/19	2019/20	2020/21	
<b>Operating position</b>										
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	0-10%	1	-13.4%	3.1%	-8.3%	-2.6%	-2.7%	-3.1%	o
<b>Liquidity</b>										
Working Capital	Current assets / current liabilities	120-200%	2	190%	215.7%	171.2%	211.0%	192.7%	194.9%	+
Unrestricted cash	Unrestricted cash / current liabilities	50-100%		39%	122.6%	77.5%	99.0%	86.1%	83.9%	+
<b>Obligations</b>										
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	20-60%	3	36.8%	46.6%	43.0%	43.5%	36.9%	35.1%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue	0-5%		6.4%	5.3%	6.5%	7.3%	7.1%	7.5%	-
Indebtedness	Non-current liabilities / own source revenue	10-40%		41.0%	43.6%	34.0%	34.4%	28.0%	25.4%	+
Asset renewal	Asset renewal expenditure / depreciation	90-110%	4	35.0%	52.6%	78.3%	51.5%	42.1%	46.4%	-
<b>Stability</b>										
Rates concentration	Rate revenue / adjusted underlying revenue	50-80%	5	72.2%	54.7%	64.3%	67.4%	63.1%	67.8%	+
Rates effort	Rate revenue / CIV of rateable properties in the municipality	0.2-0.6%		0.54%	0.53%	0.54%	0.55%	0.56%	0.58%	-
<b>Efficiency</b>										
Expenditure level	Total expenditure / no. of property assessments	n/a		\$3,052	\$3,091	\$3,121	\$3,208	\$3,277	\$3,356	-
Revenue level	Residential rate revenue / No. of residential property assessments	n/a		1,845.95	\$1,901.13	\$1,914.65	\$1,928.26	\$1,941.97	\$1,955.77	o
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year	10-15%	6	20.5%	18.4%	13.7%	13.7%	13.7%	13.6%	+

### 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 2016/17 and 2017/18 (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. Over the life of the Strategic Resource Plan there is minor movement in the adjusted underlying result, with a key goal of the long term financial plan to remove the deficit.

**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 borrowings for capital expenditure in the growth within the south, as well as funds for the Seymour Flood Levee. These additional borrowings cause a slight increase in loans and borrowings in comparison to rate revenue however declines throughout the SRP.

It is expected that Council's indebtedness ratio will peak in the 2018/19 year at 34.4% 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 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.

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 renewal as Council strives to balance the individual town needs.

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.

**5 Rates concentration** – Reflects extent of reliance on rate revenue 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. It is important that Council's own source revenue is able to fund operations. Additional funding helps enhance and bring forward service improvements.

**6 Workforce turnover** – This percentage represents a decrease in staff turnover partly attributable to the development and implementation of the One Mitchell culture project.



## Non-Financial Resources

### Human 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 2017/18 year and beyond is shown below:

	Forecast	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Staff expenditure</b>					
Employee costs - operating	22,398	23,681	24,591	25,848	27,245
Employee costs - capital	242	459	476	492	509
<b>Total staff expenditure</b>	<b>22,640</b>	<b>24,140</b>	<b>25,067</b>	26,340	27,754
	FTE	FTE	FTE	FTE	FTE
<b>Staff numbers</b>					
Employees	281	282	284	290	300
<b>Total staff numbers</b>	<b>281</b>	<b>282</b>	<b>284</b>	<b>290</b>	<b>300</b>

Capital works employee costs are lower than usual in the 2016/17 forecast due staff being redirected to operational projects, including works related the floods in September 2016.

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

Forecast dollars and FTE for 2016/17 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 2016/17 is \$590K which is reflected in materials and services, not employee costs.

### Infrastructure

Infrastructure refers to the assets that Council manages and maintains for the community. These include:

- local roads, footpaths, kerb and channel and drainage;
- buildings such as community halls, maternal and child health centres, pre-schools, child care centres and civic properties;
- sports reserves, bushland reserves, parks and open space;
- street and park furniture; and
- waste management facilities located at:
  - Mitchell Landfill, Hilldene
  - Seymour Resource Recovery Centre
  - Pyalong Resource Recovery Centre
  - Broadford Resource Recovery Centre
  - Wallan Resource Recovery Centre
  - Kilmore Landfill (closed), however Council has maintenance and monitoring requirements at this site



The assets and buildings detailed below are maintained by Council (as at 11 April 2017):

Sealed roads	668 km	Sporting Pavilions/clubrooms	22
Unsealed roads	709 km	Sporting Reserves	9
Fire Access Tracks	158 km	Aquatic Centres	2
Kerb and Channel	410 km	Outdoor pools	3
Footpaths (Concrete)	182 km	Public Toilets	25
Footpaths (Non-Concrete)	46 km	Buildings	102
Drainage Pipes	243 km	Playgrounds	43
Drainage Pits	8793	Libraries (1 leased)	4
Bridges - Vehicle	73	Kindergartens (7 Council run)	8
Bridges - Pedestrian	36	Community Halls	8

## Key Challenges

### Rate Capping

Rate capping commenced on 1 July 2016 at 2.5% and the State Government have announced a reduced rate cap of 2.0% for the 2017/18 financial year. The introduction of a rate cap on top of existing efficiency savings has placed further constraints on Council's financial position. The goal of long term financial sustainability has not changed, but in order to reduce the underlying deficit, grow cash to safer levels, and continually increase our infrastructure spend, an additional \$0.65M reduction in recurrent operating expenses will be needed each year in 2018/19, and \$0.60M in 2019/20 and 2020/21. This is in addition to the \$2.0M already achieved in 2016/17 and \$2.0M incorporated into the 2017/18 budget.

### Population and Growth

In 2017, Mitchell is estimated to be home to around 43,005 residents across a mix of urban and rural communities and is forecast to grow at around 3.8% per annum. By 2036 the population is forecast to grow to 89,214, which will see 46,209 new residents move to Mitchell Shire between 2017 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. In preparing our capital programs we must balance service pressure, and asset renewal against upgrade and new infrastructure to meet the needs of our growing and changing communities.

### Infrastructure

There is a continued significant focus throughout the Local Government sector on the level of spending on infrastructure, and particularly the level of funding for protecting existing infrastructure as distinct from creating new assets. Measuring the actual 'renewal gap', (i.e. the difference between the required level of spending on asset protection and the actual level), is inherently subjective. Regardless, protection and renewal of existing infrastructure is a key long-term issue for local government.

The level of capital works funding available in this plan is insufficient to meet renewal requirements. In addition, a tension exists in allocating scarce capital funds between renewal and new or upgrade projects.



Council is taking steps to minimise the impact of rate capping and restricted funding, however the existing standard and extent of assets within the municipality remains a significant issue. Many of Council's buildings were built 40 to 50 years ago as single purpose buildings with little integration with other Council activities. This ageing infrastructure requires significant investment if it is to meet the rising expectations of the community. Ensuring that the networks of roads, footpaths, bridges and drainage are maintained and renewed into the future is also a key challenge for a municipality such as Mitchell due to the geographic spread and significant growth in the South of the Shire.

Efforts to address this will continue with work on service planning and reviews of direct services and may result in reduction or consolidation of services to community or retiring assets that no longer fit within council's service delivery model.

### **Risk Management**

The broad focus on risk management across the industry has resulted in a number of additional costs for Council. These costs include internal effort and attention allocated to dealing with risk and occupational health and safety matters, and costs passed on by contractors in their meeting of similar obligations. Some of the areas significantly impacted from a cost perspective include waste management and the broad area of tree maintenance and fire protection work. Risk management effort is likely to continue to increase in future years.

### **Service Delivery and growing community expectations**

While growth brings some additional rate revenue, it does not cover the cost of maintaining new infrastructure, planning for future growth, or providing new services needed in our new communities. In addition, government funding for many services such as school crossings and libraries does not cover the full cost of service provision, and cost shifting is placing increased demands on Councils to fund important community services.

These challenges, combined with high community expectations for services means Council's current service provision mix is unsustainable in the longer term. Council will be working with the community to redefine core services and set service levels. This will assist with prioritising service investment, particularly as our community continues to grow and for those areas where Council has a social responsibility to provide services to address socio-economic disadvantage and ensure access to services across the municipality.

These priorities will need to be continually reviewed, particularly in light of likely funding trends in future years and changes in community and demographics, along with the growth in the southern part of the Shire.

### **Government Funding**

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 the freeze on general indexation is expected to be lifting going into 2017/18.

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.

### **Municipal emergency planning and preparedness**

Council's budget addresses the significant costs of emergency planning and preparedness, including bushfire preparation works. Financial pressure in this area will continue as Council



continues to respond to the recommendations of the Bushfires Royal Commission and Floods Inquiry, and as we continue to reduce and mitigate a range of emergency related risks. The increased frequency and severity of extreme weather events also continues to have a significant impact on Council's financial resources and service delivery. The majority of costs are reimbursed after the event and Council must manage our cashflow well to meet these events.

### Accessibility

It is our plan to make Mitchell Shire a place where all residents can continue to engage in the community. This includes those with a disability and the older generation, where their contribution to the day to day life of the community is valued, their experience and wisdom are respected, their advice sought and active participation in community life is ongoing. In this Strategic Resource Plan, Council is putting more money into improving footpaths, improving the standard of its disabled car parks, and improving accessibility to all its buildings for the use of all including parents with prams.

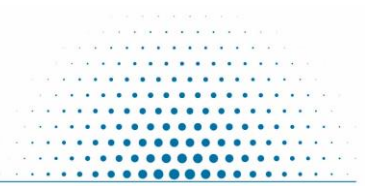
### Key Assumptions

A range of assumptions were used in the development of this SRP and applied to both revenue and expenditure.

Income / Expenditure Item	Assumption
<i>Rates</i>	Council has planned for a 2.0% rate increase in 2017/18 and each year thereafter. In addition to this annual increase is an allowance factored in for continued growth across the shire.
<i>User Charges</i>	User Charges and Fees have been extensively reviewed, in addition to an annual increase, new fees have been introduced as well as some fees being discontinued. User Charge revenue will increase around 11% in 2017/18. For a detailed listing of all charges please see Council's Fees and Charges Schedule. From 2018/19 onwards an increase of 2.0% per annum has been assumed.
<i>Grants Recurrent</i>	A 2.0% per annum increase has been assumed.
<i>Grants Non-Recurrent</i>	Grants Non-Recurrent are based on the known dollar value of specific grants and are not increased each year.
<i>Contributions</i>	Contributions are difficult to forecast and are external to Council's control. Therefore, no annual increase has been assumed but rather a plan has been developed based on prior year actuals.
<i>Proceeds from sale of assets</i>	An amount of \$762K is forecast in 2016/17 and is offset by the written down value of the asset. 2017/18 and onwards has been increased to \$500K to reflect better returns and an expected annual turnover of plant and fleet.
<i>Other Revenue</i>	All other revenue has been assumed to increase by 2.5% annually.
<i>Employee Costs</i>	Employee costs are driven by the Enterprise Bargaining Agreement. A new EBA will be negotiated for 2017/18 and the impact of rate capping will form part of these negotiations.



Income / Expenditure Item	Assumption
<i>Contractors, materials and utilities</i>	Utility costs are forecast to increase by 5% each year, whilst materials, contractors and consultants 3%. Consultants and contractors are reviewed in detail each financial year as part of the annual budget process.
<i>Bad and doubtful debts</i>	Council has assumed a slight increase to bad and doubtful debts and continues to focus on strong debt recovery to reduce Council's receivables.
<i>Finance Costs</i>	<p>Principal and interest forecasts have been based on existing loan schedules and an interest rate of 5.91% for the following new borrowings,</p> <ul style="list-style-type: none"><li>• 2017/18      \$0.91M</li><li>• 2018/19      \$2.85M</li><li>• 2019/20      -</li><li>• 2020/21      \$2.20M</li></ul> <p>At the time of borrowing Council will undertake a competitive process seeking to minimise interest rates as best as possible.</p>
<i>Depreciation</i>	Depreciation has been forecast on a calculation utilising the percentage depreciation rate specific to each asset class and the assumed value of assets within these classes each year.
<i>Other</i>	All other costs have assumed no increase.



## Strategic Resource Plan Model

The following financial statements have been prepared and form Council's four-year Strategic Resource Plan.

- Standard Income Statement
- Standard Balance Sheet
- Statement of Changes in Equity
- Standard Cash Flow Statement
- Standard Capital Works Statement
- Statement of Human Resources



# STRATEGIC RESOURCE PLAN 2018 – 2021.

Mitchell Shire Council



## Budgeted Standard Income Statement

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Income</b>					
Rates and charges	37,853	<b>39,279</b>	40,708	42,175	43,680
Statutory fees and fines	560	<b>821</b>	838	855	872
User fees	5,669	<b>6,387</b>	6,545	6,731	6,926
Grants - Operating	14,004	<b>6,620</b>	10,413	10,699	11,009
Grants - Capital	9,969	<b>6,986</b>	823	5,273	823
Contributions - monetary	667	<b>3,189</b>	480	480	500
Contributions - non-monetary	10,000	<b>10,000</b>	10,000	10,000	10,000
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	-	-	-	-
Other income	1,117	<b>1,005</b>	1,052	1,066	1,105
<b>Total income</b>	<b>79,839</b>	<b>74,287</b>	<b>70,859</b>	<b>77,279</b>	<b>74,915</b>
<b>Expenses</b>					
Employee costs	22,398	<b>23,681</b>	24,591	25,848	27,245
Materials and services	20,034	<b>18,113</b>	19,170	20,124	20,954
Bad and doubtful debts	15	<b>18</b>	18	18	18
Depreciation and amortisation	13,514	<b>15,313</b>	16,289	16,958	17,791
Borrowing costs	729	<b>878</b>	947	845	841
Other expenses	1,470	<b>1,574</b>	1,591	1,620	1,650
Net cost reduction target*	-	<b>(100)</b>	(687)	(1,358)	(2,066)
<b>Total expenses</b>	<b>58,160</b>	<b>59,477</b>	<b>61,919</b>	<b>64,055</b>	<b>66,433</b>
<b>Surplus/(deficit) for the year</b>	<b>21,679</b>	<b>14,810</b>	<b>8,940</b>	<b>13,224</b>	<b>8,482</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to surplus or deficit in future periods:</b>					
Net asset revaluation increment /(decrement)	-	-	-	-	-
Share of other comprehensive income of associates	-	-	-	-	-
<b>Items that may be reclassified to surplus or deficit in future periods</b>					
(detail as appropriate)	-	-	-	-	-
<b>Total comprehensive result</b>	<b>21,679</b>	<b>14,810</b>	<b>8,940</b>	<b>13,224</b>	<b>8,482</b>

\* The 2017/18 \$100K represents an adjustment that may be required due to a notification regarding the Victorian Grants Commission (VGC) funding being lower than forecast. The VGC grant allocation will be confirmed in August 2017.

The forecast figures for the following three years represent the cumulative effect of \$650K in 2018/19, \$600K in 2019/20, and \$600K in 2019/20 adjusted for inflation.

# STRATEGIC RESOURCE PLAN 2018 – 2021.

Mitchell Shire Council



## Budgeted Standard Balance Sheet

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	35,809	20,961	22,756	22,277	22,317
Trade and other receivables	1,488	6,626	6,626	6,626	6,626
Other financial assets	-	-	-	-	-
Inventories	150	150	150	150	150
Non-current assets classified as held for sale	-122	-	-	-	-
Other assets	661	661	661	661	661
<b>Total current assets</b>	<b>37,986</b>	<b>28,398</b>	<b>30,193</b>	<b>29,714</b>	<b>29,754</b>
<b>Non-current assets</b>					
Trade and other receivables	23	23	23	23	23
Investments in associates and joint ventures	5	5	5	5	5
Property, infrastructure, plant & equipment	459,997	479,852	485,430	497,606	505,030
Investment property	-	-	-	-	-
Intangible assets	-	-	-	-	-
<b>Total non-current assets</b>	<b>460,025</b>	<b>479,880</b>	<b>485,458</b>	<b>497,634</b>	<b>505,058</b>
<b>Total assets</b>	<b>498,011</b>	<b>508,278</b>	<b>515,651</b>	<b>527,348</b>	<b>534,812</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	5,623	5,636	5,650	5,664	5,679
Trust funds and deposits	3,140	3,140	3,140	3,140	3,140
Provisions	7,169	5,784	3,384	4,199	4,034
Interest-bearing loans and borrowings	1,680	2,032	2,135	2,418	2,413
<b>Total current liabilities</b>	<b>17,612</b>	<b>16,592</b>	<b>14,309</b>	<b>15,421</b>	<b>15,266</b>
<b>Non-current liabilities</b>					
Provisions	3,723	1,323	1,323	1,103	453
Interest-bearing loans and borrowings	15,966	14,843	15,559	13,140	12,927
<b>Total non-current liabilities</b>	<b>19,689</b>	<b>16,166</b>	<b>16,882</b>	<b>14,243</b>	<b>13,380</b>
<b>Total liabilities</b>	<b>37,301</b>	<b>32,758</b>	<b>31,191</b>	<b>29,664</b>	<b>28,646</b>
<b>Net assets</b>	<b>460,710</b>	<b>475,520</b>	<b>484,460</b>	<b>497,684</b>	<b>506,166</b>
<b>Equity</b>					
Accumulated surplus	232,853	250,225	261,508	273,632	282,370
Reserves	227,857	225,295	222,952	224,052	223,796
<b>Total equity</b>	<b>460,710</b>	<b>475,520</b>	<b>484,460</b>	<b>497,684</b>	<b>506,166</b>



### Budgeted Statement of Changes in Equity

For the four years ending 30 June 2021

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2017/18</b>				
Balance at beginning of the financial year	460,710	232,853	216,643	11,214
Surplus/(deficit) for the year	14,810	14,810	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,948)	-	1,948
Transfer from other reserves	-	4,510	-	(4,510)
<b>Balance at end of the financial year</b>	<b>475,520</b>	<b>250,225</b>	<b>216,643</b>	<b>8,652</b>
<b>2018/19</b>				
Balance at beginning of the financial year	475,520	250,225	216,643	8,652
Surplus/(deficit) for the year	8,940	8,940	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,057)	-	2,057
Transfer from other reserves	-	4,400	-	(4,400)
<b>Balance at end of the financial year</b>	<b>484,460</b>	<b>261,508</b>	<b>216,643</b>	<b>6,309</b>
<b>2019/20</b>				
Balance at beginning of the financial year	484,460	261,508	216,643	6,309
Surplus/(deficit) for the year	13,224	13,224	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,195)	-	2,195
Transfer from other reserves	-	1,095	-	(1,095)
<b>Balance at end of the financial year</b>	<b>497,684</b>	<b>273,632</b>	<b>216,643</b>	<b>7,409</b>
<b>2020/21</b>				
Balance at beginning of the financial year	497,684	273,632	216,643	7,409
Surplus/(deficit) for the year	8,482	8,482	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,359)	-	2,359
Transfer from other reserves	-	2,615	-	(2,615)
<b>Balance at end of the financial year</b>	<b>506,166</b>	<b>282,370</b>	<b>216,643</b>	<b>7,153</b>



### Budgeted Standard Cash Flow Statement For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	2016/17	2017/18	Projections		
	\$'000	\$'000	2018/19	2019/20	2020/21
	Inflows	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)	(Outflows)
<b>Cash flows from operating activities</b>					
Rates and charges	37,853	39,279	40,708	42,175	43,680
Statutory fees and fines	560	821	838	855	872
User fees	5,669	6,387	6,545	6,731	6,926
Grants - operating	14,004	6,620	10,413	10,699	11,009
Grants - capital	16,560	1,848	823	5,273	823
Contributions - monetary	667	3,189	480	480	500
Interest received	490	675	712	725	720
Dividends received	-	-	-	-	-
Trust funds and deposits taken	-	-	-	-	-
Other receipts	627	330	340	341	385
Net GST refund / payment	-	-	-	-	-
Employee costs	(22,385)	(23,669)	(24,577)	(25,835)	(27,231)
Materials and services	(20,034)	(18,113)	(19,170)	(20,124)	(20,954)
Trust funds and deposits repaid	-	-	-	-	-
Other payments	(1,485)	(1,592)	(1,609)	(1,638)	(1,668)
Net cost reduction target	-	100	687	1,358	2,066
<b>Net cash provided by/(used in) operating activities</b>	<b>32,526</b>	<b>15,875</b>	<b>16,190</b>	<b>21,040</b>	<b>17,128</b>
<b>Cash flows from investing activities</b>					
Payments for property, infrastructure, plant and equipment	(21,389)	(29,723)	(14,766)	(19,039)	(16,547)
Proceeds from sale of property, infrastructure, plant and equipment	1,413	650	500	500	518
Payments for investments	-	-	-	-	-
Proceeds from sale of investments	-	-	-	-	-
Loan and advances made	-	-	-	-	-
Payments of loans and advances	-	-	-	-	-
<b>Net cash provided by/ (used in) investing activities</b>	<b>(19,976)</b>	<b>(29,073)</b>	<b>(14,266)</b>	<b>(18,539)</b>	<b>(16,029)</b>
<b>Cash flows from financing activities</b>					
Finance costs	(729)	(878)	(947)	(845)	(841)
Proceeds from borrowings	5,400	910	2,850	-	2,200
Repayment of borrowings	(1,268)	(1,681)	(2,032)	(2,135)	(2,418)
<b>Net cash provided by/(used in) financing activities</b>	<b>3,403</b>	<b>(1,649)</b>	<b>(129)</b>	<b>(2,980)</b>	<b>(1,059)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>15,953</b>	<b>(14,847)</b>	<b>1,795</b>	<b>(479)</b>	<b>40</b>
Cash and cash equivalents at the beginning of the financial year	19,855	35,808	20,961	22,756	22,277
<b>Cash and cash equivalents at the end of the financial year</b>	<b>35,808</b>	<b>20,961</b>	<b>22,756</b>	<b>22,277</b>	<b>22,317</b>



### Budgeted Standard Capital Works Statement

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Property</b>					
Land	5,542	2,393	-	-	2,221
Land improvements	-	-	-	-	-
<b>Total land</b>	<b>5,542</b>	<b>2,393</b>	<b>-</b>	<b>-</b>	<b>2,221</b>
Buildings	3,949	7,985	-	200	-
Heritage buildings	-	-	-	300	-
Building improvements	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
<b>Total buildings</b>	<b>3,949</b>	<b>7,985</b>	<b>-</b>	<b>500</b>	<b>-</b>
<b>Total property</b>	<b>9,491</b>	<b>10,378</b>	<b>-</b>	<b>500</b>	<b>2,221</b>
<b>Plant and equipment</b>					
Heritage plant and equipment	-	-	-	-	-
Plant, machinery and equipment	2,207	1,577	1,459	1,588	2,031
Fixtures, fittings and furniture	190	195	225	100	400
Computers and telecommunications	738	1,332	605	870	375
Library books	160	150	153	150	150
<b>Total plant and equipment</b>	<b>3,295</b>	<b>3,254</b>	<b>2,442</b>	<b>2,708</b>	<b>2,956</b>
<b>Infrastructure</b>					
Roads	2,851	4,023	2,523	5,381	3,245
Bridges	954	1,078	400	1,050	400
Footpaths and cycleways	539	1,123	755	700	700
Drainage	289	300	3,030	4,600	150
Recreational, leisure and community facilities	2,913	1,098	691	2,272	3,040
Waste management	803	3,785	4,400	1,035	2,615
Parks, open space and streetscapes	82	4,245	485	793	1,220
Aerodromes	-	-	-	-	-
Off street car parks	-	200	-	-	-
Other infrastructure	172	240	40	-	-
<b>Total infrastructure</b>	<b>8,603</b>	<b>16,092</b>	<b>12,324</b>	<b>15,831</b>	<b>11,370</b>
<b>Total capital works expenditure</b>	<b>21,389</b>	<b>29,724</b>	<b>14,766</b>	<b>19,039</b>	<b>16,547</b>
<b>Represented by:</b>					
New asset expenditure	11,875	12,624	5,310	10,236	6,836
Asset renewal expenditure	7,115	11,987	8,391	7,133	8,261
Asset expansion expenditure	379	100	315	10	200
Asset upgrade expenditure	2,020	5,013	750	1,660	1,250
<b>Total capital works expenditure</b>	<b>21,389</b>	<b>29,724</b>	<b>14,766</b>	<b>19,039</b>	<b>16,547</b>

# STRATEGIC RESOURCE PLAN 2018 – 2021.

Mitchell Shire Council



## Budgeted Statement of Human Resources

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Staff expenditure</b>					
Employee costs - operating	22,398	23,681	24,591	25,848	27,245
Employee costs - capital	242	459	476	492	509
<b>Total staff expenditure</b>	<b>22,640</b>	<b>24,140</b>	<b>25,067</b>	<b>26,340</b>	<b>27,754</b>
	FTE	FTE	FTE	FTE	FTE
<b>Staff numbers</b>					
Employees	281	282	284	290	300
<b>Total staff numbers</b>	<b>281</b>	<b>282</b>	<b>284</b>	<b>290</b>	<b>300</b>

A summary of human resources expenditure categorised according to the organisational structure of Council is included below:

Department	Budget	Strategic Resource Plan Projections		
	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Advocacy and Community Services</b>				
Permanent Full time	4,471	4,627	4,789	5,149
Permanent part time	3,919	3,995	4,328	4,589
<b>Total Advocacy and Community Services</b>	<b>8,390</b>	<b>8,622</b>	<b>9,117</b>	<b>9,738</b>
<b>Governance and Corporate Performance</b>				
Permanent Full time	3,652	3,780	3,912	4,049
Permanent part time	637	660	683	707
<b>Total Governance and Corporate Performance</b>	<b>4,289</b>	<b>4,440</b>	<b>4,595</b>	<b>4,756</b>
<b>Development and Infrastructure</b>				
Permanent Full time	7,241	7,637	8,108	8,478
Permanent part time	636	658	681	810
<b>Total Development and Infrastructure</b>	<b>7,877</b>	<b>8,295</b>	<b>8,789</b>	<b>9,288</b>
<b>Executive Services</b>				
Permanent Full time	477	494	511	529
Permanent part time	-	-	-	-
<b>Total Executive Services</b>	<b>477</b>	<b>494</b>	<b>511</b>	<b>529</b>
Total Casuals and other	2,648	2,740	2,835	2,933
Capitalised Labour Costs	459	476	492	509
<b>Total staff expenditure</b>	<b>24,140</b>	<b>25,067</b>	<b>26,340</b>	<b>27,754</b>

# STRATEGIC RESOURCE PLAN 2018 – 2021.

*Mitchell Shire Council*



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

Department	Budget	Strategic Resource Plan Projections		
	2017/18 FTE	2018/19 FTE	2019/20 FTE	2020/21 FTE
<b>Governance and Corporate Performance</b>				
Permanent Full time	39.0	39.0	39.0	40.0
Permanent part time	7.1	7.1	7.1	7.1
<b>Total Governance and Corporate Performance</b>	<b>46.1</b>	<b>46.1</b>	<b>46.1</b>	<b>47.1</b>
<b>Development and Infrastructure</b>				
Permanent Full time	65.8	65.8	67.8	70.8
Permanent part time	8.7	8.7	8.7	8.7
<b>Total Development and Infrastructure</b>	<b>74.5</b>	<b>74.5</b>	<b>76.5</b>	<b>79.5</b>
<b>Executive Services</b>				
Permanent Full time	3.0	3.0	3.0	3.0
Permanent part time	-	-	-	-
<b>Total Executive Services</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Advocacy and Community Services</b>				
Permanent Full time	64.6	66.6	70.6	76.6
Permanent part time	52.9	52.9	52.9	52.9
<b>Total Advocacy and Community Services</b>	<b>117.5</b>	<b>119.5</b>	<b>123.5</b>	<b>129.5</b>
Total Casuals and other	35.7	35.7	35.7	35.7
Capitalised Labour Costs	5.2	5.2	5.2	5.2
<b>Total staff expenditure</b>	<b>281.9</b>	<b>283.9</b>	<b>289.9</b>	<b>299.9</b>

**Mitchell Shire Council**

113 High Street, Broadford 3658

Ph: (03) 5734 6200

Fax: (03) 5734 6222

Email: [mitchell@mitchellshire.vic.gov.au](mailto:mitchell@mitchellshire.vic.gov.au)

[www.mitchellshire.vic.gov.au](http://www.mitchellshire.vic.gov.au)

**MITCHELL SHIRE COUNCIL**

