Southern Grampians
SHIRE COUNCIL

Budget
2017/2018

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This Budget Report has been prepared with reference to Chartered Accountants ANZ "Victorian City Council Model Budget 2017/2018" a best practice guide for reporting local government budgets in Victoria.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Mayor's introduction

On behalf of your elected Council it gives me great pleasure to present this, our first budget to the community of Southern Grampians Shire. During late 2016 and early 2017 following the Council election, your elected members have worked to develop an aspirational whilst deliverable Council Plan 2017-21 that has informed the development of the Strategic Resource Plan 2017-21 and in turn this 2017/18 Annual Budget.

During the Council Plan and Budget engagement with communities we have determined a vision - *That Southern Grampians Shire will be recognised as a well-connected, dynamic Regional Centre, supporting a vibrant, healthy and inclusive community.* This vision guides us as Council in our priorities and the Council Plan 2017-21 and the 2017/18 Budget will assist us to deliver on these priorities

Council continues to revise the Strategic Resource Plan, to review all costings and actively explore opportunities to find efficiencies and savings internally and externally along with external sources of revenue. The service planning process has assisted in providing further clarification about current services and levels with an informed view to consult with our communities about appropriateness and level of service along with costs associated with each of our 70 services.

Council is focussed on delivering quality services for the community whilst being conscious of the longer term impacts. Council also understands that the community has high expectations and it is important that Council continues to identify efficiencies and reviews all activities against community identified priorities.

In July 2016 Council commissioned a Waste Services Financial Review with options considered to reduce the costs of operations. The review indicated that Council, with its current "business as usual" model, would cost Council $8.9M over 10 years out of General Rates (after the service charge). This was considered by Council and it was resolved to head towards a cost recovery model for waste services so that users pay rather than through the General Rates. It is projected that these changes will save Council around $4.5M over 10 years. We are working towards the service being delivered on a cost neutral (revenue covers expenses) basis.

Key changes include:

- ✓ Hamilton recycling collection is moving from a weekly 120 litre recycle bin to a 240 litre fortnightly collection
- ✓ Outer Hamilton/Tarrington/Branxholme – Currently an optional service moving to a mandatory service
- ✓ Organic waste (green bin) will still be optional in the Hamilton/outer Hamilton and Tarrington areas.
- ✓ Shelving the Hamilton-based landfill in favour of the implementation of a waste transfer station at Hamilton. Waste will be transferred to another site (yet to be determined).
- ✓ Bins being collected on the same day eg Waste/Recycling Week 1 and Waste/Organics the following week but on the same day.

The proposed budget includes a number of key initiatives to deliver on the Council Plan 2017-21:

- ✓ Rolling out phases 0 and 1 of the digital strategy aligned with Telstra `Smart Communities' work
- ✓ Commencing the development and release of new industrial land in Hamilton
- ✓ Implementing the communication strategy ensuring effective engagement with our communities
- ✓ Aligning the organisation to develop and deliver excellence in customer service
- ✓ Increasing our advocacy to focus, promote and invest into Council's goals and priorities
- ✓ Scoping and feasibility for the Hamilton Art Gallery

The total Capital Works program will be $42.394 million with significant investment in roads, bridges, footpaths and associated infrastructure and flood recovery works. This is a significant increase on historic programs due to the floods impact of $20.547 million. This is achieved through the State Government Rate Cap of 2% and proposed new borrowings of $2 million along with significant support from Federal and State Governments towards Flood Recovery.

On behalf of your elected representatives, I commend this 2017/18 Annual Budget to the community and look forward on delivering and reporting back to the community in 12 months on our achievements and successes.

Cr Mary-Ann Brown
Mayor

Executive Summary

Council has prepared a Budget for 2017/18 which is aligned to the vision in the Council Plan 2017-21. It seeks to maintain and improve services and infrastructure as well as deliver projects and services that are valued by our community, and do this within the rate increase mandated by the State Government.

This Budget projects a surplus of $21.858m for 2017/18, however, it should be noted that the adjusted underlying result is a deficit of $2.098m after adjusting for capital grants and contributions.

Key things we are funding

Theme 1: Support our Community

A vibrant, growing community that is healthy, inclusive and connected

Major Initiatives
1) Develop and implement customer-focussed organisation with new Community Relations team
2) Undertake strategic review and Masterplan for premier recreation facilities including Pedrina Park
3) Based upon community engagement and feedback address service delivery challenges with Outdoor Aquatic Facilities
4) Through Service Reviews ensure appropriate facilities are available for the type and level of service provided
5) Deliver the scoping study for the Hamilton Art Gallery

Minor Initiatives
6) Through Service Reviews ensure appropriate levels of service to seniors, disabled and the vulnerable within our communities
7) Through internal review determine and deliver appropriate levels of service to our open spaces, formal parks and gardens
8) Working with local communities develop their capacity to deliver their Community Plans

Theme 2: Develop our Regional Economy and Businesses

A strong, diversified local and regional economy

Major Initiatives
9) Develop further potential markets and promote investor and business utilisation of the Land Capability Study
10) Deliver the release of the serviced industrial land
11) Work with State and Federal Governments to support the local economy following the impending closure of Iluka Mineral Sands processing in Hamilton
12) Continue to focus and support opportunities to diversify and enhance agricultural industries within the Shire

Minor Initiatives
13) Complete stage three of the Livestock Exchange redevelopment project
14) Deliver Phases 0 & 1 of the Digital Strategy aligned with Smart Communities project
15) Work with Intermodal Hub operator to identify rail freight options

Theme 3: Plan for our Built Environment

Provide access to infrastructure that meets community needs

Major Initiatives
16) Deliver Year 1 of the Flood Impact repairs and reinstatement
17) Deliver the roads and Community infrastructure program
18) Implement design stage of Lonsdale Street Structure Plan

Minor Initiatives
19) Develop and enhance the customer focus of Council Services commencing with Regulatory Services
20) Further develop and advocate the Hamilton CBD Revitalisation project

Theme 4: Promote our Natural Environment

Promote a culture that supports a clean, green and sustainable environment

Major Initiatives

21) Prioritise and implement key actions from Climate Change Mitigation & Adaptation Study
22) Deliver the Waste & Resource Recovery Strategy as adopted by Council including landfill, transfer stations and collection initiatives

Minor Initiatives

23) Identify and assign responsibilities to appropriate external Agencies for non-statutory services
24) Actively participate in the Barwon South West Resource Recovery Group to leverage funding and project opportunities in waste
25) Further develop effective environmental processes that support Council Policy

Theme 5: Provide Governance and Leadership

Strong leadership, good governance and effective service delivery

Major Initiatives

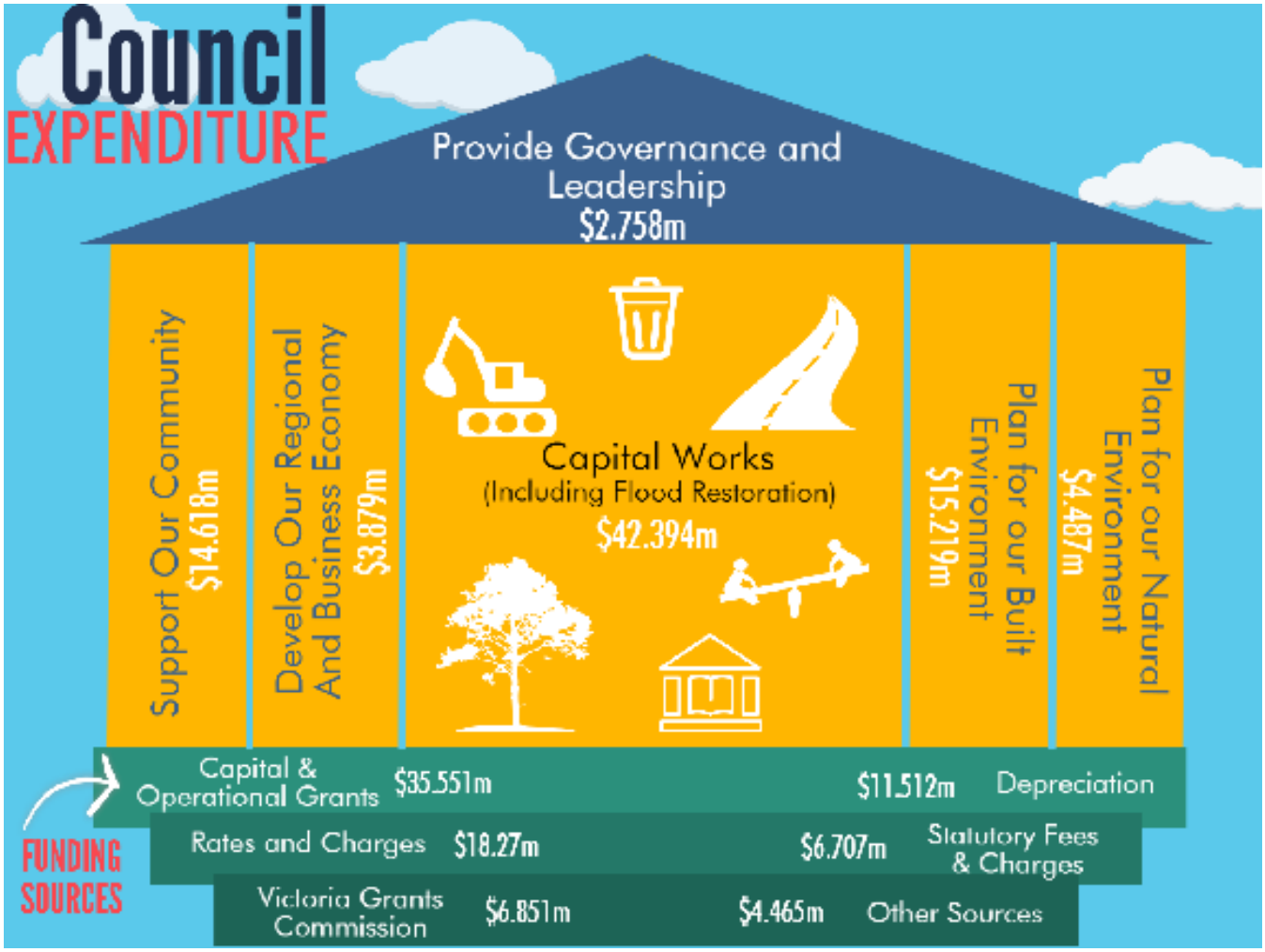
26) Implement Year 1 of the Council Plan 2017 – 21
27) Renew Council's Advocacy Priorities program to implement across 2017-21
28) Provide the environment, appropriate systems and processes to enhance the Customer Experience dealing with Council

Minor Initiatives

29) Finalise and implement the Communications Strategy which guides Council's communication efforts
30) Complete the second and third stages of service reviews in accordance with the revised Service Planning Framework

What money is spent on the service areas?

Council Expenditure and Sources of Revenue



Budget influences

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

External influences

In preparing the 2017/18 Budget, a number of external influences have been taken into consideration because they are likely to impact significantly on the services delivered by Council in the budget period. These include:

- The need to renegotiate Enterprise Bargaining Agreements ("EBA") every 3 years.
- The increased demand for Council services and the need to review all services to ensure they are responsive, appropriate and efficient.
- Static funding from Victoria Grants Commission over the past 3 years which has eroded the index base and resulted in a loss of over $1m. A conservative increase of 2% has been assumed in this budget.
- Roads to Recovery IV funding from 2014–2019 - $13m over the program life– the Funding allocations have varied from $4.2m to $1.4m each year making programing of works and resources problematic, however this has substantially helped Council to achieve higher renewal rates for infrastructure assets.
- Continuing escalation of utility costs essential for carrying out services (water, power, communications and insurances).
- Stagnation or reduction of government grants for services such as Home & Community Care, Libraries and Maternal & Child Health.
- The continuation of rate-capping by the State Government – set at 2.0% for 2017/18,
- The increased costs across the organisation of meeting compliance standards set by other levels of government.

Internal influences

As well as external influences, there are also a number of internal influences which are expected to have a significant impact on the preparation of the 2017/18 Budget.

- Continuing increases in the demand and associated costs to improve waste management service levels (Landfills, Transfer Stations and Refuse/Recycling collections) along with imposition of strict guidelines from government in regard to management practices.
- The need for improved asset management practices to ensure efficient and effective use of Council's physical resources.
- Continuing escalation of costs in relation to the maintenance and renewal of Council's ageing infrastructure assets.
- The need for more detailed planning of major developments to ensure optimum long term asset longevity.

In an effort to reduce the impact of these matters, Council has embarked on a service delivery realignment to ensure resources align with the services provided and compliment the direction of the newly created Council Plan.

Exceptional Events

During September 2016 the Shire experienced storm related flooding and damage in several communities. The result has been damage to privately owned assets, Community/Crown assets and Council assets.

Council assets include such classes as roads, kerbs, bridges, footpaths/walking tracks, buildings, sporting facilities and playgrounds.

Funding assistance has been committed from both Federal and State Governments, however the exact magnitude of both the revenue and expenses (as well as asset damage) is difficult to estimate. Council has made every effort to estimate these amounts and prepare the Budget with this information.

Budget Reports

The following reports include all statutory disclosures of information and are supported by the analysis contained in sections 8 to 15 of this report.

This section includes the following reports and statements in accordance with the Local Government Act 1989 and the Local Government Model Financial Report.

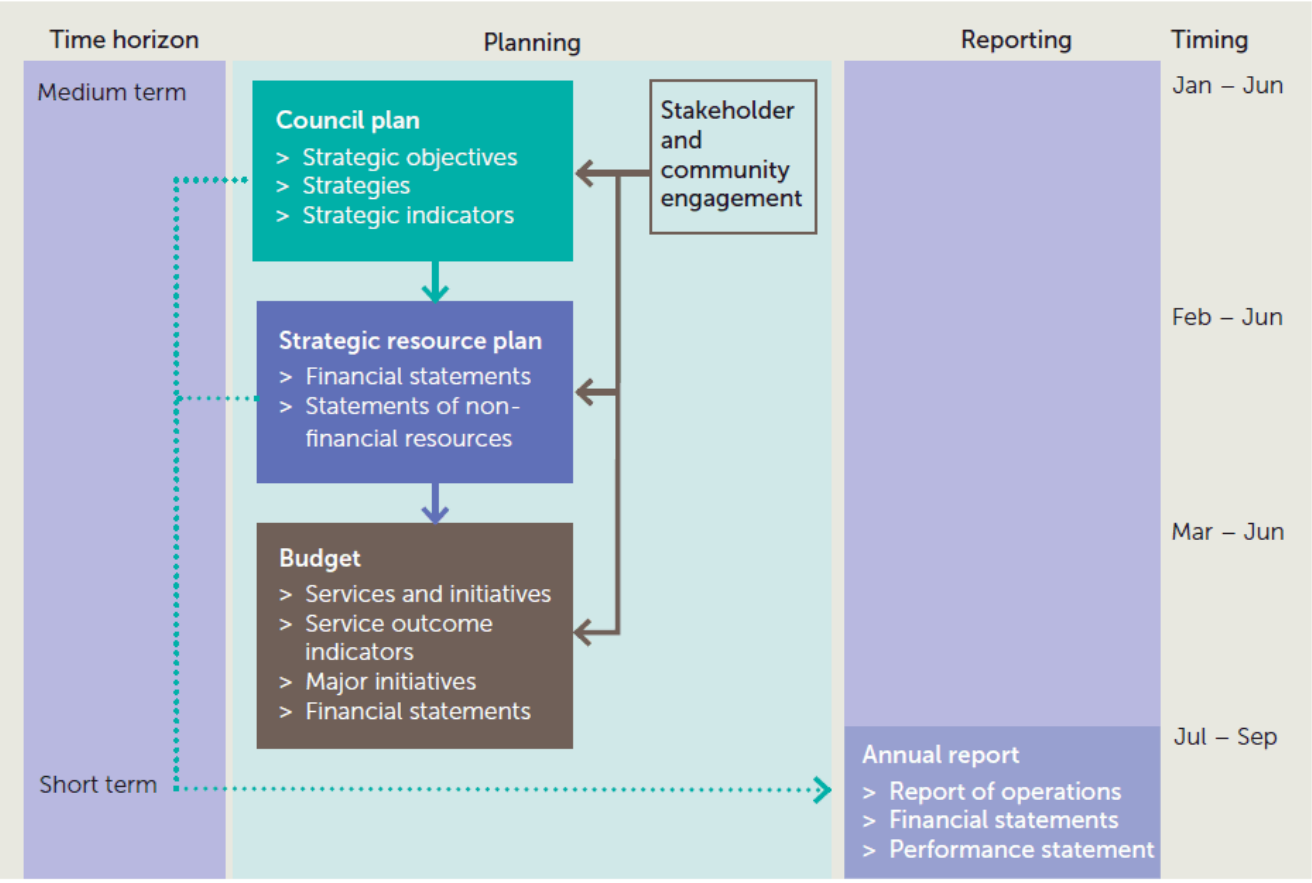
1. Links to Council Plan
2. Services and service indicators
3. Financial statements
4. Financial performance indicators
5. Grants and borrowings
6. Detailed list of capital works
7. Rates and charges

1. Linkage to the Council Plan

This section describes how the Annual Budget links to the achievement of the Council Plan within an overall planning and reporting framework. This framework guides the Council in identifying community needs and aspirations over the long term (Vision 2030), medium term (Council Plan) and short term (Annual Budget) and then holding itself accountable (Annual Report).

1.1 Planning and accountability framework

The Strategic Resource Plan, part of and prepared in conjunction with the Council Plan, is a rolling four year plan that outlines 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 Strategic Resource Plan, taking into account the services and initiatives which contribute to achieving the strategic objectives specified in the Council Plan. The diagram below depicts the planning and accountability framework that applies to local government in Victoria.



Source: Department of Environment, Land, Water and Planning (formerly Department of Transport, Planning and Local Infrastructure)

The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The Council Plan, including the Strategic Resource Plan, is required to be completed by 30 June following a general election and is reviewed each year in advance of the commencement of the Annual Budget process.

1.2 Our Vision & Values

Our Vision

'That Southern Grampians Shire will be recognised as a well-connected, dynamic Regional Centre, supporting a vibrant, healthy and inclusive community'

To achieve this vision, we have developed five fundamental priority areas and these themes will guide the development and implementation of Council's objectives and strategies.

Our Values

Southern Grampians has a clear strength in the bond and affinity between its Councillors, the community and staff. Staff support the community leadership and governance role of Councillors, and work together to achieve the commitments of the Council Plan.

Having all Southern Grampians staff and Councillors practise the following organisational values, which were identified by staff and Councillors as being of the highest importance, will enhance the quality of this partnership.

- Innovative: we will be open to new ideas, will welcome creativity and embrace change
- Respectful: we will be caring, accept difference and value diversity
- Collaborative: together we will work smarter to achieve agreed common goals
- Trusting: we will be open, honest and brave
- Empowering: we will delegate opportunities and develop and inspire success

1.3 Themes and Strategic objectives

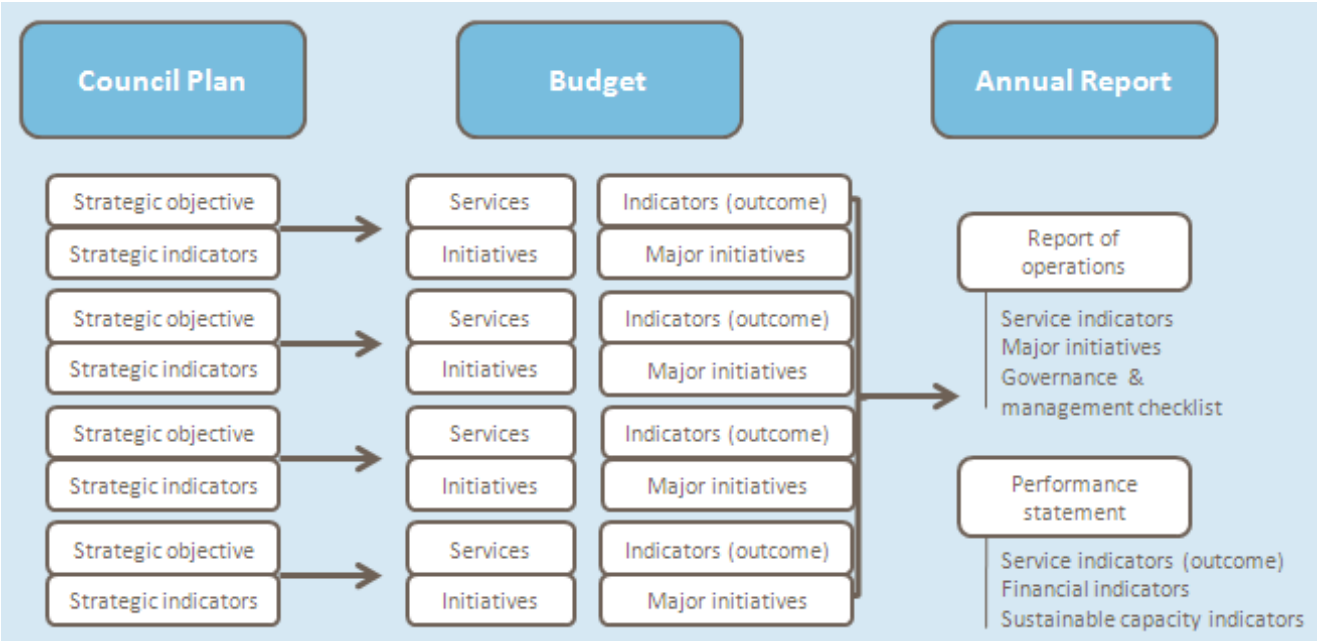
Council delivers services and initiatives under 70 service categories. Each service contributes to the achievement of the Strategic Objectives as set out in the Council Plan for the years 2017- 21.

The following table lists the five Themes and Strategic Objectives as described in the Council Plan.

Theme	Strategic Objectives
1. Support our Community	1.1 An empowered and resilient community 1.2 A healthy and vibrant community 1.3 A growing, diverse and inclusive community 1.4 A safe community
2. Develop our Regional Economy and Businesses	2.1 Attract, support and encourage industries that propel economic growth throughout the Shire 2.2 Increase the profile of Greater Hamilton regionally and globally 2.3 Continue to support the development of a skilled workforce and sustainable businesses in all towns in the Shire 2.4 Support, encourage and promote a strong, innovative and distinctive tourism sector that grows the visitor economy
3. Plan for our Built Environment	3.1 Plan and provide for sustainable assets and infrastructure 3.2 Plan, advocate and provide for safe and well maintained transport routes and infrastructure 3.3 Develop and maintain attractive and vibrant Council owned and managed open spaces and streetscapes 3.4 Encourage and support infrastructure for social inclusion and economic growth
4. Promote our Natural Environment	4.1 Promote and support improved biodiversity and the health of waterways, wetlands, soil and air 4.2 Balance environmental protection with Council's support for growth 4.3 Promote and provide sustainable waste management services 4.4 Develop and implement climate change adaptation strategies to prepare for climate change, especially extreme weather events
5. Provide Governance and Leadership	5.1 Provide transparent and responsible governance 5.2 Deliver effective advocacy 5.3 Create an environment that supports committed and skilled staff 5.4 Deliver efficient and customer focused services

2. Services and service performance indicators

This section provides a description of the services and initiatives to be funded in the budget for the 2017/18 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan. It also describes a number of major initiatives and service performance outcome indicators for key areas of Council's operations. Council is required by legislation to identify major initiatives, initiatives and service performance outcome indicators in the budget and report against them in their Annual Report to support transparency and accountability. The relationship between these accountability requirements in the Council Plan, the Budget and the Annual Report is shown below.



Source: Department of Environment, Land, Water and Planning (formerly Transport, Planning and Local Infrastructure)

2.1 Council Plan Theme 1: Support our community – a vibrant, growing community that is healthy, inclusive and connected

To support our community to be vibrant, growing, healthy, inclusive and connected, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services.

To achieve this we have set the following Strategic Objectives:

1.1 An empowered and resilient community
1.2 A healthy and vibrant community
1.3 A growing, diverse and inclusive community
1.4 A safe community

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

Service area	Description of services provided	Expenditure (Revenue) Net Cost $'000
Aged and Disability Services Coordination	This service provides a range of Home and Community Care services for the aged and disabled including assessment, personal care, domestic assistance and respite care and coordinates delivered meals, community transport, property maintenance and senior citizens programs.	2,538 (2,404) 134
Senior Citizen Programs and Support	This service offers opportunities for older residents to participate in community and social activities across the Shire.	110 (49) 61
Community Services Management	This service provides management support to coordinate whole of organisation approach to service delivery across community and leisure portfolio, particularly in relation to delivering the Municipal Health and Wellbeing Plan.	331 (10) 321
Community Planning Engagement and Support	This service coordinates Council's approach to community planning and citizen engagement, including skill development and capacity building for Councillors and community.	408 (38) 370
Rural Access	This service aims to build inclusive communities by mobilising, strengthening and providing support to communities.	67 (67) (0)
Children's Services	This service provides quality education and care services ie. Family Day Care and promotes the early years sector.	785 (607) 178
Recreation Development and Support	This service is responsible for the management and planning of recreational opportunities in conjunction with the community, using community development processes.	288 0 288
Sports Reserves	This service directly manages or provides operational assistance for 16 recreational reserves across the Shire to support both active and passive participation in sports and recreation.	729 (26) 704
Lake Hamilton	This service provides a safe, functional, accessible and useable space for leisure and recreational activities, on water and surrounding open space.	273 (1) 272
Aquatic Facilities	This service provides a geographic spread of aquatic facilities that deliver recreation, health, wellbeing, education, social and tourism/economic opportunities to our communities.	669 (47) 622
Hamilton Indoor Leisure & Aquatic Centre	This service provides accessible leisure and aquatic experiences that facilitates and promotes wellbeing outcomes.	2,639 (1,332) 1,307
Art Gallery	This service supports tourism promotion and community engagement with the arts, and acts as custodian of one of the most valuable collections in regional Australia.	690 (130) 560

Service area	Description of services provided	Expenditure (Revenue) Net Cost $'000
Performing Arts Centre	This service provides promotion and support of performing arts, encouraging both appreciation and participation. Also offers a conference and event venue for both the business and community sectors.	585 (258) 326
Library	This service aims to be an effective and dynamic library service inspiring and connecting our community by providing diverse, accessible and creative collections, programs, spaces and experiences.	564 (196) 368
Cinema	This service provides the community with a high quality cinema experience.	385 (332) 53
Civic & Community Arts	This service aims to increase visibility and activity of arts and culture in the community through a range of community programs or projects.	135 0 135
Parks and Urban Spaces	This service provides and maintains appropriate parks and urban space areas across the Shire to support inclusive recreation activities for the whole community.	620 0 620
Community Transport	This service provides a safe transport option for clients who otherwise would not have access to transport to encourage social inclusion and to remain independent in the community.	000 0 000
Local Laws Operations	This service implements and enforces the Community Local Law No.1 (2015), provides parking control, coordinates domestic animal management including the operation of Council owned pound facility, and supports the provision of law and order in the community.	394 (321) (73)
Maternal & Child Health	This service provides a primary health care service for the Shire's families with children from birth to school age.	290 (212) 77
Delivered Meals Services	This service provides delivered meals to eligible residents to support residents to live independently in their homes.	000 0 000
Property Maintenance	This service provides support to eligible clients to maintain a safe, habitable and healthy home environment by providing repairs and modifications.	000 0 000
Emergency Management	This service coordinates emergency management planning to enable Council to coordinate and respond to emergencies in cooperation with other agencies.	1818 (704) 1114
Botanic Gardens	This service maintains the historically significant Botanic Gardens in Hamilton (& Penshurst) and provides responsible management of flora, open spaces and built facilities on the grounds.	298 (182) 117

Major Initiatives

1) Develop and implement customer-focussed organisation with new Community Relations team
2) Undertake strategic review and masterplan for premier recreation facilities including Pedrina Park
3) Based upon community engagement and feedback address service delivery challenges with Outdoor Aquatic Facilities
4) Through Service Reviews ensure appropriate facilities are available for the type and level of service provided
5) Deliver the scoping study for the Hamilton Art Gallery

Minor Initiatives

6) Through Service Reviews ensure appropriate levels of service to seniors, disabled and the vulnerable within our communities
7) Through internal review determine and deliver appropriate levels of service to our open spaces, formal parks and gardens
8) Working with local communities develop their capacity to deliver their Community Plans

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Home and Community Care	Participation	Participation in HACC service (Percentage of the municipal target population who receive a HACC service)	[Number of people that received a HACC service / Municipal target population for HACC services] x100
		Participation in HACC service by CALD people (Percentage of the municipal target population in relation to CALD people who receive a HACC service)	[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100
Maternal and Child Health	Participation	Participation in the MCH service (Percentage of children enrolled who participate in the MCH service)	[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100
		Participation in MCH service by Aboriginal children (Percentage of Aboriginal children enrolled who participate in the MCH service)	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the 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
Aquatic Facilities	Utilisation	Utilisation of aquatic facilities (Number of visits to aquatic facilities per head of municipal population)	Number of visits to aquatic facilities / Municipal population
Animal Management	Health and safety	Animal management prosecutions (Number of successful animal management prosecutions)	Number of successful animal management prosecutions

2.2 Council Plan Theme 2: Develop our regional economy and businesses - a strong, diversified local and regional economy

To develop our regional economy and businesses and achieve a strong, diversified local and regional economy.

We have set the following Strategic Objectives:

2.1 Attract, support and encourage industries that propel economic growth throughout the Shire
2.2 Increase the profile of Greater Hamilton regionally and globally
2.3 Continue to support the development of a skilled workforce and sustainable businesses in all towns in the Shire
2.4 Support, encourage and promote a strong, innovative and distinctive tourism sector that grows the visitor economy

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

Service area	Description of services provided	Expenditure (Revenue) Net Cost $'000
Economic Development	This service seeks, in conjunction with key stakeholders, to promote an environment that is conducive to a sustainable and growing local economy.	525 (17) 508
Airport	This service is responsible for the management and operation of the Hamilton Airport.	1010 (25) 985
Livestock Exchange	This service is responsible for the management and operation of the Hamilton Livestock Exchange.	1274 (1,433) (159)
Tourism	This service aims to increase visitation and visitor yield and increase the quality of visitor experiences in the Shire.	304 (0) 304
Visitor Services	This service aims to connect the visitor to the Greater Hamilton experience, encouraging them to stay longer and contribute more to the local economy.	379 (20) 359
Business Development	The business development service seeks to facilitate an environment that is conducive to a sustainable and growing local business sector.	109 0 109
Events Support	This services purpose is to increase visitation and visitor yield and increase quality visitor experiences through the support and marketing of events within the Shire.	234 (6) 228
Caravan Parks	This service provides low cost camping and caravan park accommodation facilities in Coleraine and Penshurst.	44 (8) 36
Land Development	This service provides management of Council owned land to promote economic and industrial development and may also secure industrial land for potential development.	0 (0) 000

Major Initiatives

9) Develop further potential markets and promote investor and business utilisation of the Land Capability Study
10) Deliver the release of the serviced industrial land
11) Work with State and Federal Governments to support the local economy following the impending closure of Iluka Mineral Sands processing in Hamilton
12) Continue to focus and support opportunities to diversify and enhance agricultural industries within the Shire

Minor Initiatives

13) Complete stage three of the Livestock Exchange redevelopment project
14) Deliver Phases 0 & 1 of the Digital Strategy aligned with Smart Communities project
15) Work with Intermodal Hub operator to identify rail freight options

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Economic Development	Economic activity	Change in number of businesses (Percentage change in the number of businesses with an ABN in the municipality)	[Number of businesses with an ABN in the municipality at the end of the financial year *less* the number of businesses at the start of the financial year / Number of businesses with an ABN in the municipality at the start of the financial year] x100

2.3 Council Plan Theme 3: Plan for our built environment and infrastructure – provide access to infrastructure that meets community needs

To plan for our built environment and infrastructure that is accessible and meets the needs of the community.

We have the set the following objectives:
3.1 Plan and provide for sustainable assets and infrastructure
3.2 Plan, advocate and provide for safe and well maintained transport routes and infrastructure
3.3 Develop and maintain attractive and vibrant Council owned and managed open spaces and streetscapes
3.4 Encourage and support infrastructure for social inclusion and economic growth

We will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services with the initiatives, major initiatives and service performance indicators for each business area described below.

Service areas	Description of services provided	Expenditure (Revenue) Net Cost $'000
Community Buildings	This service supports the use of community buildings, including halls and showgrounds throughout the Shire by ensuring they are maintained adequately.	285 (12) 273
Strategic Planning	This service monitors the Council's Planning Scheme as well as preparing major policy documents shaping the future of the Shire. It prepares and processes amendments to the Council Planning Scheme and carries out research on urban development issues.	930 (87) 843
Building Services	This service provides statutory building services including enforcement of the Building Act and Regulation to ensure community safety in the built environment.	330 (217) 113
Bridges & Culverts	This service ensures the development and maintenance of the Shires bridges and culverts.	581 0 581
Footpaths and Cycle Ways	This service ensures the development and maintenance of the Shires footpaths and cycle ways.	530 0 530
Facilities Management and Property Services	This service ensures Council owned buildings are maintained to acceptable standards, are fit for purpose and compliant with building regulations.	197 (59) 138
Playground and Skate Parks	This service creates social spaces for younger people and their families to recreate, and includes provision of age appropriate play activities (including skate parks) and safe playground equipment across the Shire.	19 0 19
Infrastructure Management	This service undertakes design, tendering, contract management and supervision of various works within Council's capital works program.	1,447 (0) 1,447
Statutory Planning	This service processes all planning applications, provides advice and makes decisions about development proposals which require a planning permit.	552 (141) 411
Plant Management & Operations	This service purchases and maintains Council vehicles, plant and equipment to meet functionality and safety needs and to maximise the performance and minimise operational cost of the fleet.	(79) (135) (213)
Roads	This service aims to ensure responsible management of Council's road infrastructure and compliance with regulatory requirements.	9,838 (0) 9,837
Roadside Assets	This service manages projects that include roadside parking improvements and bus shelters.	000 0 000

Service areas	Description of services provided	Expenditure (Revenue) Net Cost $'000
Public Infrastructure	This service provides community and visitors with appropriate public infrastructure to meet community needs in relation to location, safety, hygiene, quality and environmental sustainability of public toilets.	391 0 391
Private Works	This service is provided on a case by case basis for private requests for minor works that may not be readily available to the community, for example sealing driveways.	000 0 000
VicRoads Contract Management	This service ensures responsible contract management of Councils VicRoads contract.	198 (200) (2)

Major Initiatives

16) Deliver Year 1 of the Flood Impact repairs and reinstatement
17) Deliver the roads and Community infrastructure program
18) Implement design stage of Lonsdale Street Structure Plan

Minor Initiatives

19) Develop and enhance the customer focus of Council Services commencing with Regulatory Services
20) Further develop and advocate the Hamilton CBD Revitalisation project

Service Performance Outcome 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 not set aside)	[Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] 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.

2.4 Council Plan Theme 4: Promote our natural environment – promote a culture that sustains a clean, green and sustainable environment

To promote our natural environment and achieve a culture that sustains a clean, green and sustainable environment.

We have set the following objectives:

4.1 Promote and support improved biodiversity and the health of waterways, wetlands, soil and air
4.2 Balance environmental protection with Council's support for growth
4.3 Promote and provide sustainable waste management services
4.4 Develop and implement climate change adaptation strategies to prepare for climate change, especially extreme weather events

We will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services with the initiatives, major initiatives and service performance indicators for each business area described below.

Service areas	Description of services provided	Expenditure (Revenue) Net Cost $'000
Landfill	This service manages the disposal of non-recyclable waste within the Shire's Landfill site.	1,293 (732) 561
Transfer Stations	This service manages the waste and recyclables collection process at the designated transfer stations within the Shire.	450 (90) 360
Waste & Recycling Collection	This service manages the waste and recyclables collection process within the Shire, including the collection of kerbside bins.	1,470 (170) 1,300
Natural Asset Management	This service develops environmental policy, coordinates and implements environmental projects and works with other services to improve Council's environmental performance.	229 (50) 179
Stormwater / Drainage	This service manages the maintenance and environmental issues associated with the stormwater/drainage networks throughout the Shire.	373 (0) 373
Yatchaw Drainage Authority	This service is responsible for the management and maintenance of the Yatchaw Drainage Scheme.	6 (7) (1)
Quarry	This service is responsible for the sustainability in the supply of materials for road management and the realisation of returns from an economic asset.	0 (181) (181)
Environmental Sustainability	This service implements Council's Sustainability Strategy and acts as a catalyst for Council and community sustainability actions within the Shire.	183 (0) 183
Fire Prevention	This service coordinates fire prevention planning and works in cooperation with other agencies.	184 (28) 156
Water	This service manages the Old Hamilton Reservoir and provides a source of non-potable water for irrigation purposes, maintaining sporting grounds and the amenity of the Hamilton Botanic Gardens.	9 (75) (66)
Environmental Health	This service improves the health and wellbeing of the community and protects the Shire's environment.	292 (101) 191

Major Initiatives

21) Prioritise and implement key actions from Climate Change Mitigation & Adaptation Study
22) Deliver the Waste & Resource Recovery Strategy as adopted by Council including landfill, transfer stations and collection initiatives

Minor Initiatives

23) Identify and assign responsibilities to appropriate external Agencies for non-statutory services
24) Actively participate in the Barwon South West Resource Recovery Group to leverage funding and project opportunities in waste
25) Further develop effective environmental processes that support Council Policy

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Waste collection	Waste diversion	Kerbside collection waste diverted from landfill (Percentage of garbage, 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
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

2.5 Council Plan Theme 5: Provide governance and leadership – strong leadership, good governance and effective service delivery

To provide good governance and strong leadership and to achieve effective service delivery.

We have set the following objectives:
5.1 Provide transparent and responsible governance
5.2 Deliver effective advocacy
5.3 Create an environment that supports committed and skilled staff
5.4 Deliver efficient and customer focused services

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

Service area	Description of services provided	Expenditure (Revenue) Net Cost $'000
Executive and Councillor Support	This area of governance includes the Mayor, Councillors, Chief Executive Officer and Executive Management Team and associated support.	1,772 (0) 1,772
Governance Administration	This service has the responsibility to provide the organisation with appropriate strategic advice on Governance and Property related matters, enabling the organisation to be responsive to the needs of the Council and the community.	177 0 177
Financial Services	This service has the responsibility to provide the organisation with appropriate strategic advice, reporting and internal control on finance related matters. Financial services also provide accounts payable, receivable and rating administration.	(3468) (1749) (5217)
Organisational Development, Human Resources & Continuous Improvement Management	This service has the responsibility to provide the organisation with appropriate advice and administration for all human resource requirements including policy development. The Unit also aims to facilitate Council's organisational goals through effective workforce management and provide a mechanism for continual review and improvement.	600 0 600
Risk Management	This service has the responsibility to provide the organisation with appropriate advice and management of risk and OHS in relation to legal and other community requirements.	170 0 170
Procurement	This service has the responsibility to provide the organisation with appropriate advice, administration and policy on all procurement matters as specified in Section 186A of the Local Government Act 1989.	180 0 180
Communications	The Communications service assists the organisation to facilitate communication across both internal and external stakeholders, and provide high quality information to the community.	253 0 253
Customer Service	The Customer Service is the first point of contact for all communications with Council. This unit aims to provide accurate and a high quality of service to all customers.	226 0 226
Business Systems	The Business Systems unit aims to maximise the organisation's capacity to utilise all its many and diverse systems and is also responsible for the ongoing support of Councils IT requirements necessary to deliver effective services.	1,373 0 1,373
Plant Management and Operations	This service coordinates asset and financial management, maintenance and engineering services to ensure fleet plant and passenger fleet operate safely and efficiently.	0,000 0 0,000
Depot Operations and Maintenance	This service coordinates the operation of Council's depots in Hamilton, Coleraine, Balmoral, Cavendish, Dunkeld and Penshurst to support works teams to deliver capital and maintenance programs.	418 (24) 394

Service area	Description of services provided	Expenditure (Revenue) Net Cost $'000
Corporate Buildings and Overheads	This service maintains buildings and grounds of corporate buildings, supports whole of organization administration functions and coordinates centralized purchasing of corporate consumables.	1,058 0 1,058

Major Initiatives

26) Implement Year 1 of the Council Plan 2017 – 21
27) Renew Council's Advocacy Priorities program to implement 2017-21
28) Provide the environment, appropriate systems and processes to enhance the Customer Experience dealing with Council

Minor Initiatives

29) Finalise and implement the Communications Strategy which guides Council's communication efforts
30) Complete the second and third stages of service reviews in accordance with the revised Service Planning Framework

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

2.6 Performance Statement

The service performance indicators detailed in the preceding pages will be reported on in the Performance Statement which is prepared at the end of the year as required by Section 132 of the Act and included in the 2017/18 Annual Report.

The Performance Statement will also include reporting on prescribed indicators of financial performance (outlined in Section 8) and sustainable capacity, which are not included in this budget report. The prescribed performance indicators contained in the Performance Statement are audited each year by the Victorian Auditor General who issues an audit opinion on the Performance Statement.

The major initiatives detailed in the preceding pages will be reported in the Annual Report in the form of a statement of progress in the Report of Operations.

2.7 Reconciliation with budgeted operating result

	Net Cost (Revenue) $'000	Expenditure $'000	Revenue $'000
Support our Community	7,701	14,618	(6917)
Develop our Regional Economy and Businesses	2,370	3,879	(1,509)
Plan for our Built Environment	14,368	15,219	(852)
Promote our Natural Environment	3,053	4,487	(1,434)
Provide Governance and Leadership	986	2,758	(1,773)
Total services and initiatives	28,478	40,962	(12,484)
Funding sources			
Rates and charges	(18,273)		
Victoria Grants Commission	(6,851)		
Capital grants	(25,212)		
Total funding sources	(50,336)		
Surplus for the year	(21,858)		

3. Financial statements

This appendix presents information in regard to the Financial Statements and Statement of Human Resources. The budget information for the years 2017/18 to 2020/21 has been extracted from the Strategic Resource Plan.

The appendix includes the following budgeted information:

3.1 Comprehensive Income Statement
3.2 Balance Sheet
3.3 Statement of Changes in Equity
3.4 Statement of Cash Flows
3.5 Statement of Capital Works
3.6 Statement of Human Resources

3.1 Comprehensive Income Statement

Budgeted Comprehensive Income Statement

For the four years ending 30 June 2021	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Strategic Resource Plan Projections 2018/19 $'000	2019/20 $'000	2020/21 $'000
Income					
Rates and charges	18,361	**18,932**	19,345	19,768	20,200
Statutory fees and fines	564	**564**	570	575	581
User fees	6,110	**6,143**	6,389	6,644	6,910
Grants - Operating	9,729	**10,339**	9,950	10,149	10,352
Grants - Capital	11,246	**25,212**	11,304	1,797	2,649
Contributions - monetary	-	**165**	165	165	165
Contributions - non-monetary	-	**-**	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	**-**	152	104	85
Fair value adjustments for investment property	-	**-**	-	-	-
Share of net profits/(losses) of associates and joint ventures	-	**-**	-	-	-
Other income	2,116	**1,465**	1,465	1,465	1,465
Total Income	48,126	**62,820**	49,339	40,667	42,407
Expenses					
Employee costs	(16,589)	**(16,287)**	(16,778)	(17,283)	(17,803)
Materials and services	(9,846)	**(9,702)**	(10,090)	(10,494)	(10,913)
Bad and doubtful debts	-	**-**	(2)	(2)	(1)
Depreciation and amortisation	(11,057)	**(11,512)**	(9,933)	(9,933)	(9,933)
Borrowing costs	(191)	**(166)**	(235)	(211)	(286)
Other expenses	(31,810)	**(3,295)**	(3,465)	(3,665)	(4,123)
Total Expenses	(69,493)	**(40,962)**	(40,502)	(41,587)	(43,060)
Surplus/(deficit) for the year	(21,367)	**21,858**	8,837	(920)	(653)
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods:					
Net asset revaluation increment /(decrement)	-	**-**	4,014	7,284	3,676
Share of other comprehensive income of associates and joint ventures	-	**-**	-	-	-
Items that may be reclassified to surplus or deficit in future periods	-	**-**	-	-	-
Total comprehensive result	(21,367)	**21,858**	12,851	6,364	3,023

3.2 Balance Sheet

Budgeted Balance Sheet

For the four years ending 30 June 2021	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Strategic Resource Plan Projections 2018/19 $'000	2019/20 $'000	2020/21 $'000
Assets					
Current assets					
Cash and cash equivalents	18,141	**11,339**	10,834	12,094	9,515
Trade and other receivables	3,564	**3,564**	3,655	3,052	3,174
Other financial assets	-	**-**	-	-	-
Inventories	1,128	**1,128**	1,139	1,151	1,162
Non-current assets classified as held for sale	-	**-**	405	(10)	181
Other assets	-	**-**	-	-	-
Total current assets	22,833	**16,031**	16,033	16,286	14,032
Non-current assets					
Trade and other receivables	1,203	**1,179**	1,179	1,179	1,179
Investments in associates and joint ventures	-	**-**	-	-	-
Property, infrastructure, plant & equipment	304,515	**334,817**	346,780	354,904	359,511
Investment property	-	**-**	-	-	-
Intangible assets	-	**-**	-	-	-
Total non-current assets	305,718	**335,996**	347,959	356,083	360,690
Total assets	328,551	**352,027**	363,992	372,369	374,722
Liabilities					
Current liabilities					
Trade and other payables	1,670	**1,670**	1,344	1,397	1,480
Trust funds and deposits	377	**377**	381	385	388
Provisions	6,628	**6,432**	2,252	2,056	1,860
Interest-bearing loans and borrowings	417	**417**	531	763	735
Total current liabilities	9,092	**8,896**	4,508	4,601	4,463
Non-current liabilities					
Provisions	2,031	**2,227**	6,409	6,609	6,811
Interest-bearing loans and borrowings	2,227	**3,845**	3,165	4,886	4,151
Total non-current liabilities	4,258	**6,072**	9,574	11,495	10,961
Total liabilities	13,350	**14,968**	14,082	16,095	15,425
Net assets	315,201	**337,059**	349,910	356,274	359,297
Equity					
Accumulated surplus	113,971	**135,824**	144,661	143,741	143,088
Reserves	201,230	**201,235**	205,249	212,533	216,209
Total equity	315,201	**337,059**	349,910	356,274	359,297

3.3 Statement of Changes in Equity

Budgeted Statement of Changes in Equity

	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
2017/18				
Balance at beginning of the financial year	315,201	113,971	200,463	767
Surplus/(deficit) for the year	21,858	21,858	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	-	(5)	-	5
Balance at end of financial year	**337,059**	**135,824**	**200,463**	**772**
2018/19				
Balance at beginning of the financial year	337,059	135,824	200,463	772
Surplus/(deficit) for the year	8,837	8,837	-	-
Net asset revaluation increment/(decrement)	4,014	-	4,014	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**349,910**	**144,661**	**204,477**	**772**
2019/20				
Balance at beginning of the financial year	349,910	144,661	204,477	772
Surplus/(deficit) for the year	(920)	(920)	-	-
Net asset revaluation increment/(decrement)	7,284	-	7,284	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**356,274**	**143,741**	**211,761**	**772**
2020/21				
Balance at beginning of the financial year	356,274	143,741	211,761	772
Surplus/(deficit) for the year	(653)	(653)	-	-
Net asset revaluation increment/(decrement)	3,676	-	3,676	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**359,297**	**143,088**	**215,437**	**772**

3.4 Statement of Cash Flows

Budgeted Statement of Cash Flows

For the four years ending 30 June 2021	Forecast Actual 2016/17 $'000 Inflows (Outflows)	Budget 2017/18 $'000 Inflows (Outflows)	Strategic Resource Plan Projections 2018/19 $'000 Inflows (Outflows)	2019/20 $'000 Inflows (Outflows)	2020/21 $'000 Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	18,361	**18,932**	19,308	20,063	20,141
Statutory fees and fines	564	**564**	569	584	579
User fees	6,110	**6,143**	6,377	6,744	6,890
Grants - operating	9,729	**10,339**	9,931	10,301	10,322
Grants - capital	11,246	**25,212**	11,282	1,824	2,641
Contributions - monetary	-	**165**	165	165	165
Interest received	315	**326**	326	326	326
Dividends received	-	**-**	-	-	-
Trust funds and deposits taken	-	**-**	4	4	4
Other receipts	1,801	**1,139**	1,137	1,159	1,135
Net GST refund / payment	-	**-**	-	-	-
Employee costs	(16,164)	**(16,287)**	(16,956)	(17,250)	(17,752)
Materials and services	(9,658)	**(9,702)**	(10,242)	(10,727)	(10,932)
Trust funds and deposits repaid	-	**-**	-	-	-
Other payments	(3,393)	**(3,295)**	(3,470)	(3,419)	(4,078)
Net cash provided by/(used in) operating activities	18,911	**33,536**	18,430	9,773	9,440
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(13,053)	**(42,394)**	(18,894)	(10,774)	(11,396)
Proceeds from sale of property, infrastructure, plant and equipment	339	**604**	759	519	425
Payments for investments	-	**-**	-	-	-
Proceeds from investments	-	**-**	-	-	-
Loan and advances made	-	**-**	-	-	-
Repayments of loans and advances	-	**-**	-	-	-
Net cash provided by/(used in) investing activities	(12,714)	**(41,790)**	(18,134)	(10,255)	(10,970)
Cash flows from financing activities					
Finance costs	(191)	**(166)**	(235)	(211)	(286)
Proceeds from borrowings	-	**2,000**	-	2,500	-
Repayment of borrowings	(357)	**(382)**	(566)	(547)	(763)
Net cash provided by/(used in) financing activities	(548)	**1,452**	(801)	1,742	(1,049)
Net increase/(decrease) in cash & cash equivalents	5,649	**(6,802)**	(505)	1,260	(2,579)
Cash and cash equivalents at the beginning of the financial year	12,492	**18,141**	11,339	10,834	12,094
Cash and cash equivalents at the end of the financial year	18,141	**11,339**	10,834	12,094	9,515

3.5 Statement of Capital works

Budgeted Capital Works Statement

For the four years ending 30 June 2021	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Strategic Resource Plan Projections 2018/19 $'000	2019/20 $'000	2020/21 $'000
Property					
Land	**-**	**-**	-	-	-
Land improvements	**50**	**2,500**	507	-	-
Total land	**50**	**2,500**	**507**	-	-
Buildings	**390**	**1,105**	2,086	2,703	2,656
Heritage buildings	**-**	**-**			
Building improvements	**118**	**235**	-	-	-
Leasehold improvements					
Total buildings	**508**	**1,340**	2,086	2,703	2,656
Total property	**558**	**3,840**	**2,593**	**2,703**	**2,656**
Plant and equipment					
Heritage plant and equipment					
Plant, machinery and equipment	**1,533**	**1,971**	634	740	1,060
Fixtures, fittings and furniture	**187**	**120**	412	101	179
Computers and telecommunications	**393**	**547**	-	-	-
Library books	**54**	**70**	61	62	64
Total plant and equipment	**2,167**	**2,708**	1,107	903	1,304
Infrastructure					
Roads	**4,502**	**18,690**	9,078	3,042	3,301
Bridges	**270**	**5,010**	1,827	89	98
Footpaths and cycleways	**37**	**1,243**	136	88	104
Drainage	**109**	**339**	169	21	24
Recreational, leisure and community facilities	**278**	**2,104**	100	214	162
Waste management	**1,541**	**2,700**	304	-	-
Parks, open space and streetscapes	**52**	**2,990**	2,296	2,974	3,232
Aerodromes	**159**	**50**	4	9	16
Off street car parks	**401**	**-**	8	6	5
Other infrastructure	**2,978**	**2,720**	1,271	726	493
Total infrastructure	**10,327**	**35,846**	15,194	7,168	7,436
Total capital works expenditure	13,052	**42,394**	18,894	10,774	11,396
Represented by:					
New asset expenditure	1,247	**4,330**	811	2,604	3,104
Asset renewal expenditure	8,841	**33,528**	15,787	6,759	7,307
Asset expansion expenditure	240	**130**	-	-	-
Asset upgrade expenditure	2,724	**4,406**	2,296	1,411	985
Total capital works	13,052	**42,394**	18,894	10,774	11,396

3.6 Statement of Human Resources

	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Strategic Resource Plan Projections 2018/19 $'000	2019/20 $'000	2020/21 $'000
Staff Expenditure					
Employee Costs – Operating	16,589	16,287	16,778	17,283	17,803
Employee Costs – Capital	859	1,364	1,362	1,403	1,445
Total Staff Expenditure	17,448	17,651	18,140	18,686	19,248
Staff Numbers	FTE	FTE	FTE	FTE	FTE
Employees	222	222	220	219	218

4. 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 interpreted in the context of the organisation's objectives.

Indicator	Measure	Notes	Forecast Actual 2016/17	Budget 2017/18	Strategic Resource Plan Projections 2018/19	2019/20	2020/21	Trend +/o/-
Operating position								
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	-44.4%	34.8%	18%	-2.3%	-1.5%	+
Liquidity								
Working Capital	Current assets / current liabilities	2	251.1%	180.2%	355.7%	354.0%	314.4%	+
Unrestricted cash	Unrestricted cash / current liabilities		186.9%	110.3%	206.4%	229.5%	178.7%	o
Obligations								
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	14.4%	22.5%	19.1%	28.6%	24.2%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		3.0%	2.9%	4.1%	3.8%	5.2%	+
Indebtedness	Non-current liabilities / own source revenue		-335.0%	22.4%	34.3%	40.3%	37.5%	o
Asset renewal	Asset renewal expenses / Asset depreciation	4	121.6%	291.2%	158.9%	68.0%	73.6%	-
Stability								
Rates concentration	Rate revenue / adjusted underlying revenue	5	152.4%	48.7%	47.9%	51.1%	51.0%	o
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.5%	0.6%	0.6%	0.6%	0.6%	+
Efficiency								
Expenditure level	Total expenses/ no. of property assessments		$3,767	$3,757	$3,715	$3,815	$3,950	+
Revenue level	Residential rate revenue / No. of residential property assessments		$945	$964	$983	$1,003	$1,023	+
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year		10%	9%	9%	9%	9%	o

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

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. Improvement in financial performance expected over the period, although continued losses means reliance on Council's cash reserves or increased debt to maintain services.

2 Working Capital – The proportion of current liabilities represented by current assets. Working capital is forecast to decrease in 2017/18 after a high level in 2016/17. This decrease is to fund the capital program. The trend in later years is to remain steady at a higher than an acceptable level.

Southern Grampians result demonstrates that it is well capable of meeting its commitments with a ratio of 180.2% compared to an industry standard of 110%.

3 Debt compared to rates - Trend indicates Council's balancing debt against its annual rate revenue as a planned lever to allow additional capital investment whilst maintaining a conservative percentage of borrowing. Currently, Council debt is only 14.4% of rate revenue which is well below the prudential level of 80%.

4 Asset renewal - This percentage indicates the extent of Council's renewal of assets 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.

Generally, Council has been achieving around 80% of its renewal target, however some of the renewal gap is absorbed into asset upgrade and expansion works. Council is also reviewing its asset portfolio to reveal any assets that are not required to be renewed which are inflating the required renewal target and incurring depreciation charges.

The highly inflated percentages in 2016/17, 2017/18 and 2018/19 relate to flood reinstatement works which have been classified as renewal, however these works will only return the asset to its previous state. This indicator is not accurate for these years.

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.

Further Information can be obtained from Section 7.3 of Council's Strategic Resource Plan.

5. Other Budget Information (required by regulations)

This section presents other budget related information required by the Regulations.

This section includes the following statements and report:

5.1 Grants Operating
5.2 Grants Capital
5.3 Statement of Borrowings

5.1 Grants Operating ($0.610 million increase)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

Operating Grants	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Recurrent - Commonwealth Government			
Victoria Grants Commission	6,716	6,851	135
Diesel Fuel Rebate	117	130	13
Children's Services	263	280	17
Aged and Disabled	110	873	763
Recurrent - State Government			
Aged and Disabled	1,215	473	(742)
Art Gallery	110	110	0
Children's Services	49	55	6
Community Transport	3	4	1
Economic Development	15	15	0
Environmental & Sustainability	138	50	(88)
Fire Prevention	41	68	27
Immunisations	19	19	0
Libraries	177	163	(14)
Maternal and child health	206	207	1
Performing Arts Centre	80	80	0
Rural Access	67	67	0
School crossing supervisors	24	24	0
Total recurrent grants	9,350	9,469	119
Non-recurrent - Commonwealth Government			
Community Services	17	0	(17)
Non-recurrent - State Government			
Art Gallery	12	6	(6)
Flood Recovery	0	704	704
Statutory Planning	0	25	25
Strategic Planning	275	87	(188)
Youth	75	48	(27)
Total non-recurrent operating grants	379	870	491
Total operating grants	9,729	10,339	610

5.2 Grants - capital ($13.966 million increase)

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Section 6 "Analysis of Capital Budget" includes a more detailed analysis of the grants and contributions expected to be received during the 2017/18 year. A list of capital grants by type and source, classified into recurrent and non-recurrent, is included below.

Capital Grants	Forecast Actual 2015/16 $'000	Budget 2016/17 $'000	Variance $'000
Recurrent - Commonwealth Government			
Roads to recovery	3,590	1,421	(2,169)
Recurrent - State Government	0	0	0
Total recurrent capital grants	3,590	1,421	(2,169)
Non-recurrent - Commonwealth Government			
Flood Recovery	-	1,646	1,646
Livestock Exchange	1,197	800	(397)
Leisure Services	45	-	(45)
Non-recurrent - State Government			
Airport	965	25	(940)
Art Gallery & Museums	-	100	100
Blackspot Funding	859	-	(859)
Economic Development	-	300	300
Flood Recovery	4,060	17,716	13,656
Land Development	500	1,250	750
Leisure Services	-	133	133
Libraries	-	121	121
Street Beautification	-	1,700	1,700
Transfer Stations	30	-	(30)
Total non-recurrent capital grants	7,656	23,791	16,135
Total capital grants	11,246	25,212	13,966

5.3 Statement of borrowings

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

	2016/17 $	2017/18 $
Total amount borrowed as at 30 June of the prior year	3,001	2,644
Total amount to be borrowed	0	2,000
Total amount projected to be redeemed	357	382
Total amount proposed to be borrowed as at 30 June	2,644	4,262

6. Detailed list of Capital Works

This section presents a listing of the capital works projects that will be undertaken for the 2017/18 year.

The capital works projects are grouped by class and include New works for 2017/18 and Works carried forward or continuing from the 2016/17 year.

Project Description	Continuing/ Carry Forward	New Project	Renewal	Upgrade	New	Expansion	Grant	Sales	Contribution	Council Cash/ Borrowing
Property										
Land Improvements										
Industrial Estate Development	2,500,000				2,500,000		1,250,000			1,250,000
Total Land Improvements	2,500,000	-	-	-	2,500,000	-	1,250,000	-	-	1,250,000
Buildings										
HILAC Roof Replacement	191,000		191,000							191,000
HILAC Floor Renewal	35,000		35,000							35,000
Art Gallery Hamilton - Minor works	35,000			35,000						35,000
Reinstate Flood Damaged Buildings		632,000	632,000				632,000			-
Toilet at Branxholme as per Strategy		170,000			170,000					170,000
Dunkeld Visitor Centre Window Replacement		20,000	20,000							20,000
Domestic Animal Pound - Cat Housing		16,000		16,000						16,000
Domestic Animal Pound - Roof		6,000		6,000						6,000
Total Buildings	261,000	844,000	878,000	57,000	170,000	-	632,000	-	-	473,000
Building Improvements										
Library Redevelopment		161,376	121,032	40,344			121,032			40,344
PV solar at Hamilton Depot		50,000			50,000					50,000
Domestic Animal Pound - Exercise Yards		12,000		12,000						12,000
Power Factor Correction Equipment		12,000			12,000					12,000
Total Building Improvements	-	235,376	121,032	52,344	62,000	-	121,032	-	-	114,344
Total Property	2,761,000	1,079,376	999,032	109,344	2,732,000	-	2,003,032	-	-	1,837,344

Project Description	Continuing/ Carry Forward	New Project	Renewal	Upgrade	New	Expansion	Grant	Sales	Contribution	Council Cash/ Borrowing
Plant and Equipment										
Plant, Machinery and Equipment										
Construction Fleet Renewal		1,280,200	1,280,200					356,300		923,900
Light Fleet Replacement		469,000	469,000					248,000		221,000
Replace/repair flood damaged equipment		80,000	80,000				80,000			-
Electronic Fuel Management System		70,000			70,000					70,000
Pedrina Park Pump Replacement		25,000	25,000							25,000
Scissor Hoist		24,000			24,000					24,000
Tyre Fitting & Balancer		22,500			22,500					22,500
Total Plant Machinery and Equipment	-	1,970,700	1,854,200	-	116,500	-	80,000	604,300	-	1,286,400
Fixtures, Fittings and Furniture										
Kitchen Refurbishment at PAC	30,000		30,000							30,000
Market Place Reception renewal		45,000	45,000							45,000
Mechanics Workshop Office Refurbishment		30,000	15,000	15,000						30,000
Roof Access Ladder at Market Place		15,000		15,000						15,000
Total Fixtures, Fittings and Furniture	30,000	90,000	90,000	30,000	-	-	-	-	-	120,000
Computers and Telecommunications										
Renewal of ICT Equipment	39,000		39,000							39,000
Uninteruptable Power Supplies	30,000		-			30,000				30,000
PAC Box Office Software	10,000		-		10,000					10,000
Digital Ecosystem		400,000	-		400,000		300,000			100,000
Conference Room IT Renewal		30,000	15,000		15,000					30,000
Infringement Issuing Module		10,000	10,000							10,000
Integrated Print Solution at Library		9,600	-		9,600					9,600
Mobile Device Management System		8,000	8,000							8,000
Cinema POS System		4,000	4,000							4,000
Swim School Technology Equipment		3,500	3,500							3,500
Photography Equipment Upgrade		3,000	3,000							3,000
Total Computers and Telecommunications	79,000	468,100	82,500	-	434,600	30,000	300,000	-	-	247,100

Project Description	Continuing/ Carry Forward	New Project	Renewal	Upgrade	New	Expansion	Grant	Sales	Contribution	Council Cash/ Borrowing
Library Books										
Library books & resource purchases	70,000				70,000					70,000
Total Library Books	70,000	-	-	-	70,000	-	-	-	-	70,000
Total Plant and Equipment	179,000	2,528,800	2,026,700	30,000	621,100	30,000	380,000	604,300	-	1,723,500
Infrastructure										
Roads										
Urban Construction & Primer Seal	370,650			370,650						370,650
Gravel Road Resheets	403,198		403,198							403,198
Rural Road Rehabilitations	791,160		791,160							791,160
Minor Urban Street works	37,500		37,500							37,500
Roads to Recovery Signage	27,000				27,000					27,000
Flood Damaged Kerb & Channel Works		150,000	150,000				150,000			-
Flood Damaged Road reinstatements		9,000,000	9,000,000				8,000,000			1,000,000
Flood Damaged Road reinstatements (RACAS)		3,500,000	3,500,000				3,500,000			-
Mount Rouse Tourist Road Should improvements		10,504			10,504					10,504
Road Renewal Program		4,400,000	4,400,000				1,421,291			2,978,709
Total Roads	1,629,508	17,060,504	18,281,858	370,650	37,504	-	13,071,291	-	-	5,618,721

Project Description	Continuing/ Carry Forward	New Project	Renewal	Upgrade	New	Expansion	Grant	Sales	Contribution	Council Cash/ Borrowing
Bridges										
Design and Construct Bridge - Byaduk-Ardoon Road, North Byaduk		300,000		300,000						300,000
Replacement of Bridge - Rockbank Road over Green Creek		240,000	240,000							240,000
Flood Damaged Bridge - Camerons Road		250,000	250,000				250,000			-
Flood Damaged Bridges		2,000,000	2,000,000				2,000,000			-
Flood Damaged Culverts		2,000,000	2,000,000				2,000,000			-
Major Culver - Lower Hilgay Road Coleraine		120,000	120,000							120,000
Major Culvert - Red Rock Creek, Glenisla		100,000		100,000						100,000
Total Bridges	-	5,010,000	4,610,000	400,000	-	-	4,250,000	-	-	760,000
Footpaths and Cycleways										
Dunkeld Loop Walk	320,000				320,000					320,000
Access Crossings - Various locations in Coleraine		36,000	36,000							36,000
Dunkeld Footpath - Bus Stop to Caravan Park		36,754			36,754					36,754
Dunkeld Footpath - Wills Street		45,000			45,000					45,000
Flood Damaged Footpath reinstatements		120,000	120,000				120,000			-
Flood Damaged Walking Track reinstatements		685,000	685,000				685,000			-
Total Footpaths and Cycleways	320,000	922,754	841,000	-	401,754	-	805,000	-	-	437,754
Drainage										
PAC Car Park - Pits & Pipes	2,500		2,500							2,500
Petchels Lane - Pits & Pipes	2,500		2,500							2,500
Old Hamilton Dam Entrance - pits & Pipes	5,000		5,000							5,000
Janet Ave - Concerete R/OA	6,750				6,750					6,750
Rhooks Road Nine mile Creek Culvert	22,000			22,000						22,000
Flood - Drainage - Reinstate		300,000	300,000				300,000			-
Total Drainage	38,750	300,000	310,000	22,000	6,750	-	300,000	-	-	38,750

Project Description	Continuing/ Carry Forward	New Project	Renewal	Upgrade	New	Expansion	Grant	Sales	Contribution	Council Cash/ Borrowing
Recreational, Leisure and Community Facilities										
Flood Damaged Sporting & Recreation Facilities (Cat C Funded)		961,000	961,000				961,000			-
Flood Damaged Sporting & Recreation Facilities (Insurance Funded)		504,000	504,000							504,000
Patterson Park Active Play area		139,350	35,000	104,350			92,900			46,450
Outdoor Pools Renewal Program		500,000	500,000							500,000
Total Recreational, Leisure and Community Facilities	-	2,104,350	2,000,000	104,350	-	-	1,053,900	-	-	1,050,450
Waste Management										
Landfill Rehabilitation - Coleraine	500,000		500,000							500,000
Landfill Rehabilitation - Hamilton	1,400,000		1,400,000							1,400,000
Waste Options Implementation		800,000		800,000						800,000
Total Waste Management	1,900,000	800,000	1,900,000	800,000	-	-	-	-	-	2,700,000
Parks, Open Space and Streetscapes										
Penshurst Botanic Gardens - Playground Replacement	30,000		30,000							30,000
Arts & Cultural Precinct	200,000				200,000		100,000			100,000
Cox Street Redevelopment	2,500,000			2,500,000			1,700,000			800,000
Gallery/Library Forecourt Renewal		60,000	45,000	15,000						60,000
Implementation of works at Penshurst Botanic Gardens		75,000	25,000	25,000	25,000					75,000
Implementation of works at Hamilton Botanic Gardens		125,000	125,000							125,000
Total Parks, Open Space and Streetscapes	2,730,000	260,000	225,000	2,540,000	225,000	-	1,800,000	-	-	1,190,000
Aerodromes										
Replacement of Airport water supply pipe	50,000		50,000				25,000			25,000
Total Aerodromes	50,000	-	50,000	-	-	-	25,000	-	-	25,000

Project Description	Continuing/ Carry Forward	New Project	Renewal	Upgrade	New	Expansion	Grant	Sales	Contribution	Council Cash/ Borrowing
Other Infrastructure										
Art Gallery Collection	15,000				15,000					15,000
Dam inspection and safety review for dam at Parklands	30,000				30,000					30,000
Replacement/Repairs to Buoys on Lake Hamilton	50,000		50,000				40,000			10,000
Hamilton Botanic Gardens - Construction of Bird Aviary	165,000		165,000						165,000	-
Flood Event - Emergency Signage	185,000		185,000							185,000
Pedestrian Crossing - Brown St, Hamilton		15,000			15,000					15,000
Guard Rail Renewal - Steep Gully Road, Nareen		20,000	20,000							20,000
Pavement Crossing - Tyers Street Hamilton		20,000			20,000					20,000
Dunkeld Visitor Hub		25,000			25,000					25,000
Depot Improvements - Dunkeld		30,000		30,000						30,000
Flood Damaged Minor infrastructure (insurance funded)		30,000	30,000				30,000			-
Emerging Priority Projects from Council Plan		100,000				100,000				100,000
Flood Damaged Minor infrastructure		150,000	150,000				150,000			-
Traffic Calming & Carparking - HILAC/King St, Hamilton		200,824			200,824					200,824
Livestock Exchange Development		1,684,000	1,684,000				800,000			884,000
Total Other Infrastructure	445,000	2,274,824	2,284,000	30,000	305,824	100,000	1,020,000	-	165,000	1,534,824
Total Infrastructure	7,113,258	28,732,432	30,501,858	4,267,000	976,832	100,000	22,325,191	-	165,000	13,355,499
Total Capital Works	10,053,258	32,340,608	33,527,590	4,406,344	4,329,932	130,000	24,708,223	604,300	165,000	16,916,343
		42,393,866				42,393,866			25,477,523	16,916,343

7. Rates and charges

Planning for future rate increases has been an important component of the Strategic Resource Planning process. The State Government have introduced the *Fair Go Rates System* (FGRS) which sets out the maximum amount councils may increase rates in a year. For 2017/18 the FGRS cap has been set at 2.0%. The cap applies to both general rates and municipal charges and is calculated on the basis of council's average rates and charges.

In developing the Strategic Resource Plan (referred to in Section 14.), rates and charges were identified as an important source of revenue, usually accounting for around 40%-45% of the total revenue received by Council annually. However, in 2017/18 this figure is expected to drop to just under 30% due to the impact of flood recovery funding to support a significantly larger capital works program which is up from an estimated $13.449 million in 2016/17 to $42.394 million in 2017/18. The flood recovery scenario places significant pressure on the level of required rates and charges. For example, the ability for Council to generate enough cash flow from operations to fund capital works (internal financing) will fall below prudential limits for 2017/18.

The 2017/18 underlying operating position is adversely impacted by the lack of increase in recurrent government funding, rate capping and continued increases in operating expenditure. It will therefore be necessary to achieve future revenue growth while containing costs in order to achieve a trend back towards a breakeven operating position by 2018/19 as set out in the Strategic Resource Plan. The impact of natural disasters, in particular flooding together with the necessity to develop "regional use" assets which attract capital funding, increase the operational burden to Council.

In order to achieve these objectives while maintaining service levels and a strong capital expenditure program, the average general rate and the municipal charge will increase by 2.0% in line with the rate cap, the kerbside collection & recycling collection charge by 11.74% and the green waste collection charge by 12.05%. This will raise total rates and charges for 2016/17 of $18.273 million. Council's service charges have increased by more than the general rate due to the continuing escalation of waste management costs and Councils intention to moved towards a cost neutral service.

7.1 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	2016/17 cents/$CIV	2017/18 cents/$CIV	Change
General rate 1 for rateable residential properties	0.005279	0.005385	2.01%
General rate 1 for rateable rural properties	0.005279	0.005385	2.01%
General rate 1 for rateable industrial properties	0.005279	0.005385	2.01%
General rate 1 for rateable commercial properties	0.005279	0.005385	2.01%
General rate 2 for rateable rural N/S properties	0.004223	0.004308	2.01%
General rate 3 for residential rural properties	0.004223	0.004308	2.01%
General rate 3 for rural rural properties	0.004223	0.004308	2.01%
General rate 3 for industrial rural properties	0.004223	0.004308	2.01%
General rate 3 for commercial rural properties	0.004223	0.004308	2.01%

7.2 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	2016/17 $	2017/18 $	Change
Residential	6,788,832	6,925,149	2.01%
Rural	7,395,780	7,544,284	2.01%
Industrial	532,334	543,023	2.01%
Commercial	892,948	910,878	2.01%
Total amount to be raised by general rates	15,609,894	15,923,334	2.01%

7.3 The 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	2016/17 Number	2017/18 Number	Change
Residential	6,898	7,182	4.12%
Rural	3,296	3,031	(8.04%)
Industrial	228	246	7.89%
Commercial	435	443	1.84%
Total number of assessments	10,857	10,902	0.41%

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

7.5 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	2016/17 $	2017/18 $	Change
Residential	1,308,073,000	1,337,751,000	2.27%
Rural	1,767,601,000	1,747,039,000	(1.16%)
Industrial	110,957,000	114,330,000	3.04%
Commercial	173,456,000	172,413,000	(0.60%)
Total value of land	3,360,087,000	3,371,553,000	0.34%

7.6 The municipal charge under Section 159 of the Act compared with the previous financial year

Type of Charge	Per Rateable Property 2016/17 $	Per Rateable Property 2017/18 $	Change
Municipal	189	192	1.59%

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

Type of Charge	2016/17 $	2017/18 $	Change
Municipal	1,746,360	1,787,520	2.36%

7.8 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 2016/17 $	Per Rateable Property 2017/18 $	Change
Kerbside Collection	230	257	11.74%
Kerbside Collection – New Service Areas	N/A	427	N/A
Organic Waste	83	93	12.05%

7.9 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	2016/17 $	2017/18 $	Change
Kerbside collection	1,403,920	1,624,796	15.73%
Organic Waste	82,087	91,977	12.05%
Total	1,486,007	1,716,733	15.53%

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

	2016/17 $	2017/18 $	Change
General rates	15,609,894	15,923,334	2.01%
Municipal charge	1,759,590	1,787,520	1.59%
Kerbside collection and Organic Waste	1,486,007	1,716,773	15.53%
Rates and charges	18,855,491	19,427,627	3.03%

7.11 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;
- 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 residential land becomes business land and vice versa.

7.12 Differential rates

General Rate 1

A differential general rate of 0.0053859 cents in the dollar on the capital improved value of all rateable land in the parishes of North Hamilton and South Hamilton, excluding all farm land which comprises part of a single farm enterprise with an area of 40 hectares or more;

General Rate 2

A differential general rate of 0.004308 cents in the dollar on the capital improved value of all rateable farm land in the parishes of North Hamilton and South Hamilton and which comprises part of a single farm enterprise with an area of 40 hectares or more;

General Rate 3

A differential general rate of 0.004308 cents in the dollar on the capital improved value of all other rateable land in the Shire;

Special Rate – Yatchaw Drainage Authority

A Special Rate of 0.000425 cents in the dollar on the capital improved value of all rateable land in the Yatchaw Drainage Area.

Each differential rate will be determined by multiplying the Capital Improved Value of rateable land (categorised by the characteristics described below) by the relevant percentages indicated above.

Budget Analysis

The following reports provide detailed analysis to support and explain the budget reports in the previous section.

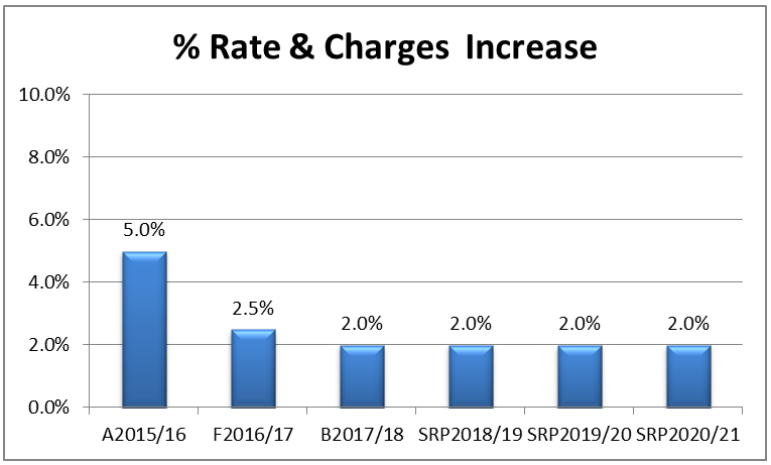
This section includes the following analysis and information:

8. Summary of financial position
9. Budget influences
10. Analysis of operating budget
11. Analysis of budgeted cash position
12. Analysis of capital budget
13. Analysis of budgeted financial position

8 Summary of financial position

Council has prepared a Budget for the 2017/18 financial year which seeks to balance the demand for services and infrastructure with the community's capacity to pay. Key budget information is provided below about the rate increase, operating result, services, cash and investments, capital works, financial position, financial sustainability and strategic objectives of the Council.

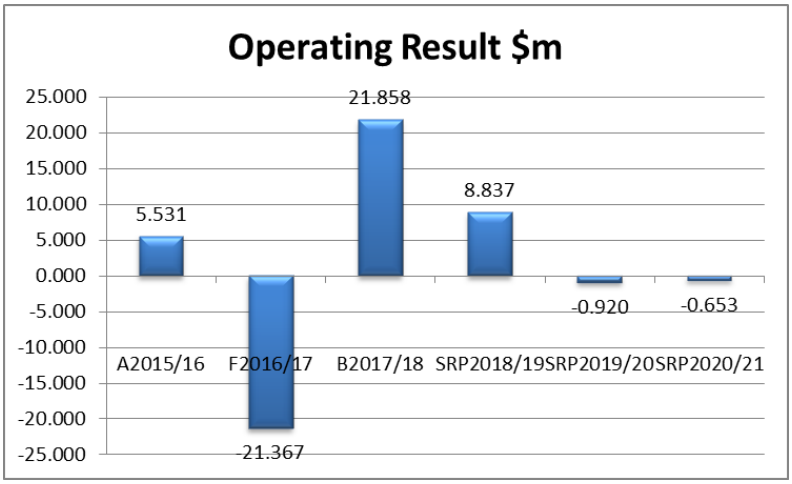
8.1 Total Rates and Charges



A = Actual F = Forecast B = Budget SRP = Strategic Resource Plan estimates

The rate increase is in line with the rate cap set by the Minister for Local Government which is 2.0%. The impact of supplementary valuations is calculated (in accordance with the prescribed formulae) to be a further 0.01% taking total rates and municipal charge revenue increase to 2.01%.

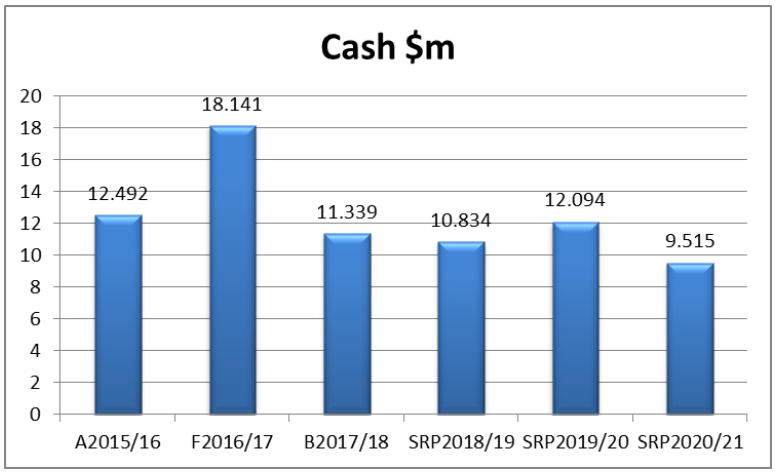
8.2. Operating result



The expected operating result for the 2016/17 year is a deficit of $21.367 million, which is a decrease of $26.898 million to the 2015/16 Surplus of $5.531 million. The loss is substantially due to the impact of impaired assets from flooding in 2016/17. The budget then anticipates an operating surplus of $21.858 million in 2017/18 when grants and reimbursements are expected to be received to return these assets to their former condition.

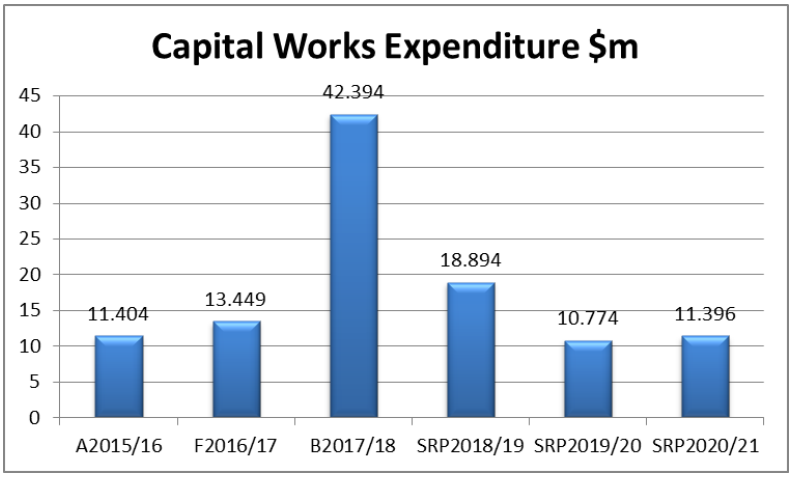
The adjusted underlying result, which excludes items such as non-recurrent capital grants and non-cash contributions is a deficit of $2.098 million, which is an decrease of $26.925 million over 2016/17. (The forecast underlying operating result for the 2016/17 year is a deficit of $29.023 million).

8.3 Cash and investments



Cash and investments are expected to increase by $5.649 million from the 2015/16 balance to $18.141 million by the end of 2016/17. During the year, net $6.802 million will be consumed leaving a balance of $11.339 million as at 30 June 2018. This is due mainly to timing of flood reinstatement works and the capital works program. Council also anticipates the drawn down of $2.000 million in late 2017/18 to assist with funding capital works in the 2018/19 and 2019/20 financial year. These cash and investments are in line with Council's Strategic Resource Plan.

8.4 Capital works

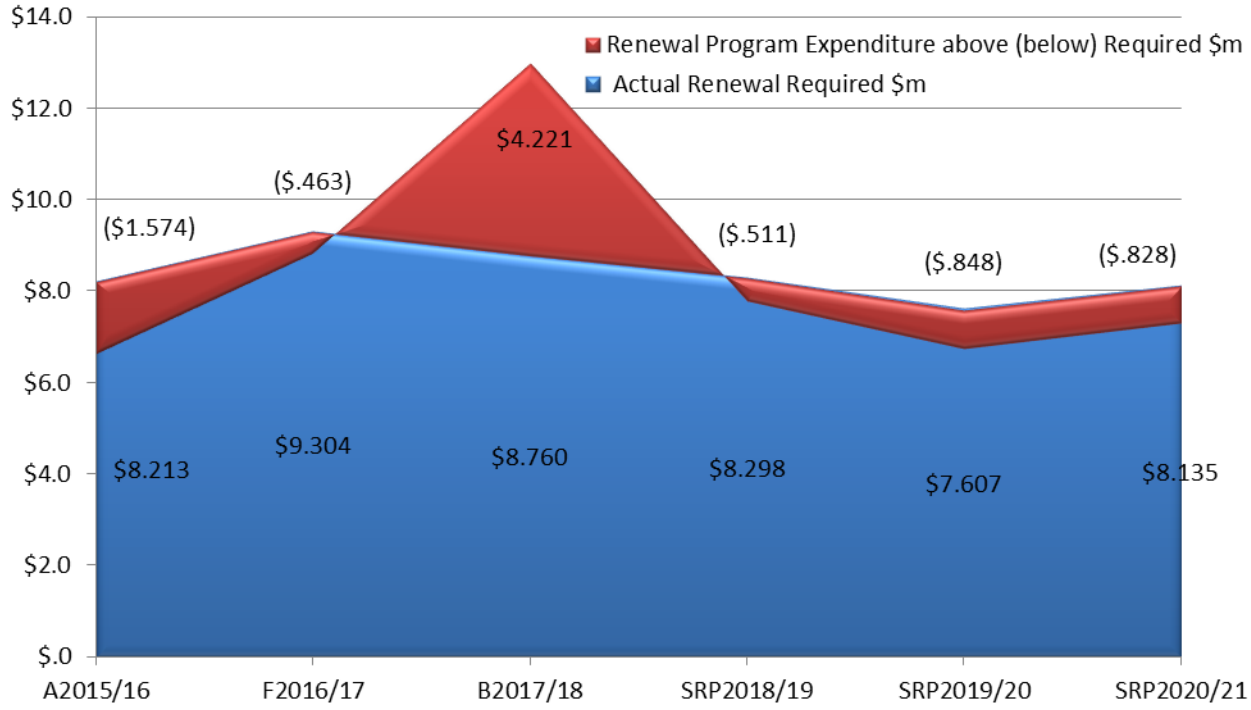


The capital works program for the 2017/18 year is expected to be $42.394 million. Of this amount, $20.547 million relates to the reinstatement works of flood damaged assets, leaving $21.847 million of works to increase Council's asset base.

Of the $42.394 million of capital funding required, $23.966 million will come from external grants with the balance of $18.428 million from Council cash. The Council cash amount comprises asset sales ($0.604 million), reimbursements ($1.246 million), contributions ($0.165 million), $2 million in borrowings and work capital/retained earnings of $14.413 million.

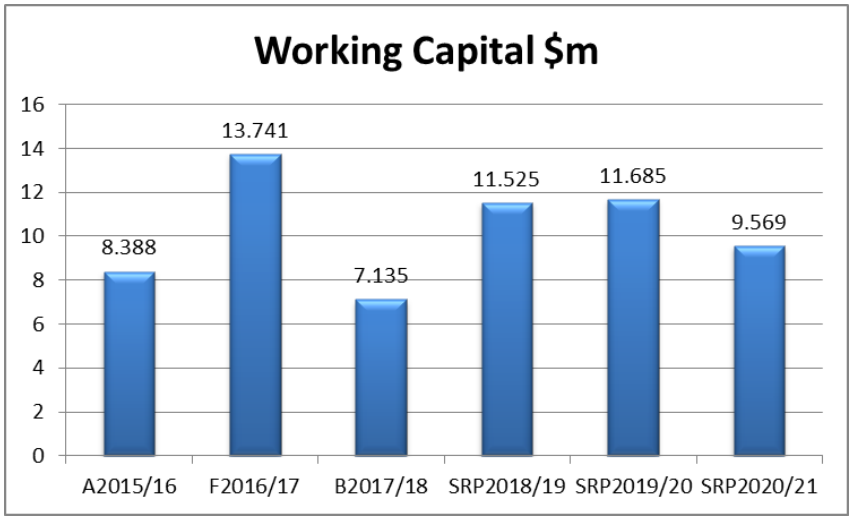
The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. (Capital works is forecast to be $13.449 million for the 2016/17 year).

The graph below sets out the required and actual asset renewal over the life of the current Strategic Resource Plan and the renewal backlog.



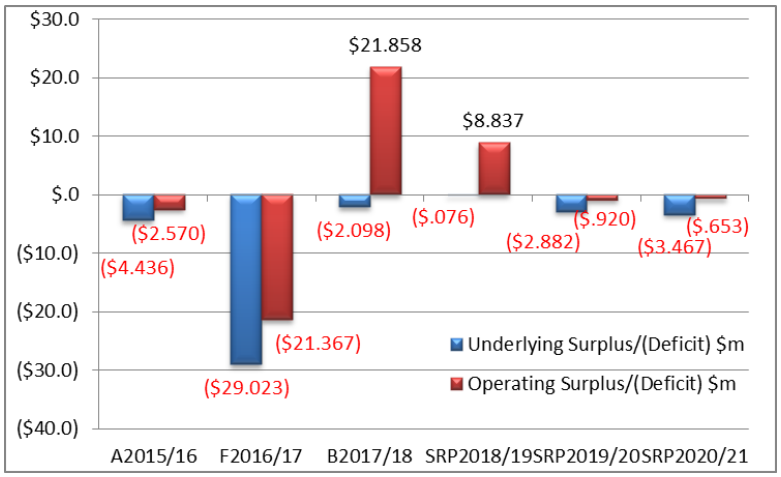
The asset renewal program has been increased to $8.810 million in the 2016/17 year taking advantage of additional Roads to Recovery funding to assist in improving the overall condition of road infrastructure assets. Whilst the total amount of money allocated to renewal exceeds the minimum funding required, there are variations of renewal funding gaps within individual asset classes.

8.5 Financial position



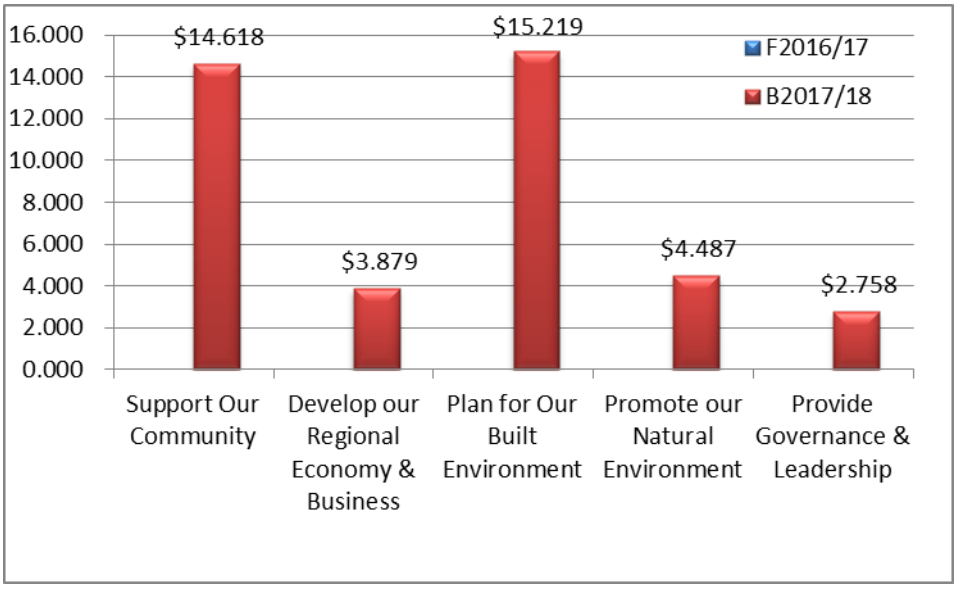
The financial position is expected to improve with net assets (net worth) to increase by $22.214 million to $337.415 million. Net current assets (working capital) will decrease by $ 6.606 million to $7.135 million as at 30 June 2018. This is mainly due to the use of prepaid grants funds received during the 2016/17 financial year. (Net assets is forecast to be $315.201 million as at 30 June 2017).

8.6 Financial sustainability



A high level Strategic Resource Plan for the years 2017 - 2021 has been developed to assist Council in adopting a budget within a longer term prudent 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 as specified in the Council Plan. The adjusted underlying result, which is a measure of financial sustainability, is volatile over the four year period, mainly due to the impact of flood events. Both the operating result and underlying result become more stable at the end of these restorative works in 2018/19.

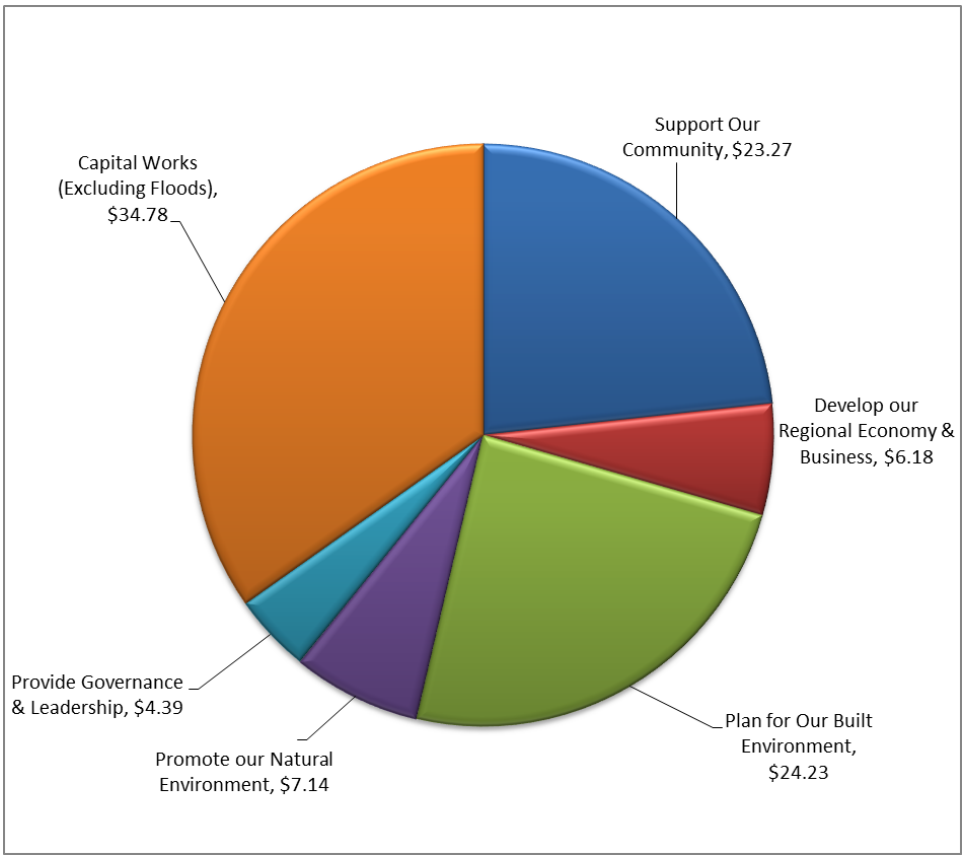
8.7 Strategic objectives



The Annual Budget includes a range of services and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2017/18 year. As this is the first year of the new Plan, no comparative is provided.

The services that contribute to these objectives are set out in Section 2.

8.8 Council expenditure allocations



The above chart provides an indication of how Council allocates its expenditure across the main services that it delivers in accordance with the Council Plan. It shows how much is allocated to each service area for every $100 that Council spends.

9. Budget influences

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

9.1 Snapshot of Southern Grampians Shire Council

Southern Grampians Shire Council is accountable to our community for the peace, order and good governance of the municipality under the provisions of the Local Government Act. We provide a wide range of services and programs for our residents and work collaboratively in the South West region.

There is a strong sense of community within the Southern Grampians Shire as people work together towards common goals and outcomes. This sense of community benefits the entire municipality and Council will continue to encourage and acknowledge the community for its continued interest in the development of the Shire.

Southern Grampians Shire Council was formed in September 1994 by the amalgamation of the former Shires of Dundas, Mt Rouse, Wannon and the City of Hamilton. We are located in the centre of the Western District of Victoria, 290 kilometres west of Melbourne and 500 kilometres south east of Adelaide.

Our Shire has a population of 16,510 and covers an area of 6,652 square kilometres. Hamilton is the regional retail and service centre supported by the nine towns of Balmoral, Branxholme, Byaduk, Cavendish, Coleraine, Dunkeld, Glenthompson, Penshurst and Tarrington.

The Southern Grampians Shire prospers from primary production. Agriculture, with associated industries, is the largest employment sector and the highly intensive agricultural production contributes significantly to the Victorian economy. Our fertile soils also allow for diversification. The economy and the availability of jobs and business enterprises is being considerably enhanced by this greater diversification of agriculture, more intensive use of land where sustainable, enhanced land management and new enterprises like mineral sands processing, horticulture, viticulture and forestry.

Processing, Manufacturing, Research and Development, Engineering, Retail, Tourism, Education, Aged and Health and Community Services are also important employment sectors across the Shire.

The Shire is very well known both nationally and internationally for its wool production and is considered to be the densest population of broad acre sheep farming per hectare in the world, with the district home to many fine sheep and cattle studs. Our biggest annual event, Sheepvention, held in August, is a sheep show of national significance, which aptly demonstrates the Shire's vital role in the sheep and wool industry.

Tourism is one of our fastest growing sectors, with the Grampians mountain range attracting many visitors both national and international. Other natural attractions include the unique waterfalls and extinct volcanoes that form part of the Volcanic Trail encompassing western Victoria and south east South Australia. Botanic Gardens in both Hamilton and Penshurst along with the Points Arboretum in Coleraine, also attracts numerous enthusiasts from across the country.

The Shire is also home to the Hamilton Art Gallery; one of the finest galleries in Australia. It is renowned for its outstanding collections of paintings, silver, porcelain, glass and offers an excellent program of touring exhibitions.

9.2 External influences

In preparing the 2017/18 Budget, a number of external influences have been taken into consideration because they are likely to impact significantly on the services delivered by Council in the budget period. These include:

- The need to renegotiate Enterprise Bargaining Agreements ("EBA") every 3 years.
- The increased demand for Council services and the need to review all services to ensure they are responsive, appropriate and efficient.
- Static funding from Victoria Grants Commission over the past 3 years which has eroded the index base and resulted in a loss of over $1m. A conservative increase of 2% has been assumed in this budget.
- Roads to Recovery IV funding from 2014–2019 - $13m over the program life– the Funding allocations have varied from $4.2m to $1.4m each year making programing of works and resources problematic, however this has substantially helped Council to achieve higher renewal rates for infrastructure assets.
- Continuing escalation of utility costs essential for carrying out services (water, power, communications and insurances).
- Stagnation or reduction of government grants for services such as Home & Community Care, Libraries and Maternal & Child Health.
- The continuation of rate-capping by the State Government – set at 2.0% for 2017/18,
- The increased costs across the organisation of meeting compliance standards set by other levels of government.

9.3 Internal influences

As well as external influences, there are also a number of internal influences which are expected to have a significant impact on the preparation of the 2017/18 Budget.

- Continuing increases in the demand and associated costs to improve waste management service levels (Landfills, Transfer Stations and Refuse/Recycling collections) along with imposition of strict guidelines from government in regard to management practices.
- The need for improved asset management practices to ensure efficient and effective use of Council's physical resources.
- Continuing escalation of costs in relation to the maintenance and renewal of Council's ageing infrastructure assets.
- The need for more detailed planning of major developments to ensure optimum long term asset longevity.

In an effort to reduce the impact of these matters, Council has embarked on a service delivery realignment to ensure resources align with the services provided and compliment the direction of the newly created Council Plan.

9.4 Exceptional Events

During September 2016 the Shire experienced storm related flooding and damage in several communities. The result has been damage to privately owned assets, Community/Crown assets and Council assets.

Council assets include such classes as roads, kerbs, bridges, footpaths/walking tracks, buildings, sporting facilities and playgrounds.

Funding assistance has been committed from both Federal and State Governments, however the exact magnitude of both the revenue and expenses (as well as asset damage) is difficult to estimate. Council has made every effort to estimate these amounts and prepare the Budget with this information.

9.5 Budget principles

In response to these influences, guidance is provided to all Council officers with budget responsibilities. These key budget principles upon which the officers were to prepare their budgets included:

- Existing fees and charges to be increased in line with CPI or market levels.
- Grants to be based on confirmed funding levels.
- New revenue sources to be identified where possible.
- Service levels to be maintained at 2016/17 levels with the aim to use less resources with an emphasis on innovation and efficiency.
- Salaries and wages to maintained in line with Average Weekly Earnings.
- Contract labour to be minimised.
- New initiatives or employee proposals to be justified through a business case.
- Real savings in expenditure and increases in revenue identified in 2016/17 to be preserved
- Operating revenues and expenses arising from completed 2016/17 capital projects to be included.

Cost escalations for the preparation of the 2018/19 budget onwards include:

- Rate revenue to be projected at 2% - the current year rate cap
- Refuse and Recycling costs at 4% (following a major increase in 2017/18 to lift the base revenue closer to full cost recovery)
- Operating Grants increasing at 2%
- Capital Grants only included where some level of surety arises and linked directly to a specific capital project.
- Cessation of the Roads to Recovery program at the end of 2018/19
- User Fees and Charges increasing at 4%
- Statutory Fees and Charges increasing at 1%
- Employees costs increasing at 3% (2% base with 1% for oncosts)
- Materials & consumables increasing at 4%
- Utilities and other operating expenses increasing at 3%

9.6 Long term strategies

The budget includes consideration of a number of long term strategies and contextual information to assist Council to prepare the Budget in a proper financial management context. These include a Strategic Resource Plan for 2017/18 to 2020/21 (Section 14.), Rating Information (Section 15.) and Other Long Term Strategies (Section 16.) including borrowings, infrastructure and service delivery.

10. Analysis of operating budget

This section analyses the operating budget including expected income and expenses of the Council for the 2017/18 year.

10.1 Budgeted income statement

	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Total income	48,126	62,820	14,694
Total expenses	(69,493)	(40,962)	28,531
Surplus (deficit) for the year	(21,367)	21,858	43,225
Grants – capital non-recurrent	(7,921)	(23,956)	(16,035)
Contributions - non-monetary assets	-	-	-
Capital contributions - other sources	-	-	-
Adjusted underlying surplus (deficit)	(29,288)	(2,098)	27,190

10.1.2 Adjusted underlying deficit ($27.190 million decrease)

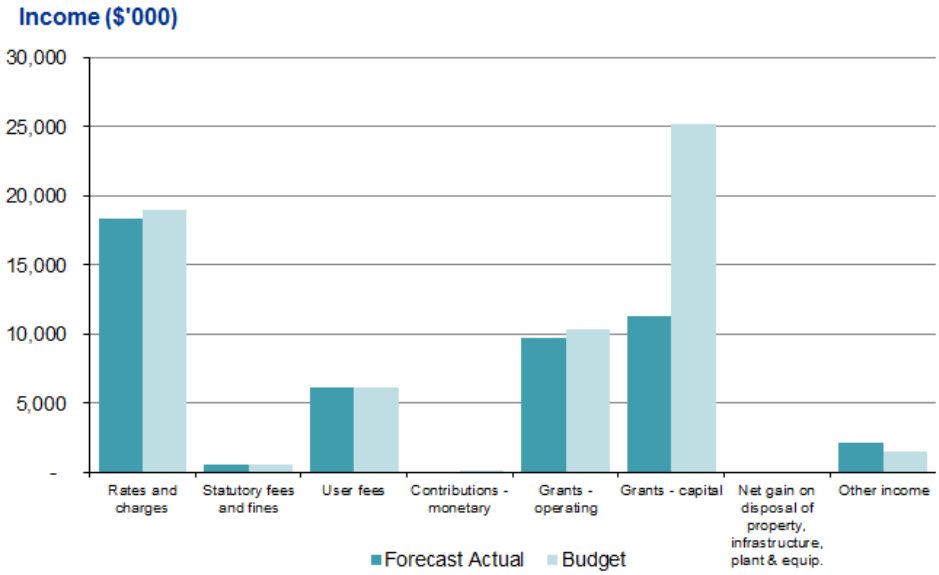
The adjusted underlying result is the net surplus or deficit for the year adjusted for non-recurrent capital grants, non-monetary asset contributions, and capital contributions from other sources. It is a measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by capital income items which can often mask the operating result.

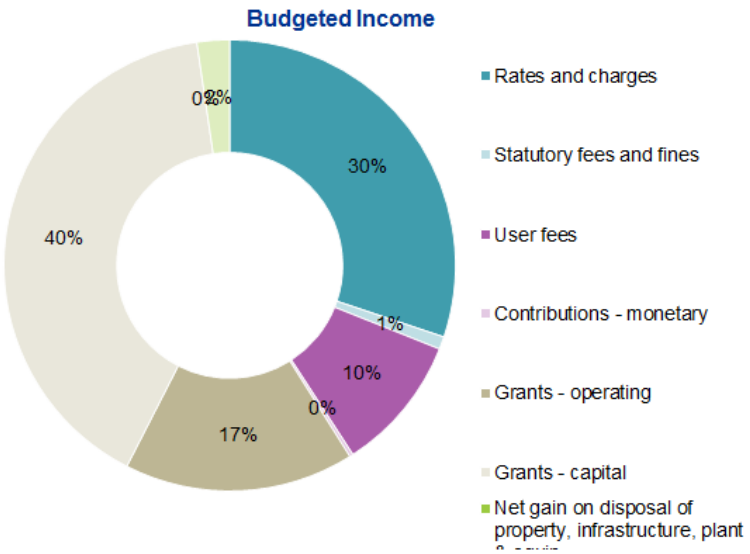
The adjusted underlying result for the 2017/18 year is a deficit of $29.288 million which is a decrease of $27.190 million from the 2016/17 year. In calculating the adjusted underlying result, Council has excluded grants received for capital purposes which are non-recurrent or are not matched to operating expenses and capital contributions from other sources. Contributions of non-monetary assets are excluded as the value of assets assumed by Council is dependent on the level of development activity each year.

The main reason for the large underlying deficit in the 2016/17 year is the estimated expense of assets impaired by flooding events in September 2016, approximately $28.422 million.

10.2 Income

Income Types	Ref	Forecast Actual 2015617 $'000	Budget 2017/18 $'000	Variance $'000
Rates and charges	10.2.1	18,361	18,932	571
Statutory fees and fines	10.2.2	564	564	-
User fees	10.2.3	6,110	6,143	33
Contributions - monetary	10.2.4	-	165	165
Grants - operating	10.2.5	9,729	10,339	610
Grants – capital	10.2.6	11,246	25,212	13,966
Net gain on disposal of Assets	10.2.7	-	-	-
Other income	10.2.8	2,116	1,465	(651)
Total income		48,126	62,820	14,694





10.2.1 Rates and charges ($0.571 million increase)

It is proposed that income raised by all rates and charges be increased by 2.01% or $0.571 million over 2016/17 to $18.932 million.

This includes increases in general rates of 2.01%; and Municipal Charge of 1.59% after applying the statutory rate capping formulae which takes into consideration the annualised amount of supplementary rates.

Kerbside service charges and organic waste service charges will increase by 15.53% taking into consideration a 12% increase in existing services and the introduction of additional services.

Section 9 Rating Information includes a more detailed analysis of the rates and charges to be levied for 2017/18. Information on rates and charges specifically required by the Regulations is included in Section 7.

10.2.2 Statutory fees and fines (no change)

Statutory fees relate mainly to fees and fines levied in accordance with legislation and include animal registrations, *Public Health and Wellbeing Act 2008* registrations and parking fines. Increases in statutory fees are made in accordance with legislative requirements.

Statutory fees are forecast to remain approximately the same compared to 2016/17.

10.2.3 User fees ($0.033 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 human services such as family day care and home help services. In setting the budget, the key principle for determining the level of user charges has been to ensure that increases do not exceed CPI increases or market levels.

User charges are projected to increase by 2.5% however the quantum of dollars varies between services and has minimally decreased in some. The net changes is $0.033 million over 2016/17.

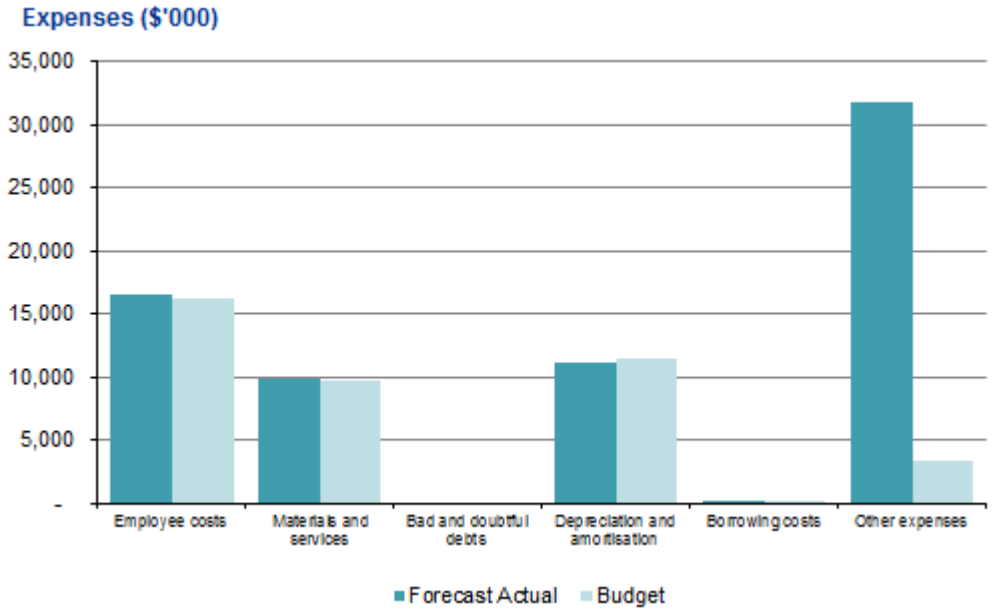
10.2.4 Contributions - monetary ($0.165 million increase)

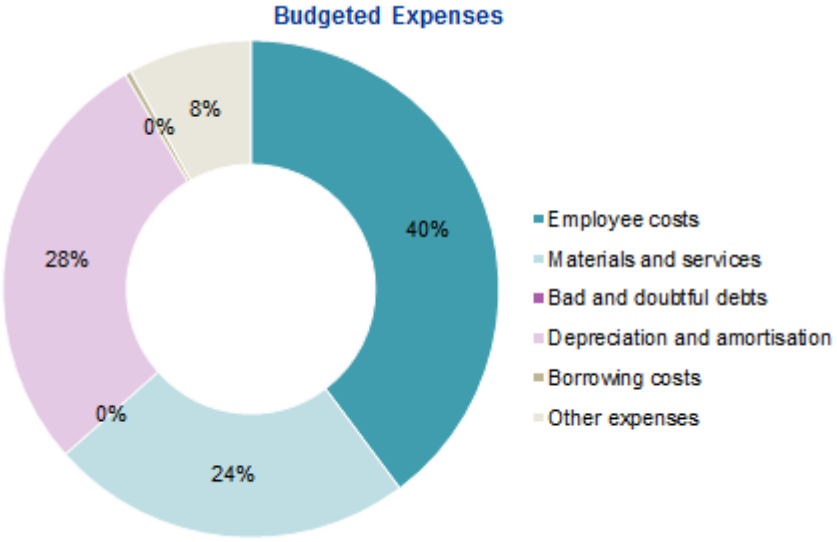
Contributions relate to monies paid towards Council and or community projects.

Contributions increasing in 2017/18 are mainly due to a major contribution towards the Aviary Project at the Hamilton Botanic Gardens.

10.3 Expenses

Expense Types	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Employee costs	16,589	16,287	(302)
Materials and services	9,846	9,702	(144)
Bad and doubtful debts	-	-	
Depreciation and amortisation	11,057	11,512	455
Borrowing costs	191	166	(25)
Other items of expense	31,810	3,295	(28,515)
Total expenses	69,493	40,962	(28,531)





10.3.1 Employee costs ($0.302 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.

Operational Employee costs are estimated to increase by 2.5% or $0.409 million to $16.287 million compared to 2016/17 Adopted Budget ($15.878m). This amount is less that the 2016/17 Forecast ($16.589 million) which is higher than both years budgets due to the impact of a number of matters including additional works, resignations, redundancies, recruitment expenses, industrial relations advice and other associated oncosts. The budget allocation for 2017/18 is actually $0.302 million less than the 2016/17 forecast.

Other factors impacting employee costs are:

- Annual increment Council's Enterprise Bargaining Agreement (EBA) currently 2% or $33, $30 & $27 in 2016, 2017 & 2018;
- Movement of staff through the banding system; and
- The balance of work carried out between operational projects and capital works.

Employees who work on capital works have their wages and associated oncosts charged to the asset category in the balance sheet of the projects.

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

Department	Budget 2017/18 $'000	Permanent Full Time $'000	Part Time & Casual $'000
1. Support our Community	6,057	3,413	2,644
2. Regional Economy	1,123	964	159
3. Built Environment	4,542	3,999	543
4. Natural Environment	1,104	984	120
5. Governance	3,461	3,026	435
Total Permanent Staff Expenditure	16,287	12,386	3,901
Capitalised Labour Costs	2,729		
Total Expenditure	19,016		

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

Department	Budget 2017/18 FTE	Permanent Full Time FTE	Permanent Part Time FTE
1. Support our Community	84.56	38	46.56
2. Regional Economy	14.09	11	3.09
3. Built Environment	47	40	7
4. Natural Environment	10.9	9	1.9
5. Governance	42.72	36	6.72
Total Staff FTE	199.27	134	65.27
Capitalised Labour Costs - FTE	23.41		
Total FTE	222.68		

10.3.2 Materials and services ($0.144 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 remain the same at $0.144 million compared to 2016/17.

Whilst utility costs continue to escalate, Council has been implementing a number of energy efficient measures which will see the reduction of utilities in some services areas.

10.3.3 Bad and doubtful debts

Bad and doubtful debts are negligible for Council.

10.3.4 Depreciation and amortisation ($0.455 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.

Council has estimated the depreciation expense for the 2016/17 year and used this as the basis for the 2017/18 year. This amount is an estimate only as Council constantly re-values assets; however these calculations will not be processed until the end of the 2016/17 financial year.

10.3.5 Borrowing costs ($0.025 million decrease)

Borrowing costs relate to interest charged by financial institutions on funds borrowed. The reduction in borrowing costs results from the planned reduction in borrowings due to repayment of principal in accordance with loan agreements.

No new loans were taken up in 2016/17 and the new borrowings in 2017/18 are not anticipated to be drawn down until late in the year.

10.3.6 Other items of expense ($28.515 million decrease)

Other items of expense relate to a range of unclassified items including contributions to community groups, advertising, insurances and other miscellaneous expenditure items. Other expenses are forecast to decrease by 8.0% or $28.515 million compared to 2016/17.

However, it should be noted that $28.422 million of impairment expense was recognised in the 2016/17 year. After allowing for this, other expenses was only $3.388 million which is $0.093 million higher than the 2017/18 budget.

10 Analysis of budgeted cash position

This section analyses the expected cash flows from the operating, investing and financing activities of Council for the 2017/18 year. Budgeting cash flows for Council is a key factor in setting the level of services to the community 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 flows:

- Operating activities - Refers to the cash generated or used in the normal service delivery functions of Council. Cash remaining after paying for the provision of services to the community may be available for investment in capital works, or repayment of debt.
- 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.

11.1 Budgeted cash flow statement

	Ref	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Cash flows from operating activities	11.1.1			
Receipts				
Rates and charges		18,361	18,932	571
Grants - Operating		9,729	10,339	610
Grants – Capital		11,246	25,212	13,966
Interest		315	326	11
User fees and fines		6,110	6,143	33
Other receipts		2,365	1,868	(497)
		48,126	62,820	14,694
Payments				
Employee costs		(16,164)	(16,287)	(123)
Other payments		(13,051)	(12,997)	54
		(29,215)	(29,284)	(69)
Net cash provided by operating activities		18,911	33,536	14,625
Cash flows from investing activities	11.1.2			
Proceeds from sales of Assets		339	604	265
Payments for Assets		(13,053)	(42,394)	(29,341)
Net cash used in investing activities		(12,714)	(41,790)	(29,076)
Cash flows from financing activities	11.1.3			
Finance costs		(191)	(166)	25
Proceeds from borrowings		-	2,000	2,000
Repayment of borrowings		(357)	(382)	(25)
Net cash used in financing activities		(548)	1,452	2,000
Net increase (decrease) in cash and cash equivalents		5,649	(6,802)	(12,451)
Cash and cash equivalents at the beginning of the year		12,492	18,141	5,649
Cash and cash equivalents at end of the year	11.1.4	18,141	11,339	(6,802)

11.1.1 Operating activities ($14.625 million increase)

The increase in cash inflows from operating activities is due mainly to $0.610 million increase in operating grants and a $13.966 million increase in capital grants. Of the $25.212 million in capital grants, $18.116 million relates directly to flood reinstatement works.

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 Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Surplus (deficit) for the year	(21,367)	21,858	43,225
Depreciation	11,057	11,512	455
Loss (gain) on disposal Assets	-	-	-
Loss on impairment of Assets	28,422	0	(28,422)
Net movement in current assets and liabilities	799	166	(633)
Cash flows available from operating activities	18,911	33,536	14,625

11.1.2 Investing activities ($29.076 million increase)

The increase in payments for investing activities represents the planned increase in capital works expenditure due to reinstatement of flood impacted assets disclosed in Section 6 of this budget report.

Proceeds from sale of assets are forecast to increase by $0.265 million.

11.1.3 Financing activities ($2.000 million increase)

For 2017/18 the total of principal repayments is projected to be $0.382 million and finance charges are projected to be $0.166 million. A new loan of $2.000 million is anticipated.

11.1.4 Cash and cash equivalents at end of the year ($6.802 million decrease)

Overall, total cash and investments is forecast to decrease by $6.802 million to $11.339 million as at 30 June 2017, reflecting Council's strategy of using excess cash and investments to enhance existing and create new infrastructure and expenditure related to flood reinstatement works which are partially funded in the 2016/17 year. This is consistent with Council's Strategic Resource Plan (see Section 8).

11.2 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 at 30 June 2018 it will have cash and investments of $11.339 million, which has been restricted as shown in the following table.

	Ref	Forecast Actual 2017 $'000	Budget 2018 $'000	Variance $'000
Total cash and investments		18,141	11,339	(6,802)
Restricted cash and investments				
- Statutory reserves	11.2.1	(417)	(422)	(5)
- Trust funds and deposits		(377)	(377)	-
Unrestricted cash and investments	11.2.2	17,347	10,540	(6,807)
- Discretionary reserves	11.2.3	(350)	(350)	-
Unrestricted cash adjusted for discretionary reserves	11.2.4	16,997	10,190	(6,807)

11.2.1 Statutory reserves ($0.422 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.

11.2.2 Unrestricted cash and investments ($10.540 million)

The amount shown is in accordance with the definition of unrestricted cash included in the Section 3 of the Regulations. These funds are free of statutory reserve funds and cash to be used to fund capital works expenditure from the previous financial year.

11.2.3 Discretionary reserves ($0.350 million)

These funds are shown as discretionary reserves as, although not restricted by a statutory purpose, Council has made decisions regarding the future use of these funds and unless there is a Council resolution these funds should be used for those earmarked purposes. The decisions about future use of these funds has been reflected in Council's Strategic Resource Plan and any changes in future use of the funds will be made in the context of the future funding requirements set out in the plan.

11.2.4 Unrestricted cash adjusted for discretionary reserves ($10.190 million)

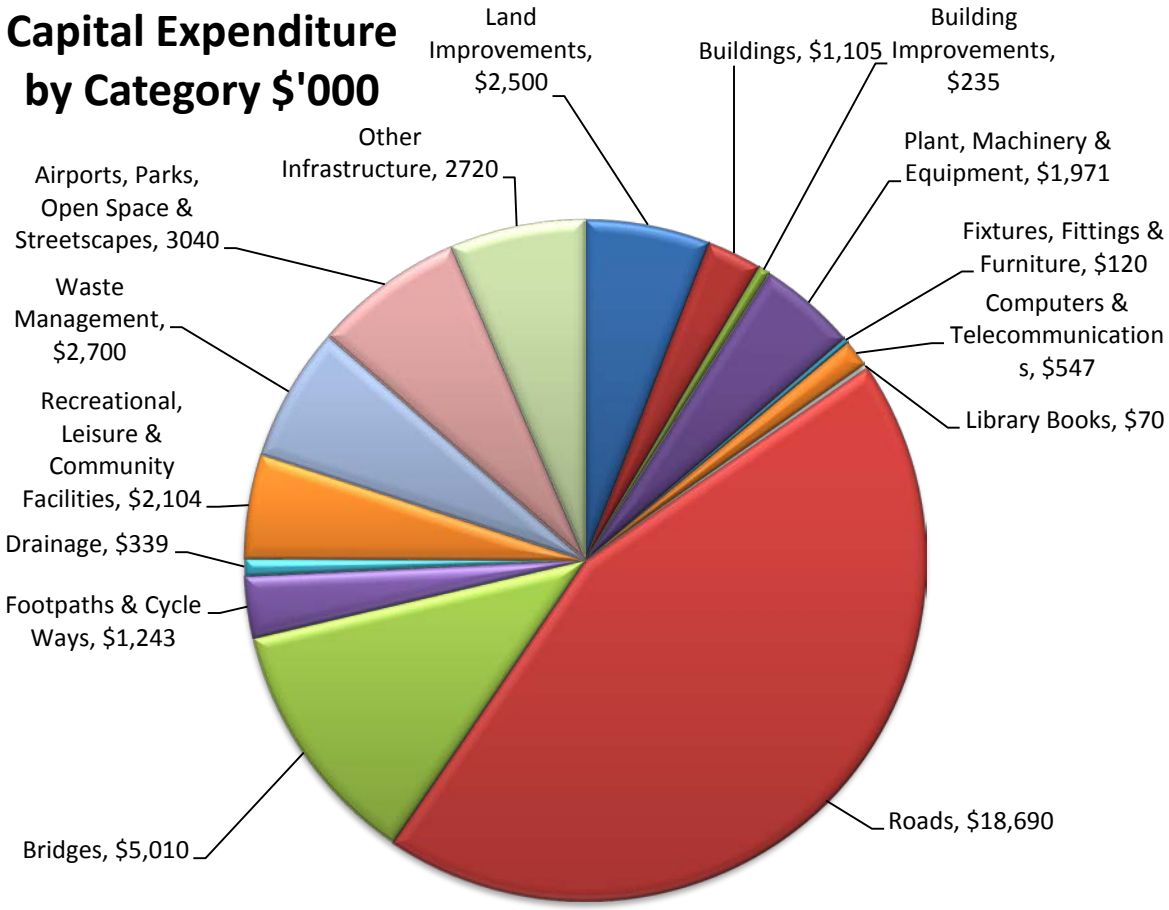
These funds are free of all specific Council commitments and represent funds available to meet daily cash flow requirements, unexpected short term needs and any budget commitments which will be expended in the following year such as grants and contributions. Council regards these funds as the minimum necessary to ensure that it can meet its commitments as and when they fall due without borrowing further funds.

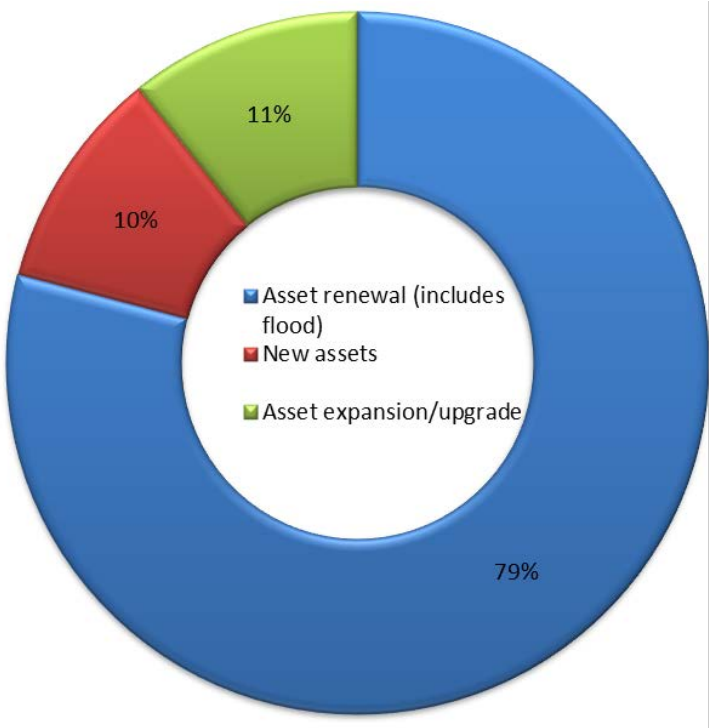
12. Analysis of capital budget

This section analyses the planned capital works expenditure budget for the 2017/18 year and the sources of funding for the capital budget. Further detail on the capital works program can be found in Section 6.

12.1 Capital works expenditure

Capital Works Areas	Ref	Forecast 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Property				
Land				
Land	12.1.1		-	-
Land Improvements	12.1.2	50	2,500	2,450
Total Land		*50*	*2,500*	*2,450*
Buildings				
Buildings	12.1.3	390	1,105	715
Heritage Buildings	12.1.4	-	-	-
Building Improvements	12.1.5	118	235	117
Leasehold Improvements	12.1.6	-	-	-
Total Buildings		*508*	*1,340*	*832*
Total Property		558	3,840	3,282
Plant & Equipment				
Heritage Plant & Equipment	12.1.7	-	-	-
Plant, Machinery & Equipment	12.1.8	1,533	1,971	438
Fixtures, Fittings & Furniture	12.1.9	187	120	(67)
Computers & Telecommunications	12.1.10	393	547	154
Library Books	12.1.11	54	70	16
Total Plant & Equipment		2,167	2,708	541
Infrastructure				
Roads	12.1.12	4,502	18,690	14,188
Bridges	12.1.13	270	5,010	4,740
Footpaths & Cycle ways	12.1.14	37	1,243	1,206
Drainage	12.1.15	109	339	230
Recreational, Leisure & Community Facilities	12.1.16	278	2,104	1,826
Waste Management	12.1.17	1,541	2,700	1,159
Airports, Parks, OpenSpace and Streetscapes	12.1.18	211	3,040	2,829
Off Street Carparks	12.1.19	401	-	(401)
Other Infrastructure	12.1.20	2,978	2,720	(258)
Total Infrastructure		10,327	35,846	25,519
Total Capital Works		13,052	42,394	29,342
Represented by:				
Asset renewal		8,841	33,528	24,687
New assets		1,247	4,330	3,083
Asset expansion/upgrade		2,964	4,536	1,572
Total capital works		13,052	42,394	29,342


Capital Expenditure by Category $'000
Land Improvements, $2,500
Buildings, $1,105
Building Improvements, $235
Plant, Machinery & Equipment, $1,971
Fixtures, Fittings & Furniture, $120
Computers & Telecommunications, $547
Library Books, $70
Roads, $18,690
Bridges, $5,010
Footpaths & Cycle Ways, $1,243
Drainage, $339
Recreational, Leisure & Community Facilities, $2,104
Waste Management, $2,700
Airports, Parks, Open Space & Streetscapes, 3040
Other Infrastructure, 2720


11%
10%
Asset renewal (includes flood)
New assets
Asset expansion/upgrade
79%

Key Capital works projects are listed here – for a full list refer to Section 6

12.1.1 Land

Council is not proposing to purchase any new land in 2017/18

12.1.2 Land Improvements

Council is expecting to commence the construction of an Industrial land estate with $2.5million being allocated in 2017/18.

12.1.3 Buildings

It is proposed that $632,000 will be spend on reinstating flood damaged buildings, $191,000 on replacing the HILAC roof and $170,000 on a new toilet block in Branxholme. Other works are detailed list of capital works in Section 6.

12.1.4 Heritage Buildings

Nothing in 2017/18

12.1.5 Building Improvements

A State government grant has been announced to assist with redevelopment of the Hamilton Library $161,376

12.1.6 Leasehold Improvements

Nothing in 2017/18

12.1.7 Heritage Plant & Equipment

Nothing in 2017/18

12.1.8 Plant, Machinery & Equipment

Council is budgeting to renew $1.280 million of construction fleet, together with $469,000 for the replacement of light fleet. A further $80,000 is proposed repair or replace flood damaged equipment and $70,000 for electronic fuel management system providing security, accuracy and efficiency over the control of liquid fuels.

12.1.9 Fixtures, Fittings & Furniture

Renewal of the kitchen at the Performing Arts Centre $30,000, together with other minor works are programmed to reduce risk management issues, utility use and provide more effective work spaces.

12.1.10 Computers & Telecommunications

The largest project in this category if $400,000 towards the implementation of a digital eco system for the benefit of the entire shire. Other projects relate the replacement and/or renewal of equipment to provide essential services to the community.

12.1.11 Library Books

It is proposed to spend $70,000 on library books and resources - $15,000 of these funds come from interest earned on a specific library bequest.

12.1.12 Roads

Of the $18.690 million planned to be spent on roads, $1.630 million is works carried over from 2016/17 which were unable to be completed. A further $12.650 million relates to flood impacted works. The remain $4.400 million is general renewal works such as gravel road Resheets, road rehabilitations, road reseals, shoulder maintenance, minor culverts and Kerb & Channel works.

12.1.13 Bridges

Bridges included in the program are on Byaduk-Ardoon Road ($300,000), Rockbank Road ($240,000), and Camerons Road ($250,000). Two major culver works are on Lower Hilgay Road ($120,000) and Red Rock Creek at Glenisla ($100,000). Flood works required on bridges and major culverts are estimated at $4.000 million.

12.1.14 Footpaths & Cycle Ways (includes Walking Tracks)

The Dunkeld Loop walk has been carried over and is expected to incur $320,000. Flood damaged foothpaths ($120,000) and Walking Track reinstatements ($685,000) have also been provided.

12.1.15 Drainage

Several minor projects have been included with the major works being around flood damage with $300,000.

12.1.16 Recreational, Leisure and Community Faciltiies

An active play area at Patterson Park ($139,350) and an Outdoor Pools renewal Program ($500,000) are highlights. A further $1.465 million has also been provided for flood damage infrastructure in this category.

12.1.17 Waste Management

Landfill rehabilitation works are programmed for the former landfills at Coleraine $500,000 and Hamilton $1.400 milllion.

A further $800,000 has been provided to implement recently adopted waste options.

12.1.18 Airports, Parks, Open Spaces & Streetscapes

The major project in the category is the commencement of the Cox Street Redevelopment of $2.500 million.

Other projects include Arts & Cultural Precinct $200,000, Art Gallery/Library forecourt renewal $60,000 and works at both the Hamilton and Penshurst Botanic Gardens.

12.1.19 Off Street Carparks

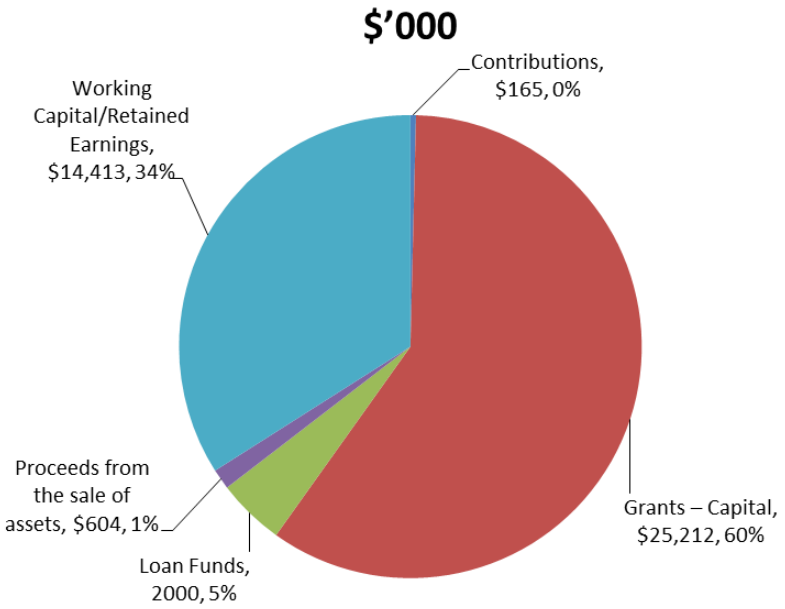
Nothing in 2017/18

12.1.20 Other Infrastructure

Works here include the Bird Aviary at the Hamilton Botanic Gardens (carried forward from 2016/17), Traffic calming & car parking at HILAC/King Street intersection ($200,824) and final stages of development of the Hamilton Regional Livestock Exchange $1.684 million.

12.2 Funding sources

Sources of Funding	Ref	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Grants	12.2.1	9,729	25,212	15,483
Contributions		-	165	165
Borrowings		-	2,000	2,000
Council cash				
- proceeds from sale of assets	12.2.2	339	604	265
- reserve cash and investments	12.2.3	-	-	
- unrestricted cash and investments	12.2.4	2,985	14,413	11,428
Total funding sources		13,053	42,394	29,341



12.2.1 Grants ($25.212 million)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Significant grants and contributions are budgeted to be received for the reinstatement of flood damaged assets ($19.362 million), Roads to Recovery ($1.421 million), Industrial Estate Development ($1.250 million) Livestock Exchange Development ($0.800 million), Cox Street Redevelopment ($1.700 million) and other minor grants ($0.679 million).

12.2.2 Council cash - proceeds from sale of assets ($0.604 million)

Proceeds from sale of assets include construction fleet and motor vehicle sales.

12.2.3 Council cash - reserve cash and investments ($0)

Council has significant cash reserves set aside for specific purposes such as waste management, public open space and car parking development. It is not anticipated to spend any of these funds in 2017/18.

12.2.5 Council cash - unrestricted cash and investments ($14.413 million)

In addition to reserve investments, Council has uncommitted cash and investments which represent unrestricted cash and investments.

13 Analysis of budgeted financial position

This section analyses the movements in assets, liabilities and equity between 2016/17 and 2017/18. It also considers a number of key financial performance indicators.

13.1 Budgeted balance sheet

	Ref	Forecast Actual 2017 $'000	Budget 2018 $'000	Variance $'000
Current assets	13.1.1			
Cash and cash equivalents		18,141	11,339	(6,802)
Trade and other receivables		3,564	3,564	-
Financial assets		-	-	-
Other assets		1,128	1,128	-
Total current assets		22,833	16,031	(6,802)
Non-current assets	13.1.1			
Trade and other receivables		1,203	1,179	(24)
Property, infrastructure, plant and equipment		304,515	334,817	30,302
Total non-current assets		328,551	352,027	23,476
Total assets				
Current liabilities	13.1.2			
Trade and other payables		(2,047)	(2,047)	-
Interest-bearing loans and borrowings		(417)	(417)	-
Provisions		(6,628)	(6,432)	196
Total current liabilities		(9,092)	(8,896)	196
Non-current liabilities	13.1.2			
Interest-bearing loans and borrowings		(2,031)	(2,227)	(196)
Provisions		(2,227)	(3,845)	(1,618)
Total non-current liabilities		(4,258)	(6,072)	(1,814)
Total liabilities		(13,350)	(14,968)	(1,618)
Net assets		315,201	337,059	21,858
Equity	13.1.4			
Accumulated surplus		113,971	135,824	21,853
Asset revaluation reserve		200,463	200,463	-
Other reserves		767	772	5
Total equity		315,201	337,059	21,858

13.1.1 Current Assets ($6.802 million decrease) and Non-Current Assets ($23.476 million increase)

Cash and cash equivalents include cash and investments such as cash held in the bank and in 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 $6.803 million during the year mainly due to the value of capital works, capital funding received for multiple year projects offset by the drawing down of loan funds at the end of the financial year to fund works early in 2017/18.

Trade and other receivables are monies owed to Council by ratepayers and others. Short term debtors are not expected to change significantly in the budget. Long term debtors (non-current) relating to loans to community organisations will decrease by $0.024 million in accordance with agreed repayment terms.

Other assets includes items such as prepayments for expenses that Council has paid in advance of service delivery, inventories or stocks held for sale or consumption in Council's services and other revenues due to be received in the next 12 months.

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 $30.302 million increase in this balance is attributable to the net result of the capital works program ($22.032 million of additional asset value), reduction of the previously recognised asset impairments of $20.362million less depreciation of assets ($11.488 million) and sale of plant and equipment ($0.604 million).

13.1.2 Current Liabilities ($0.196 million decrease) and Non-Current Liabilities ($1.618 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 2016/17 levels.

Provisions include accrued long service leave, annual leave and rostered days off owing to employees. These employee entitlements are also expected to remain constant due to more active management of entitlements despite factoring in an increase for Collective Agreement outcomes.

Interest-bearing loans and borrowings are borrowings of Council. Council is budgeting to repay loan principal of $0.382 million over the year, however they are also expecting to draw down $2.000 million in late 2017/18

13.1.3 Working Capital ($6.611 million decrease)

Working capital is the excess of current assets above current liabilities. This calculation recognises that although Council has current assets, some of those assets are already committed to the future settlement of liabilities in the following 12 months, and are therefore not available for discretionary spending.

Some of Council's cash assets are restricted in that they are required by legislation to be held in reserve for specific purposes or are held to fund carry forward capital works from the previous financial year.

	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Variance $'000
Current assets	22,833	16,031	(6,802)
Current liabilities	(9,092)	(8,896)	196
Working capital	13,741	7,135	(6,606)
Restricted cash and investment current assets			
- Statutory reserves	(417)	(422)	(5)
- Trust funds and deposits	(377)	(377)	-
Unrestricted working capital	12,947	6,336	6,611

In addition to the restricted cash shown above, Council is also projected to hold $0.350 million in discretionary reserves at 30 June 2018. Although not restricted by a statutory purpose, Council has made decisions regarding the future use of these funds and unless there is a Council resolution these funds should be used for those earmarked purposes.

13.1.4 Equity ($21.858 million increase)

Total equity always 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; and
- 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.

13.2 Key assumptions

In preparing the 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:

- Debtors and creditors to remain consistent with 2016/17 levels;
- Employee entitlements to be increased by the Collective Agreement outcome offset by the impact of more active management of leave entitlements of staff;
- Repayment of loan principal to be $0.382 million;
- Drawn down of additional loan funds of $2.0 million;
- Total capital expenditure to be $42.394 million.

Long term strategies

The budget includes consideration of a number of long term strategies and contextual information to assist Council to prepare the Budget in a proper financial management context.

This section includes the following analysis and information:

14. Strategic Resource Plan for 2017/18 to 2020/21
15. Rating Information
16. Other Long Term Strategies

14. Strategic resource plan and financial performance indicators

14.1 Plan development

The Act requires a SRP to be prepared describing both financial and non-financial resources (including human resources) for at least the next four financial years to achieve the strategic objectives in the Council Plan. In preparing the SRP, Council must take into account all other plans and strategies in regard to services and initiatives which commit financial and non-financial resources for the period of the SRP.

Council has prepared a SRP for the four years 2017/18 to 2020/21 as part of its ongoing financial planning to assist in adopting a budget within a longer term framework. 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.

The key objective, which underlines the development of the SRP, is financial sustainability in the medium to long term, while still achieving Council's strategic objectives as specified in the Council Plan. The key financial objectives, which underpin the SRP, are:

- Maintain the existing range and level of service provision and improve the understanding of the range and levels of service provided;
- Maintain a viable cash position, ensuring Council remains financially sustainable in the long-term;
- Achieve operating statement surpluses with the exclusion of all non-operational items such as granted assets and capital income within the 10 year timeframe of the long term financial plan;
- Reduce debt to a low to moderate level to allow capacity to fund future infrastructure;
- Continue to pursue recurrent grant funding for strategic capital funds from the State and Federal government; and
- Provide for rate increases that work towards reaching a funding level for renewal demand being invested at 100 percent.

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 SRP is updated annually through a rigorous process of consultation with Council service providers followed by a detailed sensitivity analysis to achieve the key financial objectives.

14.2 Financial resources

The following table summarises the key financial results for the next four years as set out in the SRP for years 2017/18 to 2020/21. Section 3 includes a more detailed analysis of the financial resources to be used over the four year period.

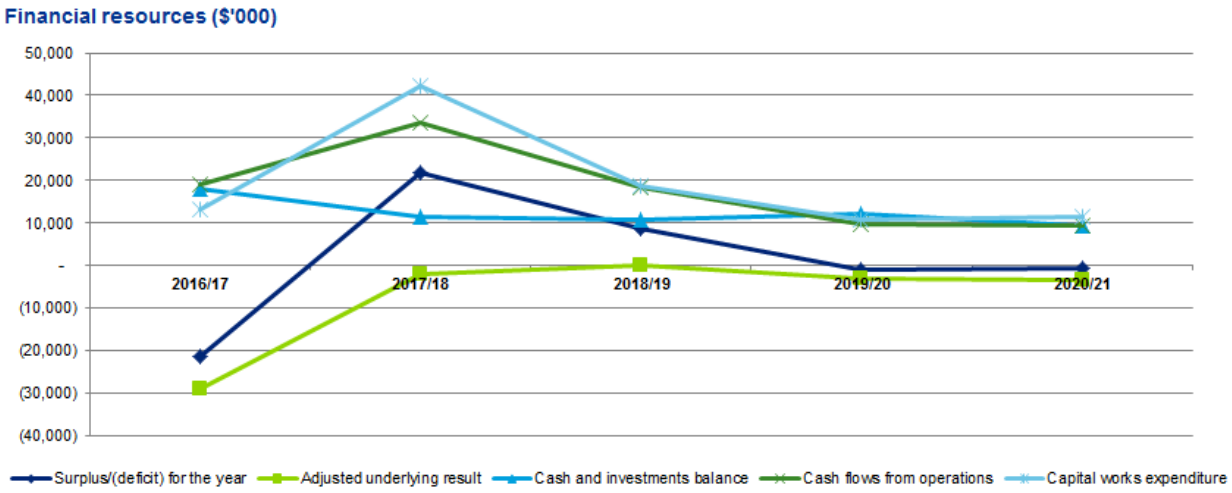
Indicator	Forecast Actual 2016/17 $'000	Budget 2017/18 $'000	Strategic Resource Plan Projections 2018/19 $'000	2019/20 $'000	2020/21 $'000	Trend +/o/-
Surplus/(deficit) for the year	(21,367)	21,858	8,837	(920)	(653)	+
Adjusted underlying result	(29,023)	(2,098)	(76)	(2,882)	(3,467)	O
Cash and investments balance	18,141	11,339	10,834	12,094	9,515	O
Cash flow from operations	18,911	33,536	18,430	9,773	9,440	-
Capital works expenditure	13,052	42,394	18,894	10,774	11,396	O

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

Note:

1. *The above calculation of Underlying result excludes recurrent capital grants.*
2. *These indicators have been affected by the impairment of assets and associated grants with the reinstatements works.*

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



The key outcomes of the SRP are as follows:

- Financial sustainability (Section 11) – Southern Grampians Shire Council have a large operating deficit due to the recognition of flood impaired assets in 2016/17. Non-recurrent funding will be provided during 2017/18 which the matched expenses appearing in Capital, the resulting effect is a large operating surplus and a smaller (but significant) surplus in 2018/19. Following this period, Council aims to retain an operating deficit of less than $1 million in the remaining two years of the SRP.

- Service delivery strategy (Section 16) – Southern Grampians Shire Council will continue its approach to Service Planning in 2017/18 via a strategic service planning framework incorporating annual budget, departmental operational plans, capital works evaluation and long term financial plan leading to a determination of the appropriate range and levels of service for the community and that as part of the development of its Service Plans, consults with the community to determine how service levels will be reached including a combination of improved revenue raising, review of existing service levels, asset disposal and composition of the asset portfolio.

- Long Term Borrowing strategy (Section 16) – Retain debt servicing and redemption costs at or below 6 cents in the rate dollar.

- Rating levels (Section 15) – Rate increases of 2.0% in 2017/18 in accordance with rate capping legislation with service charges being increased at 12% for existing users and adjusted as appropriate to compliment strategic waste planning.

- Asset Management (Section 16) – That Southern Grampians Shire Council adopts as policy the annual allocation of funds to meet 100 per cent of the communities infrastructure renewal needs before it elects to upgrade or construct new assets.

15. Rating information

This section contains information on Council's past and foreshadowed rating levels along with Council's rating structure and the impact of changes in property valuations.

15.1 Rating context

In developing the Strategic Resource Plan (referred to in Section 14), rates and charges were identified as an important source of revenue, accounting for around 40% of the total revenue received by Council annually. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process. The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken in Southern Grampians Shire.

Council has also taken into consideration the decision by the Minister for Local Government to introduce rate capping legislation in the form of its "Fair Go" Rate System. On 19 December 2016, the Minister advised an annual rate increase of 2.0% for the 2017/18 year.

At this point in time, Council has developed a Strategic Resource Plan based on continued 2.0% rate increases. Council has also factored in a 12% increase in existing service charges for 2017/18 then reverting to annual increases of approximately 4%. The service collection areas have also been extended to include additional townships in mandatory collection areas.

Council does however, reserve the option to apply for higher rate increases in future years should it deem necessary.

15.2 Rating structure

On 8 June 2016 Council revised this Policy to provide an equitable and consistent basis for the levying of rates and charges.

The policy provides that differential general rates will be levied on the capital improved valuation of all rateable land to reflect the different standard, range and access to municipal services available to the residents and ratepayers of the Shire. The rationale for this policy being that the owners and occupiers of properties in the Hamilton urban area and immediate surrounds enjoy a greater range and standard of services and access to services compared to residents and ratepayers in other areas of the Shire.

The policy provides for the levying of three differential rates as follows:-

1. Differential General Rate No. 1 - will be levied on the capital improved valuation of all rateable land in the parishes of North Hamilton and South Hamilton, excluding farm land (as defined in the Valuation of Land Act 1960) comprising all or part of a single farm enterprise with an area of 40 hectares or more.
2. Differential General Rate No. 2 - will be levied on the capital improved valuation of all rateable farm land (as defined in the Valuation of Land Act 1960) in the parishes of North Hamilton and South Hamilton comprising all or part of a single farm enterprise with an area of 40 hectares or more.
3. Differential General Rate No. 3 - will be levied on the capital improved valuation of all other rateable land in the Shire.
4. Differential Rates Nos. 2 and 3 will be fixed at the same rate.
5. Differential Rates No. 2 and 3 will be fixed at 80% of Differential Rate No.1.

The policy also provides for a municipal charge, service (or garbage) charges and special drainage rate.

15.3 Basis of Differential General Rates

It is considered that the levying of differential rates will contribute to the equitable and efficient carrying out of Council's functions. The purpose of levying differential general rates is to recognise the following factors:

- the different standard of municipal services provided to the residents and ratepayers in different areas of the Shire;
- the different range of municipal services available to the residents and ratepayers in different areas of the Shire;
- Differences in the accessibility to municipal services for the residents and ratepayers in different areas of the Shire.

Council has established a rating structure which is comprised of three key elements. These are:

- Property values, which form the central basis of rating under the Local Government Act 1989
- A 'user pays' component to reflect usage of certain services provided by Council
- A fixed municipal charge per property to cover some of the administrative costs of the Council.

Striking a proper balance between these elements provides equity in the distribution of the rate burden across residents.

Having reviewed the various valuation bases for determining the property value component of rates, Council has determined to apply a Capital Improved Value (CIV) basis on the grounds that it provides the most equitable distribution of rates across the municipality. There are currently no plans to change that basis, but Council does review its rating structure every two years.

A more detailed analysis of the rates to be raised is contained in Section 7 'Rates and Charges'.

15.4 General revaluation of properties

During the 2015/16 year, a revaluation of all properties within the municipality was carried out and will apply from 1 July 2016 for the 2016/17 and 2017/18 years.

The outcome of the general revaluation has seen a general decline in the values of Residential, Rural and Industrial properties with an increase in Commercial properties.

In deliberating over the setting of the differential rate structure for the 2016/17 year, Council was mindful of the movement in the valuations compared to those in previous cycle and the purpose of Council's existing Rating Strategy.

In view of the outcomes of the general revaluation of all properties within the Council's municipal district during the 2015/16 year, Council has chosen not to make any changes to the existing rate differential.

In aggregate, total rates and municipal charges will increase by 2.01% compared to 2016/17.

16. Summary of other strategies

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

16.1 Borrowings

In developing the Strategic Resource Plan (SRP) (see Section 14), borrowings was identified as an important funding source for capital works programs. In the past, Council has borrowed to finance large building and infrastructure projects. Council continues to have a conservative borrowing program over coming years.

The SRP includes the results of an analysis of Council's debt position against both State averages and large council averages over a number of different indicators. It also shows the results of the 'obligations' indicators that are part of the prescribed financial reporting indicators.

For the 2017/18 year, Council has decided to take out new borrowings of $2.000 million to assist in funding the capital works program and therefore, after making loan repayments of $0.362 million, will increase its total borrowings to $4.262 million as at 30 June 2018.

Year	New Borrowings $'000	Principal Paid $'000	Interest Paid $'000	Balance 30 June $'000
2016/17	-	357	191	2,644
2017/18	2,000	382	166	4,262
2018/19	-	566	235	3,696
2019/20	2,500	547	211	5,649
2020/21	-	763	286	4,886

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

	2016/17 $'000	2017/18 $'000
Total amount borrowed as at 30 June of the prior year	3,001	2,644
Total amount to be borrowed	-	2,000
Total amount projected to be redeemed	(357)	(382)
Total amount proposed to be borrowed as at 30 June	2,644	4,262

16.2 Asset Management

The Council is developing an Asset Management Strategy based on the knowledge provided by various Asset Management Plans, which sets out the capital expenditure requirements of Council for the next 10 years by class of asset, and is a key input to the SRP. It predicts infrastructure consumption; renewal needs and considers infrastructure needs to meet future community service expectations. The Strategy is being developed through a rigorous process of consultation and evaluation.

The key aspects of the process are as follows:

- Long term capital 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;
- Business Case template for officers to document capital project submissions.

A key objective of asset planning 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 most municipalities in that it is presently unable to fully fund asset renewal requirements identified. Council plans – as policy - to fund 100% of its renewal target each year, however it recognises the need to reallocate some of these funds to upgrade and expansion works, and in some cases, new works.

New works should be accompanied by a thorough business case which takes into consideration the nature of the assets, the whole of life costing and includes the impact of any borrowings required to fund the asset.

Council has also identified that asset reviews need to be carried out with the view to retiring or disposing of assets that do not have any service potential, therefore saving future renewal requirements.

The following table summarises Council's forward outlook on capital expenditure including funding sources for the next four years.

		Summary of funding sources			
Year	Total Capital Program	Grants	Contributions	Council Cash	Borrowings
	$'000	$'000	$'000	$'000	$'000
2016/17	13,052	11,246	-	1,806	-
2017/18	42,394	25,212	165	15,017	2,000
2018/19	18,894	11,304	-	7,590	-
2019/20	10,774	1,797	-	6,477	2,500
2020/21	11,396	2,649	-	8,747	-

In addition to using cash generated from its annual operations, borrowings and external contributions such as government grants, Council has significant cash or investment reserves that are also used to fund a variety of capital projects. These reserves are either 'statutory' or 'discretionary' cash reserves. Statutory reserves relate to cash and investments held by Council that must be expended on a specific purpose as directed by legislation or a funding body, and include contributions to car parking, open space and waste management. Discretionary cash reserves relate to those cash and investment balances that have been set aside by Council and can be used at Council's discretion, even though they may be earmarked for a specific purpose.

16.3 Service delivery

Council has developed a Service Review Framework as a tool to carry out structured reviews of all Council services.

The Service Review Framework will provide a vital process to ensure that Council is delivering services that are:

- Appropriate – match and can be adapted to meet current and future community needs and expectations;
- Effective – deliver targeted, better quality services in new ways; and
- Efficient – improve resource use (people, materials, plant and equipment, infrastructure, buildings) and redirect savings to finance new or improved services.

The key benefits of the Service Review Framework include:

- Alignment of community needs and expectations;
- A more engaged community;
- Higher quality service provision;
- Cost savings and possible income generation;
- Increased efficiency of often limited resources;
- Partnerships and networks with other local governments and service providers;
- Increased capacity of staff to respond to changing needs of the community;
- Staff who work cooperatively across departments;
- A more systemic approach to understanding future community needs.

See Section 4 of Council's Strategic Resource Plan for a detailed description of Council's approach to Service Provision and Planning.

Appendix A

Fees and charges schedule

The budgeted fees and charges of a statutory and non-statutory nature which will be charged in respect to various goods and services provided during the 2017/18 year are contained in Councils Pricing Register. The detailed Pricing Register for 2017/18 can be accessed on Councils website www.sthgrampians.vic.gov.au or a hardcopy can be viewed at Council's Business Centre, 111 Brown Street Hamilton.

Appendix B

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 is required to 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 which support the Act.

The 2017/18 budget, which is included in this report, is for the year 1 July 2017 to 30 June 2018 and is prepared in accordance with the Act and Regulations. The budget includes financial statements being a 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 the adoption of the budget.

In advance of preparing the budget, officers firstly review and update Council's long term financial projections. Financial projections for at least four years are ultimately included in Council's Strategic Resource Plan, which is the key medium-term financial plan produced by Council on a rolling basis. The preparation of the budget, within this broader context, begins with officers preparing the operating and capital components of the annual budget during January and February. A draft consolidated budget is then prepared and various iterations are considered by Council at informal briefings during March and April. A 'proposed' budget is prepared in accordance with the Act and submitted to Council in late April for approval 'in principle'. Council is then required to give 'public notice' that it intends to 'adopt' the budget. It must give 28 days notice of its intention to adopt the proposed budget and make the budget 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.

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

For the 2017/18 year, the Minister has announced that Council has a further two month period to meet this obligation due to additional requirements in the year following the election of a new Council (November 2016). It is proposed that Council will consider the adoption of the 2017/18 Budget on 12 July 2017.

The key dates for the budget process are summarised below:

Planned Budget process	Timing
1. Officers update Council's long term financial projections	Dec/Jan
2. Officers prepare operating and capital budgets	Jan/Feb
3. Councillors consider draft budgets at informal briefings	Mar/Apr
4. Proposed budget submitted to Council for approval	Late Apr
5. Public notice advising intention to adopt budget	Early May
6. Budget available for public inspection and comment	Early May
7. Public submission process undertaken	May
8. Submissions period closes (28 days)	Early Jun
9. Submissions considered by Council/Committee	Mid Jun
10. Budget and submissions presented to Council for adoption	Late Jun
11. Copy of adopted budget submitted to the Minister	Jun
12. Revised budget where a material change has arisen	Sep-Jun

Budget principles

Guidance is provided to all Council officers with budget responsibilities. These key budget principles upon which the officers were to prepare their budgets included:

- Existing fees and charges to be increased in line with CPI or market levels.
- Grants to be based on confirmed funding levels.
- New revenue sources to be identified where possible.
- Service levels to be maintained at 2016/17 levels with the aim to use less resources with an emphasis on innovation and efficiency.
- Salaries and wages to maintained in line with Average Weekly Earnings.
- Contract labour to be minimised.
- New initiatives or employee proposals to be justified through a business case.
- Real savings in expenditure and increases in revenue identified in 2016/17 to be preserved
- Operating revenues and expenses arising from completed 2016/17 capital projects to be included.

Cost escalations for the preparation of the 2018/19 budget onwards include:

- Rate revenue to be projected at 2% - the current year rate cap
- Refuse and Recycling costs at 4% (following a major increase in 2017/18 to lift the base revenue closer to full cost recovery)
- Operating Grants increasing at 2%
- Capital Grants only included where some level of surety arises and linked directly to a specific capital project.
- Cessation of the Roads to Recovery program at the end of 2018/19
- User Fees and Charges increasing at 4%
- Statutory Fees and Charges increasing at 1%
- Employees costs increasing at 3% (2% base with 1% for oncosts)
- Materials & consumables increasing at 4%
- Utilities and other operating expenses increasing at 3%