



Murrindindi Shire Council

2006/ 2007 BUDGET

Adopted by Council
1 August 2006



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EXECUTIVE SUMMARY

Introduction

The 2006/ 2007 Budget is the first budget of the Council elected in November 2005 and has been prepared in accordance with the Council Plan 2006 – 2010, statutory requirements and professional accounting practices.

This Budget contains a substantial capital works program that will continue to address the infrastructure gap issue that faces Victorian Local Government and also contains a significant number of activities that will deliver the objectives contained in the Council Plan. Appendix E sets out the main points of interest for an exciting year ahead that will challenge the management team and the Council.

The Council plan sets out that equity, or net worth, can be maintained to 2009/ 2010 and further that cash reserves of around \$3.5 million each year are required to meet non discretionary cash requirements (refer page 36). This budget enables these key criteria to be achieved.

Debt is within the guidelines set by the Minister and is a key funding source for the Capital works program.

Appendix A sets out the budget in financial terms.

From an operating perspective, expenses that continue to rise through enterprise bargaining agreements, fuel costs and resources prices place pressure on the budgeting process. A surplus on operations of \$221,396 is budgeted.

Rates

Rate revenue, which represents 46.46% of total revenue, has been raised to \$10 million to collect a total amount of 8% more than last year. This is made up of a rate rise of 6.25% for 2006/ 2007, an increase in the number of rateable properties through growth in the Shire of 0.75% and an increase in the Garbage and Recycling charge to a total of \$250.00. The revaluation of all property in January 2006 will impact on the total amount of rates paid by individuals and businesses. A fuller explanation of rates and the impact of the revaluation are set out in section 4.1.1.

Operating

Grants of an operating and capital nature are an important source of funds for the Council and a check of the Council Plan shows an ongoing reliance on grants. The loss of the Federal Government's untied National Competition Payments of \$158,000 (i.e. no stipulations on how the money is to be spent) is a significant blow and that while the increase of \$258,000 for the Federal Roads to Recovery Program is a welcome boost to the capital program it must be spent on roads. Section 4.1.4 sets out some of the variations in the grants available to the Council.

Employee costs have increased significantly when compared to last year. The enterprise bargaining process completed late in 2005 will result in an average increase in salaries and wages of 4.34%. Several grant funded positions and the appointment of the equivalent of 6.75 new employees to satisfy the outcomes of the Council Plan will occur. Of the new employees 2.33 are staff that were under trainee and apprenticeship arrangements that have been completed and converted to full time employee situations. Section 4.2.1 provides further details.

Cash Position

The budgeted cash position details a projected cash balance of \$3.5 million at 30 June 2007 after generating a surplus from Operating activities of \$4.6 million. Notably, it is proposed to borrow a further \$950,000 in 2006/ 2007 to fund major capital projects. There is a heavy reliance on rates funds to carry out the balance of the capital program.

Capital Works

The capital program (refer Appendix C) totals \$6.432 million and importantly \$2.464 million will be allocated to asset renewal projects, which addresses the infrastructure gap, \$2.380 million to upgrade projects and



\$1.451 million to the expansion of creation of new assets. The Road and Bridge Strategy along with the IT Strategy and Library Collection Development Policy provide strategic guidance for the capital program.

Financial Position

The Balance Sheet sets out that \$1.430 million in cash will be used in the course of delivering services to our communities. Importantly total equity or the net worth of the Council continues a positive trend as set out in the Council Plan.

Key Strategic Activities

Key Strategic Activities, as required by the *Local Government Act*, and their measures are set out in Appendix I which, along with the other measures in the Council Plan, will be reported upon to demonstrate the success of the Council in delivering services for 2006/ 2007.

I commend this budget to you.

D. D. Hogan
Chief Executive Officer



1. BUDGET PREPARATION

1.1 Legislative requirements

The 2006/ 2007 budget, which is included in this report, is for the year 1 July 2006 to 30 June 2007 and is prepared in accordance with the *Local Government Act 1989* ("the Act"). The budget includes standard statements being a budgeted Income Statement, Balance Sheet, Cash Flow Statement and Statement of Capital Works. These statements have been prepared for the year ended 30 June 2007 in accordance with *Australian Accounting Standards* including AAS27, "Financial Reporting by Local Governments", and other mandatory professional reporting requirements in accordance with the Act and Regulations. It also includes detailed information about the rates and charges to be levied, the capital works program to be undertaken and other financial information that Council requires in order to make an informed decision about the adoption of the Budget.

1.2 Strategic Planning Framework

The 2006/2007 Budget has also been set having regard to the Council Plan. The Council Plan 2006 - 2010, incorporating the Strategic Resource Plan, sets out the medium to long term direction of the Council whilst the 2006/ 2007 Budget sets the short term (one year) direction in line with the Plan. In accordance with the Local Government Act, the Strategic Resource Plan has been reviewed and adjusted to reflect the experience of the 2005/ 2006 year. The Strategic Resource Plan also summarises the financial and non-financial impacts of the objectives and strategies of the Council Plan and determines the sustainability of the Council.

The Strategic Resource Plan can be found in Appendix G of this document.

The 2006/ 2007 budget has been prepared in accordance with the 'Institute of Chartered Accountants Best Practice Guide for reporting Local Government Budgets in Victoria'.

The Budgeted Standard Statements can be found in Appendix A of this document.



2. BUDGET INFLUENCES

2.1 External Influences

In preparing the 2006/ 2007 Budget a number of external influences have been taken into consideration because they are likely to impact on the services delivered by Council in the budget period. These include:

2.1.1 State Government 2006 – 2007 Budget

The 2006 - 2007 State Budget was handed down on 30 May 2006 and contained significant expenditure on health, education and public transport.

Initiatives in the State Budget include:

- \$2.6 billion for the first phase of the Meeting Our Transport Needs strategy
- \$1.3 billion for health, aged care and community services related infrastructure, including \$850 million to rebuild the Royal Children's Hospital
- \$508 million over four (4) years to increase the number of patients serviced by the health care system
- \$448 million capital expenditure on education and training facilities
- \$270 million for child and family services
- \$200 million to cut the top rate in land tax
- \$170 million per annum cut in the Work Cover premiums
- \$41.5 million over four (4) years to reduce the regulatory burden imposed on businesses by State Government departments. No similar scheme is available to Local Government.

The MAV report 'Overview of the 2006-07 State Budget' states, "It is disappointing that only very limited funding was made available to local government directly in the Budget. Failure to fund the initiatives raised in the MAV submission in December 2005 will have a real effect on financial viability of Councils. Accordingly, it is likely that the pressure on local government to increase rates will continue in the near future.

.... The projected economic figures show that wages pressure will continue to outstrip CPI and population growth, which is the nominal escalator for general purpose grants and many specific purpose payments. This will mean ongoing downward pressure on the real value of general purpose grants and specific purpose payments as councils employment costs increase ahead of the value of government grants.

.... Local Government general purpose grants and local road grants are expected to continue to rise in line with the growth escalators of the grant programs – inflation and populations. In addition, significant new funding will be provided to local government through Department of Innovation, Industry and Regional Developments through the Provincial Statement."

2.1.2 Federal Government 2006 – 2007 Budget

(Adapted from the 2006 MAV budget summary)

The 2006 - 2007 Federal Budget has announced a range of initiatives that assist Local Government in both rural and metropolitan areas. Specific funding commitments that benefit Local Government announced in the budget include:

- Financial Assistance Grants (FAGs) to Local Government will increase in 2006/ 2007 to \$1,676.2 million (consisting of \$1,161 million General Purpose Grants and \$515.2 million in local roads grants). This is estimated to be above the 2005/ 2006 financial year, and a nominal increase of 3.6%.
- Total direct funding for local government in 2006/ 2007 will be \$2,173 million. This includes FAGs, Roads to Recovery and other Specific Purpose Payments (SPPs).



- The Government is to provide additional funding of \$2.3 billion to road and rail projects, increasing Auslink to a \$15 billion program from 2004/ 2005 to 2008/ 2009. This includes funding for the Hume, Bruce and Pacific Highways.
- The Government will provide an additional \$307.5 million in 2005/ 2006 to Local, State and Territory Governments for investing in local roads as a supplement to the Auslink Roads to Recovery Program. This is additional funding committed in last year's budget.
- From 1 July 2006 the Government is removing the cap on the number of outside school hours care and family day care places. This will cost approximately \$60 million over four (4) years and is estimated to create an additional 25,000 places.
- The budget provides an extra \$79 million for initiatives to address drug and alcohol abuse including \$48 million to combat psycho stimulant and cannabis use.
- The budget provides an additional \$19 million to increase community care access in rural and remote areas.
- The Government is committing an extra \$1.9 billion over five (5) years to mental health services. This includes \$52 million for extra health services in rural and remote areas.
- The Government has committed an additional \$488 million (including \$115 million capital) over five (5) years for strengthening Indigenous communities.

2.2 Other Influences

There are also a number of other influences arising from the 2005/ 2006 year which have a significant impact on the setting of the budget for 2006/2007. These include:

- An Enterprise Bargaining Agreement (EBA) with average wages increase of 4.34%
- Consumer Price Index (CPI) increases on goods and services of 3.0% per annum
- Grant funding of \$170,000 for the National Competition Policy ceased at June 30 2006
- The cost of fuel and oil is budgeted to be \$106,000 higher than 2005/ 2006 and has been estimated at \$1.50 per litre
- An additional \$775,000 Roads to Recovery funding that is to be expensed over three (3) years
- The ongoing pressure of revenues other than rates being constrained at CPI whilst operating costs, labour and cost of capital works increase at a faster rate

2.3 Budget Principles

Guidelines were prepared and distributed to all Council Officers with budget responsibilities. The guidelines set out the key budget principles upon which the Officers were to prepare their budgets. The principles include:

- 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 2005/ 2006 levels with an emphasis on innovation and efficiency through business excellence



3. ACTIVITIES

The Annual Budget includes the activities to be funded that will contribute to achieving the objectives specified in the Council Plan.

The themes and objectives of the Council for the next four (4) years are set out below:

| Council Plan Theme | Objectives |
|--------------------|---|
| Environment | <ul style="list-style-type: none">• Ensure that land use is strategically planned• To protect and enhance our natural environment |
| Community | <ul style="list-style-type: none">• To promote safe, healthy, active communities |
| Infrastructure | <ul style="list-style-type: none">• To maintain and improve our infrastructure• To foster civic pride |
| Local Economy | <ul style="list-style-type: none">• To encourage economic growth |
| Governance | <ul style="list-style-type: none">• To be consistent, fair and transparent in our decision making• To improve our performance• To foster civic pride• To value our staff• To be a financially strong organisation |

The activities planned under each objective for 2006/ 2007 include (please note only those activities denoted with a '*' in the Council Plan have been listed.)

Theme 1 - Environment

Objective

Ensure that land use is strategically planned

Activities

- Implement the strategic directions, priorities and actions contained in the Rural Living Development Guidelines 2004 as opportunities and funding allow.
- Complete the Rural Land Study for consideration and adoption by the Council in partnership with state government directions on new farming zones.
- Complete and implement the development plans as opportunities and funding allow (Lamont Street Alexandra, North Street Yea, Snodgrass St Yea).
- Complete the *Heritage Study* and implement outcomes as appropriate.
- Review the Municipal Strategic Statement.

How the activities meet the objective:

The high level planning activities provide the strategic framework and direction for the Council when making land use planning decisions.

Objective

To protect and enhance our natural environment

Activities

- Develop an environment policy and supporting strategy and resource plan.
- Assess the feasibility of establishing an environmental advisory committee.
- Receive a business plan for the Yea Wetlands Discover – E Centre and consider priority actions as opportunities and funding allow.



- Complete the three (3) year monitoring report on the performance of the *Murrindindi Planning Scheme* and processes (statutory requirement).
- Finalise and adopt the Waste Management Strategy 2006.
- Implement the recycling, garbage collection and transfer station attendant's contracts.
- Seek Environmental Protection Authority approval and implement the revised landfill licence.
- Continue to work on innovative water and wastewater initiatives through the Kinglake Wastewater Innovation Project.

How the activities meet the objective:

The environmental and waste management activities will strengthen the Council's ability to protect and enhance the natural environment.

Theme 2 - Community

Objective

To promote safe, healthy, active communities

Activities

- Define the roles of officers, Councillors and the Community and other agencies in emergency activities.
- Seek adequate resources for the Municipal Emergency Communication Centre and recovery centres.
- Finalise and adopt the Early Years Strategy and incorporate into the Municipal Public Health Plan.
- Finalise and adopt the Youth Strategy and consider for incorporation into the Municipal Public Health Plan.
- Pursue adequate funding for early years programs and services.
- Complete the Yea Children's Precinct and address Pioneer Reserve traffic management issues.
- Investigate the potential development of the Alexandra Children's precinct.
- Commence a transport strategy.
- Investigate the delivery of community building capacity across the Shire.
- Consider the appointment of a Community Development Worker.
- Review the *Recreation and Culture Grants* and *Community Loan* programs to provide a seed funding pool to match community initiated projects and programs.
- Complete the access audit contained in the *Inclusiveness Planning Project*.
- Develop a policy for the use of Council assets by the community.
- Implement the activities contained in the *Library Strategic Plan and Collection Development Policy* as opportunities and funding allow.
- Commence the development of an Arts and Culture Policy and associated strategy and resource plan.
- Complete the marketing feasibility plan to establish opportunities for development of Bollygum Park and implement the master plan as opportunities and funding allow.
- Review the Council's role in supporting committees of management.
- Ensure a proactive inspection system including a timetable for recreation reserves.
- Ensure that boundaries comply with sports association guidelines.
- Ensure that all seasonal users of council facilities are governed by seasonal use/ tenancy agreements and have a contact point within the Council.

How the activities meet the objective:

The Council's approach to meeting this broad community objective recognises the complex community in which we live. Health and wellbeing, relationships with other agencies, emergency management, advocacy and facilitation, accessibility and arts culture and leisure experiences are all critical to our communities.



Theme 3 - Infrastructure

Objective

To maintain and improve our infrastructure

Activities

- Complete the Road Asset Management Plan (RAMP).
- Implement the Roads and *Bridge Construction Strategy*.
- Consolidate all asset management functions.
- Review and adopt the Building Asset Management Strategy
- Implement the adopted *Road Management Plan* including the publishing of the road register, schedules of inspection types and frequencies, and key defects and service response time.
- Complete and publish the *Infrastructure Manual*.
- Develop and implement a programmed maintenance system.
- Implement the Road Assyst system in response to the *Road Management Plan*.

How the activities meet the objective:

The activities will assist in reducing the infrastructure gap on all asset classes. Further, the reduction of risk associated with the community's use of the infrastructure such as roads is a statutory requirement of the Road Management Act.

Objective

Foster civic pride

Activities

- Upgrade the Yea Council Chambers.
- Consider clocks for the Yea Shire Hall.
- Consider Committees of Management for the Yea and Alexandra Shire Halls.

How the activities meet the objective:

Completion of key capital works and community-based management of Council assets is a component of fostering the pride of the Community in its townships.

Theme 4 - Local Economy

Objective

To encourage economic growth

Activities

- Implement priority outcomes of the *Training Demand Study*.
- Develop a new program of business and tourism awards.
- Implement the *Yea Industrial Estate Development Plan*.
- Pursue opportunities for improved broadband services.
- Develop a business prospectus as opportunities and funding allow.
- Progress the local live, work, visit, invest Provincial Victoria marketing campaign.
- Establish cross departmental policies and processes for better management of major external events.
- Consider the appointment of a cadet building surveyor.
- Establish an *essential services register* for commercial buildings with fire safety systems.
- Complete the tourism signage audit.
- Develop and implement a tourism signage strategy.
- Facilitate Murrindindi Regional Tourism Association restructure.
- Complete the revision of the memorandum of understanding (MOU) with the newly restructured MRTA.
- Complete the nature-based tourism accommodation feasibility study.
- Assist Murrindindi Regional Tourism Association (MRTA) in developing greater consistency in the branding of Murrindindi tourism.



How the activities meet the objective:

Economic growth will be bolstered through studies and plans and through participation in tourism initiatives with the regional and state tourism bodies.

Theme 5 - Governance

Objective

To be consistent, fair and transparent in our decision making

Activities

- Review and improve the Councillor Development Program based on a skills assessment process.

How the activities meet the objective:

The Councillor development program will assist councillors in furthering their knowledge and skills.

Objectives

To improve our performance

To value our staff

Activities

- Develop a system and provide regular financial and non- financial reports to Executive Team and Council based on systems views and key performance indicators.
- Review the customer service system to ensure we are delivering good customer service.
- Review the customer service staff relief arrangements.
- Roll out the e-commerce system.
- Finalise and promote the Internet and intranet sites.
- Resource the Internet and intranet functions to ensure customer satisfaction with the on-line experience.
- Undertake a review and make recommendations on the records management function of the Council including historical and operational hard copy and electronic records.
- Consider a review of the rate structure.
- Review and develop a system that integrates risk assessment, insurance audits, workcover inspections, public liability, occupation health and safety, and fraud into one system.
- Train officers on the philosophy and implementation of the community consultation process.
- Formalise the organisational planning development cycle including: self assessment, risk assessment, council planning, budgeting, coaching, systems views and performance reporting.
- Investigate the provision of traineeships and apprenticeships in the organisation.
- Review the way we manage projects.
- Commence the development of a skills register across the Shire.
- Review and further develop performance measures for the Organisation and the Council Plan.
- Investigate methods for collecting resident satisfaction data in addition to the Community Satisfaction Survey (CSS).

How the activities meet the objective:

In recognising the need to continually improve, there will be a focus on performance reporting, customer service, risk management and the use of technology in delivering services across the organisation.



Objective

To be a financially sound organisation

Activities

- Review the rating structure.
- Review the debt policy.
- Develop a policy about using consultants.
- Develop a policy about acquiring and owning public buildings.
- Develop a policy about community requests for funding.

How the activities meet the objective:

Key components of the Strategic Resource Plan 2006 – 2010 will be reviewed during the coming year with a view to developing Council policy.

Statutory Requirement

It is a requirement under section 127 of the *Local Government Act 1989* that the Council includes Key Strategic Activities to be undertaken in 2006/ 2007 and include targets and measures in relation to each. These are auditable by the Auditor General.

Appendix I sets out the activities to be funded in the Budget that are of particular interest. Please note that the activities and initiatives planned are over and above the status quo service levels that the Council has provided in 2005/ 2006 and will continue to provide in 2006/ 2007.



4. ANALYSIS OF OPERATING BUDGET

(Budgeted Income Statement in Appendix A)

The Budgeted Standard Statements for the year ended 30 June 2007 are set out as Appendix A and reflect the variance of the 2006/ 2007 Budget against the forecast result to 30 June 2006.

The Budgeted Standard Statements have been broken down to assist the reader with analysing the key components as follows:

4.1 Operating Revenues

| | Forecast 2005/ 2006 \$ | Budget 2006/ 2007 \$ | Forecast- Budget Variance \$ |
|---|------------------------------|----------------------------|---------------------------------------|
| Revenue from Ordinary Operations | | | |
| Rates | 9,298,677 | 10,014,837 | 716,160 |
| User Charges | 2,113,998 | 2,672,878 | 558,880 |
| Fees and Fines | 515,999 | 570,528 | 54,529 |
| Grants | 7,948,312 | 7,465,234 | (483,078) |
| Interest | 296,800 | 298,478 | 1,678 |
| Other Revenue | 845,146 | 531,875 | (313,271) |
| Total Revenue | 21,018,932 | 21,553,830 | 534,898 |

4.1.1 Rates

It is proposed to increase rates and charges from a forecast result for 2005/ 2006 of \$9.3 million to \$10.015 million in the 2006/ 2007 budget period. This represents an increase in total rates and charges of 8% overall. The 8% increase consists of 6.25% increase in rates, growth in the number of properties of 0.75% and an overall 11% increase in garbage and recycle charges as explained below.

The rate base is broken into categories including garbage and recycling charges as follows:

| Sub Account | Forecast Actuals 2005/ 2006 \$ | Budget 2006/ 2007 \$ | Forecast- Budget Variance \$ |
|------------------------------|---|----------------------------|---------------------------------------|
| General Rate - Residential | 2,943,094 | 3,209,579 | 266,485 |
| General Rate - Commercial | 366,148 | 398,059 | 31,911 |
| Rural Rate 1 | 1,626,974 | 1,710,293 | 83,319 |
| Rural Rate 2 | 1,476,946 | 1,527,455 | 50,509 |
| Municipal Charge | 1,461,768 | 1,581,840 | 120,072 |
| Southern Hydro Agreement | 46,709 | 47,877 | 1,168 |
| Supplementary valuations | 58,302 | 62,652 | 4,350 |
| Residential Garbage Charges | 882,132 | 992,985 | 110,853 |
| Commercial Garbage Charges | 72,308 | 80,867 | 8,559 |
| Rural Garbage Charges | 65,357 | 74,112 | 8,755 |
| Recycling Charges | 256,079 | 283,347 | 27,268 |
| Commercial Recycling Charges | 21,734 | 23,883 | 2,149 |
| Rural Recycling Charges | 21,126 | 21,888 | 762 |
| Total | 9,298,677 | 10,014,837 | 716,160 |

Appendix B (Statutory Disclosures) sets out the detailed calculations for total General Rates and Charges. Appendix B also demonstrates the effect of the January 2006 valuation of properties in each of the categories. By way of explanation, Residential (General Rate) properties have



increased in value by 23.93% since January 2004. This increase in valuation, in conjunction with the 7% overall rate increase has a total effect of a 9.05% increase for the General Rate category. However, it should also be noted that the rate in the dollar has decreased in all categories (.000346 for General, Commercial and Rural 2 and .000260 for Rural 1).

Properties owners whose valuation has increased proportionately more or less than the average increase (e.g. 23.93%) will have a proportional/ corresponding increase or decrease in their rates.

A comparative example of selected properties and the impact of the valuation and rate adjustments is tabled below:

| TYPE | Old Valuation \$ | New Valuation \$ | 2005/2006 Rate \$ | 2006/2007 Rate \$ | Rate Increase/ (Decrease) \$ |
|-------------|---------------------|---------------------|----------------------|----------------------|------------------------------------|
| Residential | 255,000 | 316,000 | 903.17 | 981.69 | 78.52 |
| Vacant Land | 70,000 | 87,000 | 369.81 | 400.72 | 30.91 |
| Commercial | 1,145,500 | 1,415,000 | 3,470.48 | 3,769.86 | 299.38 |
| Rural 1 | 2,558,000 | 3,056,000 | 5,700.95 | 5,995.57 | 294.62 |
| Rural 2 | 470,000 | 552,000 | 1,523.01 | 1,580.42 | 57.41 |

Note: the 2005/ 2006 and 2006/ 2007 rate amount includes the Municipal charge.

Also included in Appendix B are details of a Garbage charge that has been set at \$193.00 up from \$173.00 in 2005/ 2006 and the recycling charge that has been set at \$57.00 up from \$52.00 in 2005/ 2006. The increased charge will assist in meeting the cost of providing a self funded garbage and recycling system.

The costs of garbage collection and disposal is made up of the following increases in the 2006/ 2007 financial year:

| | | \$ |
|-------------------------------------|----------|---------|
| Cost of collection of garbage bins | increase | 145,550 |
| Cost of Transfer Station management | increase | 73,300 |
| Waste Management Levy | increase | 19,500 |
| Garbage compactor unit | increase | 63,000 |
| Garbage compaction | increase | 91,800 |

The total cost of garbage collection and recycling for 2006/ 2007 will be \$1.743 million.

Recent tenders have resulted in the increased costs of garbage collection and transfer station operations. A new service will commence in December 2006. The recently leased compactor unit will double the life of the landfill to 60 years.

There is no provision in the 2006/ 2007 Budget for a hard rubbish waste collection.

4.1.2 User Charges

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include special charge and separate rate schemes, use of leisure and other community facilities, and the provision of human services such as family day care and home help services. 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 \$558,880 in the 2006/ 2007 financial year. The main area contributing to the increase is \$275,000 in external works for Murrindindi Construction and an expected increase in income for the Quarry Division of \$135,000. The forecast revenue for external works was reduced during the 2005/ 2006 financial year. The 2006/ 2007 increase is as a result of bringing the budget figure and works program back in line with the original 2005/ 2006 budget



Other influences on the total revenue increase in User Charges are:

1. The inclusion of Alexandra Leisure Centre in the Council's reporting
2. The sale of valuations information to State Government Land Tax office.
3. The undertaking of special charge schemes particularly for Marks and Pratt Road, Kinglake West will generate income of \$55,000 not previously received in the 2005/ 2006 year.

4.1.3 Fees and Fines

Fees and fines relate mainly to fees and fines levied in accordance with legislation. Any increases are adjusted in accordance with such legislative requirements.

Statutory fees are forecast to increase in 2006/ 2007 by \$54,529 compared to 2005/ 2006.

Revenues from fees and fines relate to town planning, inspections, environmental health and local laws. Some examples of revenue in this area include animal registrations, Health Act registrations and building permits.

4.1.4 Grants

Capital grants include all monies received from State and Federal Government for the purpose of funding the capital works program.

Operating grants include all monies received from State and Federal sources for the purpose of funding the delivery of Council's services to ratepayers and contributions from other parties towards property development costs. Overall, the level of operating grants is forecast to decrease in the 2006/ 2007 financial year by approximately \$483,078 compared to 2005/ 2006.

This reduction in grants reflects the completion of several projects in the 2005/ 2006 financial year resulting in funds not continuing into the 2006/ 2007 budget. Some of these projects include:

| Project | \$ |
|--|------------------|
| Domestic Waste Water Management | 27,273 |
| Home care | 34,105 |
| Emergency Disaster Funds - Fire | 229,135 |
| Community Development – DHS Fire | 40,000 |
| Yea Children's Precinct funding | 250,000 |
| Outdoor Education Group | 40,000 |
| ABC Radio Subsidy | 16,000 |
| Pool Refurbishment – Stage 3 | 353,215 |
| Playground major works | 50,000 |
| Commonwealth Games Projects | 50,000 |
| Kinross Farm - Infrastructure | 84,656 |
| National Competition Policy – discontinued | 158,251 |
| Total | 1,332,635 |

The increase in funding for the Roads to Recovery program and other projects has ensured that a continuation of support from Government grants has occurred. The Victorian Grants Commission grant has been increased by \$77,715 in the 2006/ 2007 financial year.

Some major projects funded by government grants for the 2006/ 2007 financial year are as listed below.

| Project | \$ |
|----------------------------------|-----------|
| Roads to Recovery (3 years) | 775,624 |
| Marysville Streetscape – stage 2 | 175,000 |
| Eildon Town Entrance | 140,000 |
| Eco Recycle | 15,000 |
| Nature Based Accommodation Study | 30,000 |



| Project | \$ |
|----------------------------------|------------------|
| Bushfire Recovery | 20,000 |
| Regional Investment Initiative | 10,000 |
| Thornton Hall Refurbishment | 161,000 |
| Yea Wetlands Stage 2 | 65,000 |
| State wide black spot road works | 522,000 |
| Total | 1,913,624 |

4.1.5 Interest

The slight increase in interest relates to the expected average cash levels across the reporting period.

4.1.6 Other Revenue

Other revenue relates to a range of items such as private works carried out by the Council, cost recoups and other miscellaneous income items. It also includes interest on rate arrears.

A reduction in other revenues of \$313,271 includes the following changes:

| Revenue from External project participation | \$ |
|--|-----------|
| Nature based accommodation study | 15,000 |
| Yea Wetlands Business Plan | 7,450 |
| Kinross Farm Infrastructure | 84,656 |
| Commonwealth Games Projects | 5,000 |
| Other Parks and Gardens | 5,500 |
| Library land purchase | 27,000 |
| Refurbish Alexandra Netball | 7,500 |
| Hume Learning Apprenticeships | 40,000 |
| Public Open Space contributions | 120,000 |

In relation to public open space, the revenues received are transferred to a reserve account for the future purpose of either matching funding opportunities or meeting the cost of open space initiatives in the area from which they were collected.

4.1.7 Proceeds from Sale of Fixed Assets

Proceeds from the sale of Council assets are forecast to be \$335,828 for 2006/ 2007 and relates mainly to the planned cyclical replacement of part of the plant and vehicle fleet. The written down value of assets sold is forecast to be \$335,828.

The unfavourable variation of \$24,689 between the two (2) years is reflective of the decreasing resale value of vehicles due to the increasing cost of fuel and the deferment of purchasing in 2005/ 2006 to meet budget requirements that has impacted on the age of the fleet.

4.2 Operating Expenditure

| | Forecast 2005/2006 \$ | Budget 2006/2007 \$ | Forecast- Budget Variance \$ |
|--|--------------------------------------|------------------------------------|---|
| Expenses from Ordinary Operations | | | |
| Employee Costs | 8,098,788 | 8,841,943 | (743,155) |
| Materials and Contractors | 7,407,802 | 7,950,805 | (543,003) |
| Finance Costs (Interest) | 353,989 | 369,511 | (15,522) |
| Depreciation | 3,960,313 | 4,144,809 | (184,496) |
| Other Expenses | 23,704 | 25,366 | (1,662) |
| Total Expenses | 19,844,596 | 21,332,434 | (1,487,838) |



4.2.1 Employee costs

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

Employee costs are forecast to increase by 9.0% or \$743,155 compared to 2005/ 2006. This increase relates to several key factors:

- Enterprise Bargaining Agreement (EBA) that influences wage and banding increases. \$333,809 is attributed to the 4.34% of the wage increase associated with EBA agreements.
- Increase in staff numbers as a result of responding to grant initiatives. \$86,220 or the equivalent of 1.78 full time employees is attributed to grant funded projects
- Traineeships and conversion of apprenticeships to full time employees. \$97,506 is attributed to the cost of completion of traineeships or apprenticeships which will be taken up as full time employees in 2006/ 2007 at a total of 2.33 full time employees.
- Increase in staff numbers. \$181,491 or the equivalent of 4.7 full time employees is attributed to the growth of the Council and the need to employ staff for the administration and implementation of the activities as outlined in the Strategic Resource Plan and the Council Plan 2006 - 2010.

These additional positions include:

- Children's Services Officer (part time)
- Cadet Building Surveyor
- Emergency Recovery
- Customer Services relief
- Road Management Plan Coordinator
- Business Services Officer

The conversion of traineeship and apprenticeships to full time employees escalates the total increase in full time employees to 6.75.

Notably, a change to the calculation of the WorkCover Premium has resulted in a decrease to the overheads of approximately \$50,000, which is a result of the State Government budget.

4.2.2 Materials and Contractors

Materials and contractors include the purchases of consumables, payments to contractors for provision of services and utility costs. The increase in costs related to garbage collection and disposal is also included in these figures. Materials and contractors are forecast to increase by 7% or \$543,003 compared to 2005/ 2006.

Utility costs relate to telecommunications, including usage of telephones and other utilities such as water, gas and electricity. Utility costs are forecast to increase by 3% on the 2005/ 2006 financial year.

The increase in materials also relates mainly to the increasing cost of fuel (\$106,000), the expected increase in contracts relating to garbage collection and disposal and an anticipated CPI increase in costs of goods and services.

It should also be noted that an increase in materials and contractors will partly relate to an increase in (or new) grant funded projects.

4.2.3 Finance Costs (Interest)

Finance costs relate to interest charged by financial institutions on funds borrowed. The increase of \$15,522 in finance costs results from planned borrowings in accordance with the Council's Strategic Resource Plan for the funding of plant and vehicle replacement of \$500,000 per annum plus \$250,000 for completion of the Yea Children's Precinct and \$200,000 for the completion of the Marysville Streetscape. Refer to Income Statement (Finance Costs) and Balance Sheet (Interest Bearing Liabilities) in Appendix A for further information.



4.2.4 Depreciation

Depreciation is an accounting measure of usage of Council's property, plant and equipment including infrastructure assets such as roads and drains. Depreciation is calculated on the non current assets held or developed by the Council to 30 June 2006.

The increase of \$184,496 for 2006/ 2007 is due to the completion of the 2006/ 2007 capital works program and the full year effect of depreciation on the 2005/ 2006 capital works program.

4.2.5 Other Expenses

Other expenses relate to small and sundry expenses of an infrequent nature.

4.2.6 Carrying Amount of Assets Sold

The carrying amount of assets sold is linked to the revenue item "Proceeds from Sale of Fixed Assets" and represents the value written out of the Statement of Financial Position following the trade in and sale of motor vehicles and plant.



5. ANALYSIS OF BUDGETED FINANCIAL POSITION

(Budgeted Balance Sheet – Appendix A)

The budgeted balance sheet provides analyses of the movements in assets, liabilities and equity between 2005/ 2006 and 2006/ 2007.

5.1 Current Assets

Current assets are those assets that may be realised, used, sold or consumed within the next 12 month period. These are as listed below:

| ASSETS | Forecast 2005/06 \$ | Budget 2006/07 \$ | Forecast- Budget Variance \$ |
|-----------------------------|---------------------------|-------------------------|---------------------------------------|
| Current Assets | | | |
| Cash assets | 4,910,648 | 3,480,863 | (1,429,785) |
| Receivables | 1,177,754 | 1,247,916 | 70,162 |
| Inventories | 267,605 | 207,000 | (60,605) |
| Other | 320,000 | 330,000 | 10,000 |
| Total Current Assets | 6,676,007 | 5,265,779 | (1,410,228) |

The unfavourable variance in cash assets is a result of consuming cash in 2006/ 2007 as explained in Section 6, Analysis of Budgeted Cash Position. This decrease is consistent with the Council Plan.

The favourable variance on receivables reflects an increased level of rates debtors projected at year end.

5.2 Non-Current Assets

Non-Current Assets are those assets that are expected to be held for longer than a 12 month period. These are as listed below:

| | Forecast 2005/06 \$ | Budget 2006/07 \$ | Forecast- Budget Variance \$ |
|---------------------------------|---------------------------|-------------------------|---------------------------------------|
| Non Current Assets | | | |
| Property, Plant and Equipment | 153,197,842 | 157,120,530 | 3,922,688 |
| Receivables | 58,723 | 64,898 | 6,175 |
| Total Non Current Assets | 153,256,565 | 157,185,428 | 3,928,863 |

The increase in non current assets is primarily due to the completion of the capital works program, the revaluation of assets and is further influenced by the depreciation of non-current assets and the disposal through sale of property plant and equipment.

Property Plant and Equipment balance increases can be explained as follows:

| | |
|--------------------------------|-------------|
| | \$ |
| Opening Balance 1 July 2006 | 153,197,842 |
| Capital Expenditure 2006/ 2007 | 6,431,577 |
| Revaluations * | 1,971,7549 |
| Less Depreciation | (4,144,809) |
| Less Carrying Amount | (335,828) |
| Closing balance 30 June 2007 | 157,120,530 |
| Net Increase in Assets | 3,922,688 |



* By way of explanation, Revaluations of \$1,971,749 refers to the revaluation of Council's land and building assets for accounting purposes only.

5.3 Current and Non-Current Liabilities

The increase in current liabilities, obligations Council must pay within the next 12 months, is mainly influenced by the loan liability. Amounts owed to suppliers are not expected to significantly change. Employee benefits are expected to increase in dollar value in line with the increase in wages as dictated by the EBA and increased staffing levels.

The increase in non-current liabilities, obligations that extend over a period longer than 12 months, results mainly from employee benefits increasing in dollar value in line with the increase in wages as dictated by the EBA and increased staffing levels.

| | Forecast 2005/06 \$ | Budget 2006/07 \$ | Forecast- Budget Variance \$ |
|---|---------------------------|-------------------------|---------------------------------------|
| Current Liabilities | | | |
| Payables | 1,574,448 | 1,589,900 | (15,452) |
| Provision for Employee Entitlements | 662,771 | 723,530 | (60,759) |
| Interest Bearing Liabilities - Borrowings | 808,183 | 933,124 | (124,941) |
| Other | 692,721 | 648,571 | 44,150 |
| Total Current Liabilities | 3,738,123 | 3,895,125 | (157,002) |
| Non Current Liabilities | | | |
| Provision for Employee Entitlements | 1,070,579 | 1,255,783 | (185,204) |
| Interest Bearing Liabilities - Borrowings | 4,638,337 | 4,621,621 | 16,716 |
| Provision for landfill | 828,565 | 828,565 | - |
| Other | 50000 | 50,000 | - |
| Total Non Current Liabilities | 6,587,481 | 6,755,969 | (168,488) |
| TOTAL LIABILITIES | 10,325,604 | 10,651,094 | (325,490) |

5.4 Equity

The net increase in equity, or net assets, of \$2,193,145 results directly from the investment in the capital works program and the increase in assets as a result of revaluations.

A check of the Strategic Resource Plan (Appendix G) shows that Ratepayers' Equity continues to grow over the next four (4) years.

| | Forecast actuals 2005/06 \$ | Budget 2006/07 \$ | Forecast- Budget Variance \$ |
|---------------------------|--------------------------------------|-------------------------|---------------------------------------|
| Represented by: | | | |
| Accumulated Surplus | 79,868,068 | 80,179,218 | 311,150 |
| Asset Revaluation Reserve | 68,616,497 | 70,588,246 | 1,971,749 |
| Other Reserves | 1,122,403 | 1,032,649 | (89,754) |
| RATEPAYERS EQUITY | 149,606,968 | 151,800,113 | 2,193,145 |



5.5 Key Assumptions

In preparing the Budgeted Balance Sheet for the year ended 30 June 2007 it was necessary to make a number of assumptions about assets, liabilities and equity balances. The key assumptions are as follows:

- Rates and charges debtors will remain constant with minimal increase in level based on the % increase in rates raised
- Inventories to reduce to historical levels – higher levels of stock in 2005/ 2006
- Other debtors and creditors to remain consistent with 2005/ 2006 levels
- Employee entitlements to be increased by Enterprise Bargaining outcome only
- Repayment of loan principle to be \$841,775
- Total Capital expenditure to be \$6,431,577
- Revaluation of land and buildings in 2006/ 2007 increase to \$1,971,749



6. ANALYSIS OF BUDGETED CASH POSITION

(Budgeted Cash Flow Statement in Appendix A)

This report analyses the expected cash flows from the operating, investing and financing activities of Council for the 2006/ 2007 year i.e. the budgeted cash flow position. Budgeting of cash flows for the Council is a key factor in setting the level of rates and providing a guide to the level of capital expenditure that can be sustained with or without using cash reserves.

6.1 Cash Flow from Operating Activities

Operating activities refer to the cash generated or used in the normal service delivery function of Council. *(Please note: any variance in figures from the Budgeted Statement of Cash Flows and the Budgeted Income Statement will be the effect of items listed in the Budgeted Balance Sheet Appendix A page 2. An example of this is where we have raised invoices for services provided (other income) and at the date of the report we have not received payment. The non receipted sum will form part of the Accounts Receivable figure in the balance sheet until the time the cash is actually received.)*

| Cash Flow From Operating Activities | Forecast 2005/06 Inflows/ (Outflows) \$ | Budget 2006/07 Inflows/ (Outflows) \$ | Forecast- Budget Variance \$ |
|---|--|--|---|
| Receipts from Ratepayers | 9,260,722 | 9,964,671 | 703,949 |
| Government Grants | 7,948,312 | 7,465,234 | (483,078) |
| Interest Received | 301,805 | 298,478 | (3,327) |
| User Charges and Reimbursements | 3,659,556 | 3,723,744 | 64,188 |
| Payments to Employees | (7,879,488) | (8,575,979) | (696,491) |
| Payments to Suppliers | (7,361,982) | (7,900,200) | (538,218) |
| Interest Expense | (347,077) | (374,059) | (26,982) |
| Net Cash Flow Provided by Operating Activities | 5,581,848 | 4,601,889 | (979,959) |

The variations in cash flows from Operating Activities are explained under Section 4 (Analysis of Operating Budget) in this document. The Strategic Resource Plan (Appendix G) better reflects the impact of the Budgeted Statement of Financial Position on the Budgeted Statement of Cash flows. The Strategic Resource Plan forms part of the Council Plan 2006/ 2010 that was adopted by Council on 20 June 2006.

6.2 Cash Flow from Investing Activities

Investing activities refer to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities include the acquisition and sale of other assets such as vehicles, property, equipment, etc. The increase in payments for fixed assets represents the planned large increase in capital works expenditure disclosed in section 7 of this budget report. Proceeds from sale of assets are forecast to decrease by \$112,591 due to the sale of a unit at the Marysville Retirement Village which occurred in 2005/ 2006.



| Cash Flow From Investing Activities | Forecast 2005/06 Inflows/ (Outflows) \$ | Budget 2006/07 Inflows/ (Outflows) \$ | Forecast- Budget Variance \$ |
|---|--|--|---|
| Proceeds from Sale of Fixed Assets | 448,419 | 335,828 | (112,591) |
| Payment for Fixed Assets | (5,594,185) | (6,431,577) | (837,392) |
| Net Cash Flow Used In Investing Activities | (5,145,766) | (6,095,749) | (949,983) |

The cash used in investing activities reflects a capital works program of \$6,431,577 as set out in Appendix C less sales from plant and motor vehicles.

6.3 Cash Flow from Financing Activities

Financing activities refer to cash generated or used in the financing of Council functions and include borrowings from financial institutions. These activities include repayment of the principal component of loan repayments for the year and not the proceeds from borrowing a further \$950,000. For 2006/ 2007 the total of principal repayment is \$841,775.

| Cash Flow From Financing Activities | Forecast 2005/06 Inflows/ (Outflows) \$ | Budget 2006/07 Inflows/ (Outflows) \$ | Forecast- Budget Variance \$ |
|--|--|--|---|
| Proceeds from Borrowings | 1,300,000 | 950,000 | (350,000) |
| Payment of Borrowings | (687,338) | (841,775) | (154,437) |
| Payment of Superannuation Liability | (499,163) | - | 499,163 |
| Deposits and Contributions to Works | (343,206) | (44,150) | 299,056 |
| Net Cash Flow (Used in)/ Provided by Financing Activities | (229,707) | 64,075 | 293,782 |

Proceeds from borrowings of \$950,000 is due to the borrowing of funds for replacement of fleet vehicles and plant and equipment and the completion of the Marysville Streetscape and the Yea Children's Precinct.

The unfavourable variance in 'Payment of Borrowings' relates to the increased loan indebtedness. The Strategic Resource Plan (Appendix G) demonstrates that the overall debt position is sustainable. This is also explained in section 10 Other Strategies, 10.1 Borrowing Strategy.

6.4 Cash at End of Reporting Period

Overall total cash is forecast to decrease by \$1,429,785 to \$3,480,863 as at 30 June 2007 reflecting Council's strategy of using excess cash to enhance existing and create new infrastructure. This is consistent with the Strategic Resource Plan adopted as part of the Council Plan 2006 - 2010 on 20 June 2006.



| | Forecast 2005/06 Inflows/ (Outflows) \$ | Budget 2006/07 Inflows/ (Outflows) \$ | Forecast- Budget Variance \$ |
|---------------------------------------|---|---|---------------------------------------|
| Increase/(Decrease) in Cash Held | 206,375 | (1,429,785) | (1,636,160) |
| Cash at Beginning of Reporting Period | 4,704,273 | 4,910,648 | 206,375 |
| Cash at End of Reporting Period | 4,910,648 | 3,480,863 | (1,429,785) |

The cash flow statement indicates that Council is estimating that, at 30 June 2007, it will have cash and investments of \$3,480,863 which is comprised of the following:

| Required Cash at Year End | Forecast 2005/06 \$ | Budget 2006/07 \$ |
|---|---------------------------|-------------------------|
| Reserves | | |
| Public Open Space Reserve | 251,539 | 206,539 |
| Garbage Reserve | 508,890 | 504,043 |
| Coster Street Units Reserve | 9,092 | 11,027 |
| Shaw Avenue Redevelopment Reserve | 40,087 | 40,087 |
| Road Maintenance Reserve | 16,044 | 16,044 |
| Yea Saleyards Reserve | 230,777 | 169,415 |
| Alexandra Saleyards Reserve | 35,557 | 36,777 |
| Yea Caravan Park Reserve | 6,585 | 6,585 |
| Marysville Caravan Park Reserve | 12,059 | 12,059 |
| Deposits | 470,328 | 423,667 |
| Provision for Employee Entitlement – Annual Leave | 165,693 | 180,883 |
| General Trust Accounts | 163,000 | 161,511 |
| Primary Care Partnership – Income | 15,393 | 15,393 |
| Provision for Employee Entitlement – Long Service Leave | 906,478 | 1,067,252 |
| Security ANZ | 112,500 | 112,500 |
| Roads to Recovery | 775,623 | 517,081 |
| Total Required Cash | 3,719,645 | 3,480,863 |
| Total Available Cash | 4,910,648 | 3,480,863 |



7. ANALYSIS OF CAPITAL BUDGET

(Budgeted Statement of Capital Works in Appendix A)

The Budgeted Statement of Capital Works analyses the planned capital expenditure budget for the 2006/ 2007 year and the sources of funding for the capital budget. Appendix C provides a comprehensive list of Councils capital works program and Appendix D provides a table of funding sources for capital works.

7.1 Funding Sources for Capital Projects

| | Forecast 2005/06 \$ | Budget 2006/07 \$ | Forecast- Budget Variance \$ |
|---|---------------------------|-------------------------|---------------------------------------|
| External | | | |
| Grants - Capital | 1,486,399 | 1,845,464 | 359,065 |
| Proceeds on sale of assets | 301,297 | 335,828 | 34,531 |
| Contributions | 0 | 87,000 | 87,000 |
| New Loans | 800,000 | 950,000 | 150,000 |
| Internal | | | |
| Reserve cash and investments | 435,845 | 156,000 | (279,845) |
| Projects carried forward – funded in previous years | 881,715 | 680,041 | (201,674) |
| Rates | 1,688,929 | 2,377,244 | 688,315 |
| Total of funding sources | 5,594,185 | 6,431,577 | 837,392 |

7.2 Capital Works by Type

| Capital Works Areas | Forecast 2005/06 \$ | Budget 2006/07 \$ | Forecast- Budget Variance \$ |
|----------------------------|---------------------------|-------------------------|---------------------------------------|
| Land | 330,608 | 20,000 | (310,608) |
| Buildings | 956,600 | 1,197,752 | 241,152 |
| Plant & Machinery | 888,138 | 912,498 | 24,360 |
| Roads, Streets & Bridges | 3,162,716 | 3,941,369 | 778,653 |
| Drainage | 49,500 | 60,750 | 11,250 |
| Historical Assets | 4,000 | 4,000 | - |
| Furniture & Equipment | 106,123 | 195,931 | 89,808 |
| Library Book stock | 95,600 | 99,277 | 2,777 |
| Works in Progress | - | - | - |
| Total Capital Works | 5,594,185 | 6,431,577 | 837,392 |
| New works represented by: | | | |
| Renewal | 1,518,920 | 2,463,750 | 944,830 |
| Upgrade | 2,474,280 | 2,380,489 | (93,791) |
| Expansion | 137,243 | 136,000 | (1,243) |
| New Assets | 1,463,742 | 1,451,338 | (12,404) |
| Total Capital Works | 5,594,185 | 6,431,577 | 837,392 |

An overall increase in capital works is predominantly due to the increase in funding received from State and Federal Governments for investing in local roads as a supplement to the Auslink Roads to Recovery Program. Appendix C outlines a detailed capital works program and Appendix I provides further details on some of the capital initiatives that have been considered.



8. STRATEGIC RESOURCE PLAN 2006 – 2010

The Strategic Resource Plan (SRP) forms part of the Council Plan 2006 - 2010 as adopted by Council on 20 June 2006.

Appendix G provides details of the adopted Strategic Resource Plan 2006-2010.

Major departures from the Strategic Resource Plan that have been recognised in the Budget development process are as listed below.

Revenue

Rates

The SRP anticipated that rates revenue for the 2006/ 2007 Budget period would be \$9,956 million. The 2006/ 2007 Budget anticipates rates revenue at \$10,015 million. The variance is as a result of the increase in garbage and recycle costs. Refer to section 4.1.1. of this document for further explanation

User Charges

The SRP anticipated that user charges revenue for the 2006/ 2007 Budget period would be \$2,537 million. The 2006/ 2007 Budget anticipates user charges to be \$2,673 million. The variance is due to the expected increase in income from the quarry division. Refer to section 4.1.2 of this document for further explanation.

Grants

The SRP anticipated grants revenue at \$7,087 million for the 2006/ 2007 Budget period. The 2006/ 2007 Budget reports grants revenue at \$7,465 million. The variance is due to a combination of the completion of some major projects and the funding for these coming to an end and the inclusion of further grant funding for new projects. One of the major impacts is the Roads to Recovery funding of \$775,624 over the next three (3) years. However, the National Competition Policy was discontinued in the 2005/ 2006 financial year which means a loss of revenue in this area of \$158,251. Refer to section 4.1.4 of this document for further information.

Expenditure

Employee Costs

The SRP anticipated employee costs of \$8,660 million for the 2006/ 2007 Budget period. The 2006/ 2007 Budget reports employee costs at \$8,841 million. The variance is \$181,000. The SRP was based on the assumption that there would be no new positions in the 2006/ 2007 Budget period save for those positions that would be grant funded and those that were previously funded as creditors. Please refer to section 4.2.1 of this document for further details.

Materials and Contractors

The SRP anticipated the cost of material and contracts at \$7,572 million for the 2006/ 2007 Budget period. The 2006/ 2007 Budget reports costs at \$7,951 million. The relationship between the cost of materials and contractors and the increase in projects is relevant as is the increase in grant funded projects and the cost of materials and contractors. Refer to section 4.2.2 of this document for further information.



9. RATING STRATEGY

The Council, elected in November 2005, is yet to consider a rating strategy. The following comments are made to assist the reader in understanding the historical Murrindindi Shire Council's methodology.

A submission to the Industry Commission 1993 review of Taxation and Financial Policy Impacts on Urban Settlement (IC, 1993) outlined how Council sets rates:

"Local Government rates are generally calculated as a residual after other sources of revenue have first been taken into account. Broadly, Councils determine the total amount of revenue which needs to be raised from rates each year by deducting all other sources of revenue – Government grants, revenue from fees and charges etc – from the budgeted expenditure.

Hence, rates are not a fee for service provided, nor a charge attributable to a specific collection of services; they are a general revenue measure having no relationship to the cost of services funded by them, or to the identity of the users of those services.

In all States, property values are used to allocate the total rate burden across the landowners in the community. The amount which each landowner pays Council rates is calculated as a percentage of their property value' (IC, 1993 p329)

Council uses a simple model of rating:

- based on Capital Improved Value (CIV)
- with a Municipal charge
- with a separate garbage and recycling charge
- with the only differential rate being the Rural 1 rate (for properties greater than or equal to 40 hectares) which attracts a 25% discount

CIV is considered the most appropriate method of valuation because:

- It is the valuation method best understood by ratepayers as it best approximates market value
- It is the only valuation method which allows Council to utilise differential rates
- It is utilised by the vast majority of Councils

It is acknowledged that no method of rates based on property values adequately reflects an ability to pay, however Council is limited within the provisions of the Local Government Act on how it levies rates and believes that a combination of rates based on CIV valuation and a fixed Municipal Charge is the most equitable way of levying rates.

For current rate types refer to Statutory Disclosures in Appendix B.

9.1 Residential/ Commercial

With the exception of those properties on Rural 1 rate, all rateable property is levied at a Residential/ Commercial rate.

9.2 Rural 1

The Rural 1 rate is a differential rate (issued to properties greater than or equal to 40 hectares), meaning that it is a rate in the dollar that is different to the Residential/ Commercial rate. Whilst a differential rate can be more or less than the Residential/ Commercial rates it has certain criteria it must be set under. A Council may only use differential rates if it used the Capital Improved Valuation system.



9.3 Municipal Charge

A Council may declare a Municipal Charge 'to cover some of the administrative costs of the Shire' (Section 159 of the *Local Government Act*). There is no prescriptive guideline of the level of Municipal Charge although the total amount raised from the charge cannot exceed 20% of the sum collected from the Municipal Charge and General rates combined.

The Council has set the maximum Municipal Charge. The Council intends to raise the municipal charge in 2006/ 2007 to \$180.00 which is an increase of \$12.00 over the 2005/2006 financial year.

The budget process determines the quantum of rates and charges required to carry out those strategic directions as set out in the Council Plan and the Strategic Resource Plan. Statutory Disclosures in Appendix B provides detail of the rates calculations for the 2006/ 2007 financial year.



10. OTHER STRATEGIES

10.1 Borrowing Strategy

The Council, elected in November 2005, is yet to consider a borrowing strategy. The following comments are made to assist the reader in understanding the historical Murrindindi Shire Council's methodology.

In developing the five (5) year financial plan, as part of the Strategic Resource Plan, Council has recognised that it is both appropriate and necessary to borrow to fund the provision of major capital projects and infrastructure assets.

Council has the capacity to borrow for major projects if the Council desires. The graph of total debt as a percentage of rate revenue as set out in Appendix H shows that the Council is within the Department of Victorian Communities Guidelines. The Strategic Resource Plan shows that total debt level has flattened out even after the increase in borrowings for 2006/2007 and reduces significantly 2009/ 2010 with the repayment of the \$4.1 million refinancing loan. The repayment of borrowings (principle only) peaks in 2008/ 2009 at \$1.17 million.

If the Council was to decide to reduce borrowings to finance large infrastructure projects it would mean that cash and investment reserves would have to be used as an alternate funding source to maintain robust capital works program. The capital works programs would be reduced as a consequence.

For the 2006/ 2007 year, Council has decided to take out new borrowings of \$950,000 to fund capital works and purchases listed below:

- Cyclical replacement of plant, equipment and fleet vehicles 500,000
- Completion of Marysville Streetscape 200,000
- Completion of Yea Children's Precinct 250,000

The previous Council Plan 2004 - 2008 sets out that Council intends to borrow \$500,000 for each year to 2011/ 2012 in order to fund the Plant Replacement Strategy.

The recently adopted Council Plan 2006 - 2010 continues to support the intention to borrow \$500,000 for each year to 2011/ 2012 to fund the plant replacement strategy.

It is proposed to borrow a further \$450,000 in the 2006/ 2007 financial year to fund the completion of the Marysville Streetscape and the Yea Children's Precinct. It is likely that in future years, borrowings will be required to fund future infrastructure initiatives

The following table sets out future proposed borrowings based on the forecast financial position of Council as at 30 June 2006.

| Year | New Borrowings \$000 | Principal Paid \$000 | Interest Paid \$000 | Balance 30 June \$000 |
|------|-------------------------|-------------------------|------------------------|--------------------------|
| 2007 | 950 | 842 | 370 | 5,555 |
| 2008 | 500 | 951 | 358 | 5,104 |
| 2009 | 750 | 1,059 | 339 | 4,795 |
| 2010 | 500 | 1,174 | 307 | 4,121 |
| 2011 | 500 | 602 | 281 | 4,019 |

10.2 Infrastructure Strategies

A key objective of the infrastructure strategies is to maintain or preserve Council's existing assets at desired condition levels. If sufficient funds are not allocated to the asset preservations then the infrastructure gap will not be reduced.



Details of the following infrastructure strategies are available on request:

- Road and Bridge Strategy 2006
- Plant Strategy
- Vehicle Strategy
- IT Strategy
- Library Strategy

The Council has specifically reviewed the Road and Bridge Strategy, the Information Technology Strategy and the Plant and Equipment Strategies as part of the budget development process for 2006/ 2007.



APPENDIX A

Budgeted Standard Statements for the year ended 30 June 2007



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Murrindindi Shire Council

Budgeted Income Statement For the Year Ended 30 June 2007

| | Forecast 2005/06 | Budget 2006/07 | Variance (unfav) | |
|---|-----------------------------|---------------------------|-----------------------------|-------------|
| | \$ | \$ | \$ | % |
| Revenue | | | | |
| Rates | 9,298,677 | 10,014,837 | 716,160 | 8 |
| User Charges | 2,113,998 | 2,672,878 | 558,880 | 26 |
| Fees and Fines | 515,999 | 570,528 | 54,529 | 11 |
| Grants | 7,948,312 | 7,465,234 | (483,078) | (6) |
| Interest | 296,800 | 298,478 | 1,678 | 1 |
| Other Revenue | 845,146 | 531,875 | (313,271) | (37) |
| Total Revenue | 21,018,932 | 21,553,830 | 534,898 | 3 |
| Expenses | | | | |
| Employee Costs | 8,098,788 | 8,841,943 | (743,155) | (9) |
| Materials and Contractors | 7,407,802 | 7,950,805 | (543,003) | (7) |
| Finance Costs (Interest) | 353,989 | 369,511 | (15,522) | (4) |
| Depreciation | 3,960,313 | 4,144,809 | (184,496) | (5) |
| Other Expenses | 23,704 | 25,366 | (1,662) | (7) |
| Total Expenses | 19,844,596 | 21,332,434 | (1,487,838) | (7) |
| Net gain (loss) on disposal of property, infrastructure, plant and equipment | 24,689 | - | (24,689) | |
| Surplus (deficit) for the period | 1,199,025 | 221,396 | (977,629) | (82) |
| <i>Net gain (loss) on disposal of property, infrastructure, plant and equipment</i> | | | | |
| <i>Proceeds from Sale of Fixed Assets</i> | 448,419 | 335,828 | (112,591) | (25) |
| <i>Carrying value of assets sold</i> | 423,730 | 335,828 | 87,902 | 21 |
| <i>Total</i> | 24,689 | 0 | (24,689) | |



Murrindindi Shire Council

Budgeted Balance Sheet as at 30 June 2007

| | Forecast 2005/06 | Budget 2006/07 | Variance | |
|--------------------------------------|-----------------------------|---------------------------|--------------------|-------------|
| | \$ | \$ | \$ | % |
| Assets | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | 4,910,648 | 3,480,863 | (1,429,785) | (29) |
| Receivables | 1,177,754 | 1,247,916 | 70,162 | 6 |
| Inventories | 267,605 | 207,000 | (60,605) | (23) |
| Other | 320,000 | 330,000 | 10,000 | 3 |
| Total Current Assets | 6,676,007 | 5,265,779 | (1,410,228) | (21) |
| Non Current Assets | | | | |
| Property & Plant & Equipment | 153,197,842 | 157,120,530 | 3,922,688 | 3 |
| Receivables | 58,723 | 64,898 | 6,175 | 11 |
| Total Non Current Assets | 153,256,565 | 157,185,428 | 3,928,863 | 3 |
| TOTAL ASSETS | 159,932,572 | 162,451,207 | 2,518,635 | 2 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Payables | 1,574,448 | 1,589,900 | (15,452) | (1) |
| Employee Benefits | 662,771 | 723,530 | (60,759) | (9) |
| Interest Bearing Liabilities | 808,183 | 933,124 | (124,941) | (15) |
| Other Liabilities | 692,721 | 648,571 | 44,150 | 6 |
| Total Current Liabilities | 3,738,123 | 3,895,125 | (157,002) | (4) |
| Non-Current Liabilities | | | | |
| Employee Benefits | 1,070,579 | 1,255,783 | (185,204) | (17) |
| Interest Bearing Liabilities | 4,638,337 | 4,621,621 | 16,716 | 0 |
| Provision | 828,565 | 828,565 | 0 | 0 |
| Other | 50,000 | 50,000 | 0 | 0 |
| Total Non Current Liabilities | 6,587,481 | 6,755,969 | (168,488) | -3 |
| TOTAL LIABILITIES | 10,325,604 | 10,651,094 | (325,490) | -3 |
| NET ASSETS | 149,606,968 | 151,800,113 | 2,193,145 | 1 |
| Equity | | | | |
| Accumulated Surplus | 79,868,068 | 80,179,218 | 311,150 | 0 |
| Asset Revaluation Reserve | 68,616,497 | 70,588,246 | 1,971,749 | 3 |
| Other Reserves | 1,122,403 | 1,032,649 | (89,754) | (8) |
| TOTAL EQUITY | 149,606,968 | 151,800,113 | 2,193,145 | 1 |



Murrindindi Shire Council
Budgeted Cash Flow Statement for the year ended 30 June 2007

| | Forecast 2005/06 | Budget 2006/07 | Variance (unfav) | % |
|---|---------------------------------------|---------------------------------------|-----------------------------|-------------|
| | Inflows/ (Outflows) \$ | Inflows/ (Outflows) \$ | \$ | |
| Cash Flow From Operating Activities | | | | |
| Receipts from Ratepayers | 9,260,722 | 9,964,671 | 703,949 | 8 |
| Government Grants | 7,948,312 | 7,465,234 | (483,078) | (6) |
| Interest Received | 301,805 | 298,478 | (3,327) | (1) |
| User Charges and Reimbursements | 3,659,556 | 3,723,744 | 64,188 | 2 |
| Payments to Employees | (7,879,488) | (8,575,979) | (696,491) | 9 |
| Payments to Suppliers | (7,361,982) | (7,900,200) | (538,218) | 7 |
| Interest Expense | (347,077) | (374,059) | (26,982) | 8 |
| Net Cash Flow Provided by Operating Activities | 5,581,848 | 4,601,889 | (979,959) | (18) |
| Cash Flow From Investing Activities | | | | |
| Proceeds from Sale of Fixed Assets | 448,419 | 335,828 | (112,591) | (25) |
| Payment for Fixed Assets | (5,594,185) | (6,431,577) | (837,392) | 15 |
| Net Cash Flow Used In Investing Activities | (5,145,766) | (6,095,749) | (949,983) | 18 |
| Cash Flow From Financing Activities | | | | |
| Proceeds from Borrowings | 1,300,000 | 950,000 | (350,000) | (27) |
| Payment of Borrowings | (687,338) | (841,775) | (154,437) | 22 |
| Payment of Superannuation Liability | (499,163) | - | 499,163 | |
| Trust Funds and Deposits | (343,206) | (44,150) | 299,056 | (87) |
| Net Cash Flow (Used in) Provided by Financing Activities | (229,707) | 64,075 | 293,782 | |
| Increase/(Decrease) in Cash Held | 206,375 | (1,429,785) | (1,636,160) | |
| Cash at Beginning of Reporting Period | 4,704,273 | 4,910,648 | 206,375 | 4 |
| Cash at End of Reporting Period | 4,910,648 | 3,480,863 | (1,429,785) | (29) |



| | Forecast 2005/06 | Budget 2006/07 |
|--|-----------------------------|---------------------------|
| | \$ | \$ |
| Reconciliation of result from ordinary activities with net cash from operations | | |
| Increase in net assets resulting from operations | 1,199,025 | 221,396 |
| Depreciation | 3,960,313 | 4,144,809 |
| (Profit)/ loss on disposal of property, infrastructure, plant and equipment | (24,689) | - |
| Receivables (Increase)/ Decrease | 168,397 | (76,337) |
| Other Current Assets (Increase)/ Decrease | 4,345 | (10,000) |
| Inventories (Increase)/ Decrease | 11,918 | 60,605 |
| Employee Benefits Increase/ (Decrease) | 185,155 | 245,963 |
| Payables Increase/ (Decrease) | 38,164 | - |
| Accrued Expenses Increase/ (Decrease) | 39,219 | 15,452 |
| Net cash provided by operations | <u>5,581,847</u> | <u>4,601,888</u> |

Required cash at year end

Non discretionary cash requirements to be held:

Reserves

| | Forecast 2005/06 | Budget 2006/07 |
|---|-----------------------------|---------------------------|
| | \$ | \$ |
| Public Open Space Reserve | 251,539 | 206,539 |
| Garbage Reserve | 508,890 | 504,043 |
| Coster Street Units Reserve | 9,092 | 11,027 |
| Shaw Avenue Redevelopment Reserve | 40,087 | 40,087 |
| Road Maintenance Reserve | 16,044 | 16,044 |
| Yea Saleyards Reserve | 230,777 | 169,415 |
| Alexandra Saleyards Reserve | 35,557 | 36,777 |
| Yea Caravan Park Reserve | 6,585 | 6,585 |
| Marysville Caravan Park Reserve | 12,059 | 12,059 |
| Deposits | 470,328 | 423,667 |
| Provision for Employee Entitlement - Annual Leave | 165,693 | 180,883 |
| General Trust Accounts | 163,000 | 161,511 |
| Primary Care Partnership - Income | 15,393 | 15,393 |
| Provision for Employee Entitlement - Long Service Leave | 906,478 | 1,067,252 |
| Quarry Security ANZ | 112,500 | 112,500 |
| Roads to Recovery | 775,623 | 517,081 |

| | | |
|-----------------------------|------------------|------------------|
| Total Required Cash | 3,719,645 | 3,480,863 |
| Total Available Cash | 4,910,648 | 3,480,863 |
| Surplus/(Deficit) | 1,191,003 | 0 |



**Murrindindi Shire Council
Budgeted Standard Statement of Capital Works for the year ended 30 June 2007**

| | Forecast | Budget | Variance | |
|----------------------------|------------------|------------------|----------------|-----------|
| | 2005/06 | 2006/07 | \$ | % |
| | \$ | \$ | \$ | % |
| Land | 330,608 | 20,000 | (310,608) | |
| Buildings | 956,600 | 1,197,752 | 241,152 | 25 |
| Plant & Machinery | 888,138 | 912,498 | 24,360 | 3 |
| Roads Streets & Bridges | 3,162,716 | 3,941,369 | 778,653 | 25 |
| Drainage | 49,500 | 60,750 | 11,250 | 23 |
| Historical Assets | 4,000 | 4,000 | 0 | 0 |
| Furniture & Equipment | 106,123 | 195,931 | 89,808 | 85 |
| Library Bookstock | 96,500 | 99,277 | 2,777 | 3 |
| Works in Progress | 0 | 0 | | |
| Total Capital Works | 5,594,185 | 6,431,577 | 837,392 | 15 |
| Represented by: | | | | |
| Renewal | 1,518,920 | 2,463,750 | 944,830 | 62 |
| Upgrade | 2,474,280 | 2,380,489 | (93,791) | (4) |
| Expansion | 137,243 | 136,000 | (1,243) | (1) |
| New Assets | 1,463,742 | 1,451,338 | (12,404) | (1) |
| Total Capital Works | 5,594,185 | 6,431,577 | 837,392 | 15 |

Property, Infrastructure, Plant and Equipment movement Reconciliation Worksheet

| | Forecast | Budget | Variance | |
|--|------------------|------------------|------------------|------------|
| | 2005/06 | 2006/07 | \$ | % |
| | \$ | \$ | \$ | % |
| Total Capital Works | 5,594,185 | 6,431,577 | 837,392 | 15 |
| Asset revaluation movement | 2,878,057 | 1,971,750 | (906,307) | (31) |
| Depreciation & amortisation | (3,960,313) | (4,144,809) | (184,496) | (5) |
| Written down value of assets sold | (423,730) | (335,828) | 87,902 | 21 |
| Net movement in property and infrastructure | 4,088,199 | 3,922,690 | (165,509) | (4) |



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APPENDIX B

Statutory Disclosures



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Murrindindi Shire Council Rates and Charges Statutory Information

| ITEMS | Rate in the \$/ cost per assessment | | Variance | | Amount raised | | Variance | | |
|--|-------------------------------------|-----------|------------|--------|------------------|-------------------|----------------|-------------|--|
| | 2005/2006 | 2006/2007 | \$ | % | 2005/2006 | 2006/2007 | \$ | % | |
| | \$ | \$ | | | Budget | Forecast | | | |
| General | 0.002883 | 0.002537 | (0.000346) | -12.00 | 2,943,094 | 3,209,579 | 266,485 | 9.05 | |
| Commercial | 0.002883 | 0.002537 | (0.000346) | -12.00 | 366,148 | 398,059 | 31,911 | 8.72 | |
| Rural 1 | 0.002163 | 0.001903 | (0.000260) | -12.02 | 1,626,974 | 1,710,293 | 83,319 | 5.12 | |
| Rural 2 | 0.002883 | 0.002537 | (0.000346) | -12.00 | 1,476,946 | 1,527,455 | 50,509 | 3.42 | |
| Municipal Charge | 168.00 | 180.00 | 12.00 | 7.14 | 1,461,768 | 1,581,840 | 120,072 | 8.21 | |
| Agreement in Lieu of Rates | | | | | 46,709 | 47,877 | 1,168 | 2.50 | |
| Supplementary Valuation - (pro-rata within year) | | | | | 58,302 | 62,652 | 4,350 | 0.00 | |
| SUB TOTAL | | | | | 7,979,941 | 8,537,755 | 557,814 | 6.99 | |
| Garbage | 173.00 | 193.00 | 20.00 | 11.56 | 1,019,797 | 1,147,964 | 128,167 | 12.57 | |
| Recycling | 52.00 | 57.00 | 5.00 | 9.62 | 298,939 | 329,118 | 30,179 | 10.10 | |
| TOTAL General Rates & Charges | | | | | 9,298,677 | 10,014,837 | 716,160 | 7.70 | |
| Other - Special Charge Projects | | | | | | | | | |
| Marks & Pratts Road | n/a | n/a | n/a | n/a | 0 | 55,000 | 55,000 | 0.00 | |
| Greens Street | n/a | n/a | n/a | n/a | 0 | 0 | 0 | 0.00 | |
| Creekside Drive | n/a | n/a | n/a | n/a | 0 | 0 | 0 | 0.00 | |
| TOTAL - Special Charge Projects | | | | | 0 | 55,000 | 55,000 | 0.00 | |
| TOTAL ALL RATES & CHARGES | | | | | 9,298,677 | 10,069,837 | 771,160 | 8.29 | |

| ITEMS | Number of Assessments | | Variance | | Valuation Base \$ | | Variance | |
|--------------|-----------------------|-------------|-----------|-------------|----------------------|----------------------|--------------------|--------------|
| | 2005/2006 | 2006/2007 | No. | % | CIV | CIV | \$ | % |
| | | | | | 2005/2006 | 2006/2007 | | |
| General | 5679 | 5749 | 70 | 1.23 | 1,020,844,300 | 1,265,107,900 | 244,263,600 | 23.93 |
| Commercial | 438 | 439 | 1 | 0.23 | 127,002,500 | 156,901,400 | 29,898,900 | 23.54 |
| Rural 1 | 1238 | 1251 | 13 | 1.05 | 752,184,000 | 898,735,000 | 146,551,000 | 19.48 |
| Rural 2 | 1674 | 1685 | 11 | 0.66 | 512,294,700 | 602,071,400 | 89,776,700 | 17.52 |
| TOTAL | 9029 | 9124 | 95 | 1.05 | 2,412,325,500 | 2,922,815,700 | 510,490,200 | 21.16 |

BORROWINGS

| ITEMS | 2006/2007 \$ |
|--|------------------|
| Total amount borrowed by Council as at 30 June 2006 | 5,446,520 |
| Add proposed borrowings for the year | 950,000 |
| Deduct amount proposed to be redeemed | (841,775) |
| Projected closing balance as at 30 June 2007 | 5,554,745 |
| Cost of Debt Servicing | 369,511 |



Statutory Disclosures

1. Borrowings

| | 2005/ 06 \$ | 2006/07 \$ |
|---|----------------|---------------|
| New borrowings (other than refinancing) | 1,300,000 | 950,000 |
| Debt redemption | 687,338 | 841,775 |

2. Rates and charges

2.1 The proposed rate in the dollar for each type of rate to be levied

| Type of Property | 2005/ 06 cents/\$CIV | 2006/07 cents/\$CIV |
|---|-------------------------|------------------------|
| General rate for rateable residential properties | 0.002883 | 0.002537 |
| General rate for rateable commercial properties | 0.002883 | 0.002537 |
| Differential Rate for rateable Rural 1 properties | 0.002163 | 0.001903 |
| General rate for rateable Rural 2 properties | 0.002883 | 0.002537 |

2.2 The estimated amount to be raised by each type of rate to be levied

| Type of Property | 2005/ 06 \$ | 2006/07 \$ |
|---|----------------|---------------|
| Residential | 2,943,094 | 3,209,579 |
| Commercial | 366,148 | 398,059 |
| Rural 1 | 1,626,974 | 1,710,293 |
| Rural 2 | 1,476,946 | 1,527,455 |
| Agreement in Lieu of Rates | 46,709 | 47,877 |
| Supplementary Valuations (pro rata within year) | 58,302 | 62,652 |

2.3 The estimated total amount to be raised by rates

| | 2005/ 06 \$ | 2006/07 \$ |
|--------------------------|----------------|---------------|
| Total rates to be raised | 6,518,173 | 6,955,915 |

2.4 The proposed percentage change in the rate in the dollar for each type of rate to be levied, compared to that of the previous financial year

| Type of Property | 2005/ 06 Change % | 2006/07 Change % |
|------------------|-------------------------|------------------------|
| Residential | 5.80 | (12.00) |
| Commercial | 5.80 | (12.00) |
| Rural 1 | 5.80 | (12.00) |
| Rural 2 | 5.80 | (12.00) |

2.5 The number of assessments for each type of rate to be levied compared to the previous year

| Type of Property | 2005/ 06 | 2006/07 |
|-----------------------------|----------|---------|
| Residential | 5,679 | 5,749 |
| Commercial | 438 | 439 |
| Rural 1 | 1,238 | 1,251 |
| Rural 2 | 1,674 | 1,685 |
| Total number of assessments | 9,029 | 9,124 |



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

2.7 The estimated total value of land in respect of which each type of rate is to be levied compared with the previous year

| Type of Property | 2005/ 06 \$ | 2006/07 \$ |
|-------------------------|------------------------------|-----------------------------|
| Residential | 1,020,844,300 | 1,265,107,900 |
| Commercial | 127,002,500 | 156,901,400 |
| Rural 1 | 752,184,000 | 898,735,000 |
| Rural 2 | 512,294,700 | 602,071,400 |
| Total | 2,412,235,500 | 2,922,815,700 |

2.8 The proposed unit amount to be levied for each type of charge under section 159 and section 162 of the Act

| Type of Charge | Per Rateable Property 2005/ 06 \$ | Per Rateable Property 2006/07 \$ |
|-------------------------------|--|---|
| Municipal | 168 | 180 |
| Garbage - Kerbside collection | 173 | 193 |
| Recycling | 52 | 57 |
| Total | 393 | 430 |

2.9 The estimated amounts to be raised for each type of charge to be levied compared to the previous year

| Type of Charge | 2005/ 06 \$ | 2006/07 \$ |
|-------------------------------|------------------------------|-----------------------------|
| Municipal | 1,461,768 | 1,581,840 |
| Garbage - Kerbside collection | 1,019,797 | 1,147,964 |
| Recycling | 298,939 | 329,118 |
| Total | 2,780,504 | 3,058,922 |

2.10 The estimated total amount to be raised by rates and charges: \$ 10,014,837

2.11 There are no known significant charges, 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 (although an estimate has been included)
- The variation of returned levels of value (e.g. valuation appeals)
- Changes of land use such that rateable land becomes non-rateable and vice versa
- Changes of land use such that residential land becomes business land and vice versa



3. Differential rates

3.1 Rates to be levied

The rate and amount of rates payable in relation to land in each category of differential are:

- A general rate of 0.2537% (0.002537 cents in the dollar of CIV) for all rateable residential, commercial and Rural 2 properties; and
- A differential rate of 0.1903% (0.001903 cents in the dollar of CIV) for all rateable Rural 1 properties. (75% of General Rate)

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

Council considers that the differential rate will contribute to the equitable and efficient carrying out of council functions. Details of the objectives of the differential rate, the types of classes of land, which are subject to the differential rate and the uses of the differential rate, are set out below.

3.2 Rural 1 land

is rateable land having the following characteristics:

- any rateable land which is not less than 40 hectares in area and shall include non-contiguous assessments within the Shire operated as a single farming enterprise.

The objective of differential rate is to ensure that all rateable land makes an equitable financial contribution to the costs of carrying out the functions of Council, including (but not limited to) the:

- Construction and maintenance of infrastructure assets;
- Development and provision of health and community services;
- Provision of general support services; and
- To recognise the capital intensive nature of farming within the Shire and limited access to some services.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate of land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The geographic location of the land within this differential rate is wherever located within the municipal district, without reference to ward boundaries.

The use of the land within this differential rate, in the case of improved land, is any use of land.

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to business land. The vacant land affected by this rate is that which is zoned commercial and/ or industrial under the Murrindindi Shire Planning Scheme. The classification of land which is improved will be determined by the occupation of that land and having reference to the planning scheme zoning.

The types of building on the land within this differential rate are all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2006/ 2007 financial year.



APPENDIX C

Capital Works Program



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| | Forecast | Next Year | Forecast |
|--|----------------|------------------|------------------|
| | \$ | Budget | Budget |
| Capital Expenditure | | | Variance |
| | \$ | \$ | \$ |
| Purchase Land - Car park Alexandra | 310,608 | 0 | 310,608 |
| Land Purchase 13 & 15 Kinglake Glenburn Road | 20,000 | 0 | 20,000 |
| Land Purchase Road Reserve Acheron | 0 | 20,000 | (20,000) |
| | 330,608 | 20,000 | 310,608 |
| Yea Community Services Centre Upgrade | 65,500 | 196,500 | (131,000) |
| Yea Children's Precinct | 0 | 500,000 | (500,000) |
| Alexandra Transfer Station | 0 | 5,000 | (5,000) |
| Eildon Transfer Station | 35,000 | 10,000 | 25,000 |
| Kinglake Transfer Station | 0 | 5,000 | (5,000) |
| Marysville Transfer Station | 0 | 5,000 | (5,000) |
| Yea Transfer Station Works | 0 | 5,000 | (5,000) |
| Alexandra Saleyards | 16,020 | 15,000 | 1,020 |
| Yea Saleyards | 34,400 | 121,000 | (86,600) |
| Alexandra Shire Hall - Heritage Victoria | 8,000 | 80,000 | (72,000) |
| Thornton Hall Refurbishment | 15,000 | 206,000 | (191,000) |
| Resurface Helipad - Alexandra | 0 | 30,000 | (30,000) |
| Eildon swimming pool | 0 | 7,252 | (7,252) |
| Pool Refurbishment - Stage Three | 770,680 | 0 | 770,680 |
| Gallipoli Park Fence | 12,000 | 12,000 | 0 |
| | 956,600 | 1,197,752 | (241,152) |
| Purchase Major Plant & Machinery | 425,888 | 457,953 | (32,065) |
| Purchase of Passenger Vehicles | 462,250 | 454,545 | 7,705 |
| | 888,138 | 912,498 | (24,360) |
| Gravel Roads - Resheeting | 675,300 | 795,600 | (120,300) |
| Sealed Roads - Reseals | 410,200 | 740,000 | (329,800) |
| Final Seals | 65,000 | 86,500 | (21,500) |
| Sealed Roads - Pavement Renewal | 0 | 80,000 | (80,000) |
| Taylor Bay Left arm | 15,000 | 0 | 15,000 |
| Killingworth Road - Western End | 0 | 150,000 | (150,000) |
| Goat Track Intersection | 0 | 100,000 | (100,000) |
| Pendlebury Street | 0 | 100,000 | (100,000) |
| Snobs Creek Rd | 0 | 609,000 | (609,000) |
| Riverside Drive | 0 | 15,000 | (15,000) |
| Top Road (Springs - Yarck) | 263,000 | 0 | 263,000 |
| Kinglake Glenburn Road | 233,600 | 0 | 233,600 |
| Castella Bridge | 185,000 | 0 | 185,000 |
| Kerrs Bridge | 110,000 | 0 | 110,000 |
| Bridge / Component Renewal | 30,000 | 249,000 | (219,000) |
| Whittlesea Kinglake Rd - bicycle | 13,470 | 0 | 13,470 |
| Whittlesea Kinglake Rd bicycle path | 3,100 | 0 | 3,100 |
| Moores Bridge | 50,000 | 0 | 50,000 |
| Eildon Retaining Wall at Pondage | 38,000 | 0 | 38,000 |
| Old Melbourne Road | 53,023 | 0 | 53,023 |
| Andersons Lane pavement | 33,800 | 0 | 33,800 |
| Hobans Road | 0 | 40,000 | (40,000) |



| | Forecast | Next Year | Forecast |
|---|------------------|------------------|------------------|
| | \$ | Budget | Budget |
| | | | Variance |
| | | | \$ |
| Capital Expenditure | | | |
| Webster Street Alexandra | 0 | 30,000 | (30,000) |
| Eildon Town Entrance Revitalisation | 0 | 210,000 | (210,000) |
| Minor Capital Works - UDF | 0 | 43,489 | (43,489) |
| Bicycle/ Pathways - Flowerdale | 15,000 | 0 | 15,000 |
| Craigie Street Bridge Yea | 27,173 | 0 | 27,173 |
| Bus Shelter Construction | 11,200 | 8,540 | 2,660 |
| Load Capacity Upgrades | 160,850 | 82,400 | 78,450 |
| Goat Track | 0 | 0 | 0 |
| Buxton Rise | 0 | 0 | 0 |
| Creekside Drive | 0 | 0 | 0 |
| Marks & Pratts Road | 10,000 | 115,000 | (105,000) |
| Green Street | 0 | 0 | 0 |
| Footpath Renewal | 10,000 | 25,000 | (15,000) |
| Marysville Streetscape Stage 2 | 750,000 | 200,000 | 550,000 |
| Kerb Renewal | 0 | 58,000 | (58,000) |
| UT Creek Pathway project | 0 | 203,840 | (203,840) |
| | 3,162,716 | 3,941,369 | (778,653) |
| Drainage - Proposed Capital Works | 20,000 | 30,750 | (10,750) |
| Drainage Renewal | 23,000 | 30,000 | (7,000) |
| Taylor Bay Right Arm | 6,500 | 0 | 6,500 |
| | 49,500 | 60,750 | (11,250) |
| Art Show Prizes | 4,000 | 4,000 | 0 |
| Furniture & Equipment Purchases | 89,100 | 108,400 | (19,300) |
| Compactus Records - Alexandra Office | 0 | 15,588 | (15,588) |
| Scanner & Bar coder - Records | 0 | 0 | 0 |
| Yea Council Chambers - New Chairs | 0 | 10,000 | (10,000) |
| HACC Computers | 4,023 | 0 | 4,023 |
| C J Dennis Hall Toolangi - Heater | 11,000 | 0 | 11,000 |
| Yea Office Library Furniture & Shelving | 0 | 27,943 | (27,943) |
| Pools Capital Equipment Replacement | 2,000 | 0 | 2,000 |
| Above Ground Fuel Tank - Alexandra | 0 | 24,000 | (24,000) |
| Bunding Structures for Emulsions | 0 | 10,000 | (10,000) |
| | 106,123 | 195,931 | (89,808) |
| Library Book stock - Adult | 74,332 | 76,446 | (2,114) |
| Library Book stock - Junior | 22,168 | 22,831 | (663) |
| | 96,500 | 99,277 | (2,777) |
| Total | 5,594,185 | 6,431,577 | (837,392) |



APPENDIX D

Funding Source for Capital Projects



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| Capital Expenditure in 2006/ 2007 Budget by Funding Source | | | | | | | | |
|--|------------------|------------------|--------------------|------------------------|----------------------------|----------------------|---------------------|---------------------|
| Category | Amount \$ | Rates \$ | New Loans \$ | Surplus B/Fwd \$ | Reserve Transfers \$ | Asset Sales \$ | Gov Grants \$ | Contributions \$ |
| Land | 20,000 | 20,000 | | | | | | |
| Buildings | 1,197,752 | 163,752 | 250,000 | 421,500 | 136,000 | | 226,500 | |
| Plant & Machinery | 912,498 | 76,670 | 500,000 | | | 335,828 | | |
| Roads Streets & Bridges | 3,941,369 | 1,783,364 | 200,000 | 258,541 | 20,000 | | 1,592,464 | 87,000 |
| Drainage | 60,750 | 60,750 | | | | | | |
| Historical Assets | 4,000 | 4,000 | | | | | | |
| Furniture & Equipment | 195,931 | 195,931 | | | | | | |
| Library Bookstock | 99,277 | 72,777 | | | | | 26,500 | |
| | 6,431,577 | 2,377,244 | 950,000 | 680,041 | 156,000 | 335,828 | 1,845,464 | 87,000 |



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APPENDIX E

Capital and Operational Initiatives 2006/ 2007



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Capital Initiatives

| Capital Project | Budget 2006/07 \$ | Comments | External Fund Source |
|--|-------------------------|--|-------------------------------------|
| Yea Civic Centre Upgrade | 196,500 | This project was commenced in 2005/ 2006 and will be completed as part of a \$262,000 project to upgrade the roof, foyer and foundations of the Yea Civic Centre. The project is 50% funded by the State Government. | State Government 50% |
| Yea Children's Precinct | 500,000 | This project will upgrade the kindergarten, maternal and child health and ancillary rooms. The project is \$250,000 grant funded \$250,000 loan funded. | State Government 50% Loan 50% |
| Yea Saleyards | 121,000 | This project will upgrade the pens and walkways at the Yea Saleyards. The upgrade is funded by reserve established by the Saleyard Committee. | Reserve \$121,000 |
| Alexandra Shire Hall – Heritage | 80,000 | This project will refurbish the exterior of the Alexandra Shire Hall and was commenced late in 2005/ 2006. A heritage grant of \$58,000 and Council contribution of \$30,000 will fund the total project of \$88,000. | State Government \$58,000 |
| Thornton Hall Refurbishment | 206,000 | This project will refurbish the Thornton Hall to enable it to be safely hired out for community functions and events. A small component of the project was commenced in 2005/ 2006. The total project of \$221,000 will be funded by a State Government grant of \$161,000 and \$60,000 over two (2) years by the Council. | State Government \$161,000. |
| Furniture & Equipment | 108,400 | This represents \$75,000 on computer equipment and \$23,000 on computer servers in accordance with the IT Strategy 2006. A further \$10,000 is proposed to be spent on minor equipment and furniture replacements. | Nil |
| Compactus – Records | 15,588 | This item represents urgent safety and records storage issues at the Alexandra Office. | Nil |
| Above ground fuel tank – Alexandra | 24,000 | The fuel tanks at the Alexandra depot have reached the end of their useful life. An above ground replacement is proposed so that the tanks can be readily relocated in the future. | Nil |
| Bunding Structures for emulsion tanks | 10,000 | This project is a requirement to comply with EPA legislation at the Alexandra Depot. | Nil |



| Capital Project | Budget 2006/07 \$ | Comments | External Fund Source |
|---|----------------------------------|---|---|
| Yea Office Library furniture and shelving | 27,943 | Additional shelving and book displays will bring the Yea library up to the standard of the Kinglake and Alexandra Libraries. | Nil |
| Library Book Stock | 99,277 | The Collection Development policy sets out the investment in book stock and materials for the next three years. The State Government will again this year provide additional funding of \$26,500. | State Government \$26,500. |
| Yea Council Chambers | 10,000 | The furniture in the Yea meeting room is dangerous and in need of replacement. The room is available to the public. | Nil |
| Acheron Road Reserve | 20,000 | This project will finalise the land acquisition process for a road reserve in Acheron. | |
| UT Creek Pathway | 274,890 | This project will construct a pathway along the UT Creek and provide shade sails in Rotary Park Alexandra. The project will be spilt over two (2) years with \$203,00 being expended in 2006/ 2007. | State Government Grant \$183,000 Local Contributions of \$20,000 |
| Eildon Toddlers Pool | 7,252 | This project will provide repairs to the Eildon Toddlers pool following structural issues that were not covered under the manufacturer's warranty. | |

The following projects have been identified in the Road and Bridge Construction Strategy 2006. The Council will expend \$3.88 million on renewal, new and upgrade project in 2006/ 2007. Federal Government Roads to Recovery funds of \$1,034,164 contribute to the capital works set out below.

| Capital Project | Budget 2006/07 \$ | Comments | External Fund Source |
|---|----------------------------------|--|---------------------------------|
| Resurface Helipad – Alexandra | 30,000 | This will provide for the resurfacing and line marking of the Helipad in Leckie Park, Alexandra, which is currently in disrepair. Alternative funding sources will be pursued. | |
| Kerb renewal | 58,000 | This will provide prioritised kerb renewal throughout the Shire. | |
| Drainage | 60,750 | This will provide drainage on a priority basis throughout the Shire. | |
| Gravel Roads – re-sheeting – Shire wide | 795,600 | This will provide for gravel re-sheeting on priority roads throughout the Shire. | |
| Sealed Roads – reseals – Shire wide | 740,000 | The reseal program is to maintain the condition of the road seals throughout the Shire. | |
| Final Seals – Shire wide | 86,500 | This is to finalise the sealing works of road projects that have had initial seal treatments in the last couple of years. | |



| Capital Project | Budget 2006/07 \$ | Comments | External Fund Source |
|--|-------------------------|---|-----------------------------|
| Sealed Roads – Pavement renewal – Shire wide | 80,000 | This program is to address various sealed road pavement failures throughout the Shire. | |
| Killingworth Road Western end | 150,000 | This project is to widen the sealed pavement for approximately 4 km at the western end. This project is to address safety concerns as trucks are moving the whole length of the road. | |
| Goat Track Intersection | 100,000 | This will provide for the upgrade of both intersections of Goat Track and Whittlesea Yea Road, Hazeldene. Alternative funding sources will be pursued and further discussions will be held with VicRoads on the final scope of the works. | |
| Pendlebury Street | 100,000 | This is to meet Council's obligation for its share of road upgrade or construction costs adjacent to land development in Pendlebury Street or other similar development projects. | |
| TIRES Projects | 609,000 | This represents road upgrade projects for which Council has applied for funding under the TIRES (Timber Roads) program. Council's contribution to these projects (if successful) is one seventh or \$87,000. | TIRES funding of \$522,000. |
| Bridge /component renewal | 249,000 | This program deals with Council's ageing bridges to replace bridges or major bridge components. | |
| Hobans Road Acheron, culvert and road works | 40,000 | This is to widen a single lane culvert and adjacent road pavement on Hobans Road. | |
| Webster Street Alexandra – one way traffic | 30,000 | This is a recommendation of the Alexandra UDF to improve parking and safety in Webster Street between Downey and Nihil Streets, subject to further consultation. | |
| Eildon Town Entrance Revitalisation | 210,000 | This is for the construction of a roundabout at the intersection of Eildon Road and Centre Avenue and the placing underground of overhead cables. Council's contribution will be \$58,000. | State Government \$152,000. |
| Minor Capital works in small towns as per Urban Design Frameworks (UDFs) | 43,489 | This is to undertake some of the lower cost recommendations of the various UDFs completed for towns throughout the Shire – priorities subject to Council approval and Community consultation. | |
| Load Capacity Upgrades | 82,400 | This is to increase the load capacity of bridges within the Shire – priorities subject to Council approval and Community consultation. | |



| Capital Project | Budget 2006/07 \$ | Comments | External Fund Source |
|--|----------------------------------|---|--|
| Marks & Pratts Road | 115,000 | This is a proposed Special Charge Scheme for the sealing of Marks and Pratts Roads, Kinglake West. Council's contribution (should the scheme ultimately proceed) would be \$60,000. | Contribution from residents \$55,000. |
| Footpath renewal – Shire wide | 25,000 | This is to replace parts of the ageing footpaths throughout the Shire on a priority basis. | |
| Sedgewick Street Marysville drainage upgrade | 200,000 | This is to complete Stage 2 of the Marysville Streetscape project in accordance with funding agreement. Works include drainage and flood mitigation works in Sedgewick Street, Falls Road and along Learys Creek. Additionally, the planting out of the Stage 2 of the Streetscape works completed in 05/06 will be undertaken. | Loan 100% |

Operational Initiatives

| Project | Budget 2006/07 \$ | Comments | External Fund Source |
|--------------------------------|----------------------------------|---|---------------------------------|
| Seed Funding | 150,000 | An amount of \$150,000 has been included to match grant opportunities that may arise during the year. | Nil |
| Branding | 50,000 | Subject to further community consultation it is proposed to enhance the branding of the Council and the Shire to promote investment, visitation and attract new residents. A grant of \$10,000 has been received. | State Government \$10,000 |
| Communications | 30,000 | It is proposed to provide a newsletter to all property owners during 2006/ 2007 to improve communication and information flows. | Nil |
| Tourism - Study | 60,000 | It is proposed to conduct a nature based accommodation study that is funded by grants to an amount of \$45,000. | State Government \$45,000 |
| Tourism – Bushfire Recovery | 70,000 | The State Government has recently announced a grant to assist businesses to continue to recover from the January 2006 fires. | State Government 100%. |
| Children's Services | 25,000 | The Children's Services officer role will be extended to implement the Early Years Strategy recently adopted by the Council. | |
| Inclusiveness Planning project | 33,000 | If the Council is successful in its application an audit of the townships to check for infrastructure access problems will be undertaken. Council's contribution will be \$11,000. | State Government \$22,000. |



| Project | Budget 2006/07 \$ | Comments | External Fund Source |
|---|-------------------------|--|------------------------------|
| Walking School Bus | 13,500 | The Walking school bus program will continue across the Shire following the announcement of a \$9,000 grant. | State Government \$9,000. |
| Risk Management | 15,000 | It is proposed to increase the Risk Officer's time by one (1) day per week to undertake emergency recovery activities. | |
| Building Maintenance | 236,000 | A further \$29,000 over 2005/ 2006 levels will be invested into the maintenance of Council owned facilities across the Shire. | |
| Planning projects | 85,000 | The following planning issues have been provided for: VCAT approvals \$10,000, Panel Hearings \$30,000, Planning Scheme Amendments \$20,000 and the Rural Land Study \$25,000. | |
| Cadet Building Surveyor | 53,000 | An assistant to the Building Surveyor will be appointed to undertake statutory requirements and enhance the building permit service. There has been a reduction in other support costs of \$15,000. | |
| Weed mapping project | 38,000 | A state Government grant of \$30,000 will assist in mapping weed problems on local roads and council owned land. | |
| Baragwanathia Fossil site | 30,000 | A grant for signage and associated works has been received to promote the fossil site. | State Government \$30,000 |
| Parks and Gardens furniture maintenance | 30,000 | A budget has been provided for the upgrade and replacement of some furniture in Council parks | |
| Bollygum Park Reserve | 30,000 | An amount of \$30,000 has been provided from public open space reserves to enable the Master Plan for Bollygum Park to progress. | |
| Eildon Toddlers Pool | 5,000 | An amount of \$5,000 has been provided for possible repairs to the Eildon Pool. | |
| Road Management Plan Co-ordinator | 59,000 | The appointment of an officer will enable the Council to comply with the Road Management Act in a planned manner through auditing and prioritisation. The total cost of software, vehicle and labour is approximately \$90,000. Labour costs will be \$58,643. Software was purchased in 2005/ 2006 and a vehicle will be re-allocated from another area. | |
| Victorian Local Governance Association (VLGA) | 3,000 | The Council will join the VLGA in 2006/ 2007. | |
| Rear of Yea shops | 4,000 | A budget has been provided to address maintenance issues at the rear of the Yea shopping area. | |



| Project | Budget 2006/07 \$ | Comments | External Fund Source |
|---|-------------------------|--|--------------------------------|
| Kinglake Ranges Community Building Initiative | 70,000 | The Kinglake initiative is funded by Department of Victorian Communities to the value of \$66,000 per annum over two (2) years. | State Government \$66,000 |
| Customer Services and Library Operations | 61,000 | Of the \$61,000 increase over last year an amount of \$27,000 has been provided to allow a minor restructure of the responsibilities in the Library and Customer Services department and to provide an ongoing position for a trainee. 2005/ 2006 was the first full year of the operation of the Kinglake Services Centre and the appointment of a Manager to the Department. | |
| Yea Wetlands Project – stage 2 | 74,000 | This project will further develop infrastructure in the Wetlands and has been initiated by the Wetlands Committee. The project is grant funded with \$71,000. | State Government \$71,000 |
| Kinglake Ranges Tennis Courts | 75,000 | The recent State Government announcement for the enlargement and sealing of the existing tennis courts at Kinglake West will be funded by a grant of \$50,000 from the Government and \$25,000 from the Council's public open space fund. | State Government \$50,000 |
| Playground equipment replacement | 50,000 | The Playgrounds Strategy sets out a requirement for significant expenditure on the playgrounds across the Shire. \$50,000 will continue the programmed approach to maintenance. | |
| Fire - Community Development Officer | 29,000 | This represents a carry forward of unexpended grant funds in 2005/ 2006 and will enable further fire recovery initiatives to be completed. | State Government 100% |
| Shire wide garbage service | 145,500 | The additional cost relates to the tender accepted for a new provider for garbage collection from December 2006 and an increase in the EPA levy. | |
| Alexandra Landfill | 116,800 | The introduction of the landfill compactor (\$92,000) and the completion of further cell works at the Alexandra landfill (\$25,000) contribute to the additional cost. The compactor will double the life of the landfill to 60 years. | |
| Transfer Stations | 73,300 | Recent tenders received indicate a worst case costing scenario for the operation of the transfer stations including staffing. Discussions with the preferred tenderer should reduce this cost. | |
| National Competition Policy grant | (158,200) | The grant from the Federal Government that was passed on by the State ceased at 30 June 2006. This represents 1.8% of rate revenue in 2006/ 2007. | Federal Government -100% |



APPENDIX F

**Activities and Initiatives not funded as part of the 2006/ 2007
Budget**



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| Initiatives/ Activities not Funded as part of 2006/ 2007 Budget | \$ |
|--|-----------|
| Additional Vehicle - Parks & Gardens | 26,493 |
| Vehicle Operating - Parks & Gardens | 15,555 |
| Purchase of two (2) vehicles / not lease | 53,636 |
| Scanner for Records Department | 16,000 |
| Family & Youth Co-ordinator | 67,233 |
| Internet/ Intranet support - One (1) day per week | 10,000 |
| Swimming Pool wages – volunteer assistance | 10,000 |
| Customer Services wages – reduction of relief/ training | 10,000 |
| Local Laws out of hours response – seek external assistance | 10,000 |
| Lake Eildon Peak Body – no membership 2006/ 2007 | 15,000 |
| Additional newsletters to the community – two (2) only | 19,000 |
| Temporary depot accommodation - deferred | 20,000 |

Please note:

A range of requests have been received which have not been funded as explained below

Dust Suppression - Requests have been received for the application of dust suppression on various roads. These requests have been referred to the dust suppression program that will be considered in November 2006 by Council.

Street Lighting - The Council has limited budget for street lighting requests. A program of priority sites is developed by officers in consultation with TXU and referred to Council. The program is behind schedule due to long lead times required by TXU recently. All further requests will be the subject of further discussions with TXU.

Bus Shelters - The Council's bus shelter program will be developed during the early part of the 2006/ 2007 year. Consultation is undertaken with the schools, bus operators and DOI's school bus coordinator and the program referred to Council. In some instances VicRoads will also need to be consulted.

Pipe and Gutter Repairs - Requests of this nature will be accommodated within the Council's maintenance and asset renewal budgets.

Walking Tracks - The Recreation Strategy 2003 provides some guidance on the location of walking tracks. The strategy, along with requests received, will be used to pursue grant funding as opportunities arise.

Box Culvert Gulleys Road - This request may be able to be accommodated within the Council's maintenance and drainage program. The request will be further investigated during the year.

Line marking Highlands Road - Line marking will be addressed after final seals are completed

Seal intersection – Pine Ridge Road and National Park Road - Not recommended for 2006/ 2007. Referred to future road and bridge strategy reviews.

Reseal Kinglake Glenburn Road - This will be considered, as appropriate, as part of the resealing or pavement rehabilitation budget items contained in the budget.

Zebra Crossing, Grant Street, Probus Club



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APPENDIX G

Strategic Resource Plan



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What is the Strategic Resource Plan?

The Strategic Resource Plan (SRP) is a medium to long-term financial plan that addresses ongoing operational issues of the organisation and key activities of the Council Plan. The issues and activities are expressed numerically in the plan and the financial (standard) statements.

Importantly, the Plan also maps out a financially sustainable path for the Council.

The Standard Statements included in the Strategic Resource Plan forms a financial report that meets the requirement of the Local Government Act 1989. These Standard Statements each provide information in relation to an aspect of Council's financial management. They should be read in conjunction with one another to obtain an overall understanding of Council's financial position and management.

Standard Statement of Financial Performance

The Standard Statement of Financial Performance for the SRP shows what is expected to happen during the four (4) year period in relation to revenue, expenses and other adjustments from all activities. The 'Total Changes in Equity' or 'bottom line' shows the total difference between the financial position at the beginning and the end of each year.

The Standard Statement of Financial Performance requires revenues to be separately disclosed where they are of a size, nature and incidence that its disclosure is relevant in explaining the performance of the Council.

The Standard Statement of Performance also shows the movement in ratepayer's equity, so that a separate Statement of Changes in Equity is not necessary. The most common disclosures under this category are movements in asset revaluation reserves, which arise upon revaluation of assets and adjustments to opening accumulated surplus due to adoption of a new accounting standard.

Revenue Assumptions

(a) Rates

In order to fund necessary improvements to recurrent services and to adequately refurbish and maintain assets, the Financial Plan has been calculated on a 7% per annum rate increase for the term of the Plan. The rate income levels projected for the term of this Plan also allow for the growth in the number of properties in the Shire. This is estimated to generate an additional .75% revenue per year. The 7% rate increase relates to an actual increase in revenue of 6.25% and a growth factor of 0.75%.

(b) User Charges

User charges are predicted to increase by 3% pa except in the areas where legislation sets specific amounts for charges.

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include the use of community facilities, waste management, planning and subdivision charges and the provision of services such as family day care and home help services.

(c) Fees and Fines

Fees and fines are predicted to increase by CPI of 3% pa for the purpose of this plan.

Fees and fines relate mainly to fines levied in accordance with legislation and include animal registrations, building and planning charges, Health Act registrations and parking fines. Increases in statutory fees are made in accordance with legislative requirements.

The fluctuation in fees and fines has been significantly influenced by the amount of building development that takes place in the financial year. In recent times there has been a positive trend.



(d) **Grants**

Recurrent Grants

Includes all moneys received from State and Federal sources for the purposes of funding the delivery of Council's services. For the purpose of this plan, it has been assumed that State and Federal sources will continue to fund at a similar level to the 2005/ 2006 financial year taking into account a CPI increase of 3%. The level of State and Federal funding has increased in line with inflation over the past few years.

Non-Recurrent Grants

Includes all moneys received from State, Federal and community sources for the purposes of funding the capital works program. The level of capital grants will fluctuate significantly as it hinges on changing political directions and available projects and opportunities.

An estimated increase has been taken up in the 2006/ 2007 and the 2007/ 2008 financial years to take into account the impact of State and Federal elections.

Forecast grant levels fluctuate in future years as projects are completed or new funding opportunities arise.

(e) **Interest**

Interest is earned on the moneys deposited into reserves for specific legislative requirements or money placed on deposit when we have high revenue, low expense activity as expressed in the 'Statement of Cash Flows'.

Interest rates have been assumed to remain at approximately 5.6% for the purpose of this Plan. Invested funds to support legislative and other non-discretionary requirements remains at approximately \$3.5 million.

(f) **Proceeds from Sales of Fixed Assets**

Proceeds from the sale of Council assets relate mainly to the planned cyclical replacement of the plant and vehicle fleets. It has been assumed that the proceeds from the sale of fixed assets will be offset in the accounts by the value of the Carrying Amount of Fixed Assets Sold as shown in the 'Expenses from Ordinary Operations'. This is the written down value of the assets at the time of sale as recorded in the asset register.

(g) **Other Revenue**

Other revenue relates to a range of miscellaneous income items. However, the majority of the total other revenue is made up from internal cost recouped such as supervision costs and return on investment from plant.

Income received in relation to Public Open Space and other revenues resulting from development plans across the Shire have been forecast to remain constant for the years 2006/ 2007 to 2010/ 2011. Fluctuations in revenue are generally a result of forecasted Special Charge Schemes.

Expenditure Assumptions

(a) **Employee Costs**

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

Employee costs are forecast to increase by 7% in the 2006/ 2007 financial year, 4.57% in 2007/ 2008 and 4.5% over the balance of the planning period. This increase relates to the re negotiation of the Council's Enterprise Bargaining Agreement (EBA) in 2005. The EBA incorporates salary increases of 4% (or \$34 whichever is the greater) each year as well as award increments.



| Year | 2006/07 % | 2007/08 % | 2008/09 % | 2009/10 % | 2010/11 % |
|------------------|--------------|--------------|--------------|--------------|--------------|
| EBA | 4.61 | 4.57 | 4.50 | 4.50 | 4.50 |
| Award increments | | | | | |
| EFT Growth | 2.39 | 0 | 0 | 0 | 0 |
| TOTAL | 7 | 4.57 | 4.50 | 4.50 | 4.50 |

(b) Contractors & Materials

A growth in CPI has been applied to this category of expenditure which covers areas such as general goods and services, utility costs, consultant and sub contractors costs. Council has also funded operational costs of information technology and infrastructure maintenance

Contractors and materials are forecast to increase by 3%.

The effect of the increasing cost of fuel has been considered when formulating this plan.

(c) Interest (Debt Servicing Costs)

Interest relates to the charges by financial institutions on funds borrowed. The reduction (or increase) in these costs is relative to the amounts borrowed from time to time and the repayments of principal in accordance with the loan agreements.

The Plan provides for the borrowing of funds of \$500,000 annually to fund plant and equipment purchases. It is further planned to borrow another \$450,000 in 2006/ 2007, totalling \$950,000. The extra \$450,000 is to support the Council's contribution to the Marysville Street scape and the Yea Children's precinct. It is further planned to borrow \$500,000 in 2007/ 2008, \$750,000 in 2008/ 2009 and \$500,000 in the following years to fund plant and equipment replacement.

Debt servicing costs for the 2006/ 2007 reach approximately 1.2% of total expenditure in the 2006/ 2007 financial year as compared to approximately 1.8% in 2003/ 2004 financial year. Total debt servicing costs are less than 60% of total revenues for the 2006/ 2007 financial year compared to approximately 53% in the 2004/ 2005 financial year. The Local Government department criteria for borrowing money is that debt servicing does not reach more than 60% of total rates income. The Council has remained well below that level for several years and it is anticipated that the level will continue to decline over the term of the long term financial plan.

Interest rates on new loans are expected to remain reasonably constant at 7%. Interest on overdraft is expected to be nil based on the level of cash liquidity reported in the attached Standard Statements.

Graphs relating to the Council's debt levels are set out in Appendix G.

(d) Other Expenses

It is anticipated that other expenditure will increase in line with in CPI over the four (4) years. This is a very small component of Council's operating expenditure and movements will have minimal impact on the overall results.

Increase/(Decrease) In Net Assets Resulting From Operations

The increase (or decrease) shows the total difference between the financial position at the beginning and end of each year.

Importantly, the total changes in equity are positive throughout the term of this plan. The Standard Statement of Financial Position and the Standard Statement of Cash Flows more fully explain the cash position of the Council.



Standard Statement Of Financial Position

The Standard Statement of Financial Position for the SRP shows a snap shot of the expected financial situation at the end of each period over the next four (4) years. It shows the total of what is owned (assets) less what is owed (liabilities). The 'bottom line' of this statement is net assets, which is the net worth of the Council.

The change in net assets between two (2) years of Standard Statements of Financial Position shows how the financial position has changed over that period

The assets and liabilities are separated into current and non-current. Current means those assets or liabilities that fall due in the next twelve months.

An assumption has been made that accounts payable and receivable will remain consistent with 2005/ 2006 levels across the term of the SRP. Other assumptions are as listed below:

(a) Current Assets

Cash and Investments are maintained for the period of the Plan and support the levels required to back reserves and employee entitlements. The major impact of movement in this area is reflected in the Statement of Cash Flows.

(b) Non Current Assets

The level of non-current assets continues to grow across the term of the SRP which is a result of implementing Council's strategies in relation to roads, bridges, plant and equipment, library book stock and a commitment to reducing the infrastructure gap. The bulk of the investment is in maintaining and upgrading of the assets Council already has. This is better explained in the Standard Statement of Capital Works.

Assets attract depreciation rates in line with the rate assigned to the type of asset category. Assets are re-valued on a cyclical basis to ensure the depreciation methods are on par with the life span of the asset.

The value of assets has remained fairly constant over the past few years and is not expected to vary significantly given the asset strategies in place.

(c) Current Liabilities

This figure represents the total of sundry creditors, accrued expenses, accrued wages expenses and accrued loan interest, provision for annual leave, interest on borrowings for loans maturing within 12 months and sundry liabilities.

Assumptions in the area of current liabilities are as follows:

- Provision for Employee Entitlements – annual leave has been recorded to 100% of the liability however, for cash purposes is cash backed to 25% of the total accrued leave
- Increases in employee entitlements will increase in line with increasing wages costs associated with the EBA and growth in services
- The level of debt for loans will increase in the 2006/ 2007 year to support capital works
- The level of debt for loans will increase in the years 2007 /2008 to fund asset replacement and other capital projects

(d) Non Current Liabilities

The amount borrowed in the term of this plan will reflect the capital expenditure and plant purchases required and the risk profile of the Council. Borrowings also reflect an inability to fund capital items through rates and charges. Data shows that the Council is entering a higher than usual level of debt. However, indicators also reflect an ability to comfortably service this debt. The balance will return to the historical, more consistent levels in the 2008/ 2009 financial years.

Provisions for the Alexandra landfill rehabilitation was taken up in the 2004/ 2005 financial year. It is not anticipated that this provision will be increased over the term of this plan.



(e) Ratepayers Equity

The Standard Statement of Financial Position shows a slightly positive growth in the equity of the Council across the term of the four (4) year financial plan indicating that the plan is sustainable in the longer term.

Standard Statement of Cash Flows

The Standard Statement of Cash Flows for the SRP shows what is expected to happen during the next four (4) years in terms of cash. It explains what cash movements are expected to result in the difference in the cash balance at the beginning and end of each year.

The net cash flows from operating activities shows how much cash is expected to remain after paying for providing services to the community which may then be invested in things such as capital works.

The information in a Standard Statement of Cash Flows assist in the assessment of the ability of the Council to generate cash flows, meeting financial commitments as they fall due including the servicing of borrowings, funding changes in the scope or nature of activities and obtaining external finance.

The Standard Statement of Cash Flows records the cash inflows and outflows relating to the activities of the Council and sets out the impacts of the previous statements. It also demonstrates that Council will have sufficient cash balances to fund the initiatives contained in the Plan. It is anticipated that the cash at the end of each reporting period will sufficiently cover reserves and provisions at the end of each reporting period.

Standard Statement of Capital Works

The Standard Statement of Capital Works for the SRP sets out all expected capital expenditure in relation to non-current assets for the next four years. It also shows the amount of capital works expenditure which is expected to be renewing, upgrading, expanding or creating new assets. This is important because each of these categories has a different impact on Council's future costs.

A range of strategies for roads and bridges, plant, IT, stormwater drainage and major building works supports the capital expenditure proposed.

An investment in capital of greater than \$5 million per annum is planned to address the infrastructure gap.

Statement of Human Resources

The table on the following page sets out that there is no plan to grow staff numbers beyond that of the 2006/ 2007 levels.



Please note that the significant variations between (a) and (b) below are a result largely of a change in organisational reporting.

| | Budget 2005/06 eft | Budget 2006/07 eft | Budget 2007/08 eft | Budget 2008/09 eft | Budget 2009/10 eft | Budget 2010/11 eft |
|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Finance and Administration (a) | 21.5 | 14.7 | 14.5 | 14.5 | 14.5 | 14.5 |
| Civic | 5.8 | 6.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| Waste & Environment | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Transport | 35.0 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 |
| Recreations & Cultural (b) | 17.0 | 23.1 | 23.3 | 23.3 | 23.3 | 23.3 |
| Human Services | 37.0 | 38.5 | 38.4 | 38.4 | 38.4 | 38.4 |
| Economic Development & Tourism | 4.0 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Planning & Environment | 11.3 | 11.3 | 12.3 | 12.3 | 12.3 | 12.3 |
| Rates and Valuations | 2.0 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Total | 136.1 | 141.9 | 141.9 | 141.9 | 141.9 | 141.9 |



Standard Statement of Financial Performance for the four (4) years ending 30 June 2010

| | actuals 2003/04 \$000 | actuals 2004/05 \$000 | forecast 2005/06 \$000 | budget 2006/07 \$000 | budget 2007/08 \$000 | budget 2008/09 \$000 | budget 2009/10 \$000 |
|--|-----------------------------|-----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenue from Ordinary Operations | | | | | | | |
| Rates | 8,036 | 8,653 | 9,299 | 9,956 | 10,650 | 11,394 | 12,189 |
| User Charges | 2,931 | 3,601 | 2,114 | 2,537 | 2,491 | 2,636 | 2,643 |
| Fees & Fines | 569 | 517 | 516 | 571 | 588 | 606 | 624 |
| Grants | 6,479 | 6,796 | 7,948 | 7,087 | 7,499 | 7,409 | 7,625 |
| Interest | 306 | 299 | 297 | 298 | 333 | 262 | 247 |
| Proceeds from Sale of Fixed Assets | 522 | 415 | 448 | 336 | 386 | 366 | 343 |
| Other | 866 | 826 | 845 | 557 | 557 | 557 | 557 |
| Recognition of Assets | 1,196 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Operating Revenue | 20,905 | 21,107 | 21,468 | 21,342 | 22,504 | 23,229 | 24,227 |
| Expense from Ordinary Operations | | | | | | | |
| Employee Costs | 7,156 | 7,666 | 8,099 | 8,660 | 9,056 | 9,463 | 9,889 |
| Contractors & Materials | 7,463 | 7,844 | 7,408 | 7,572 | 7,799 | 8,029 | 8,270 |
| Interest | 342 | 374 | 354 | 370 | 358 | 339 | 308 |
| Depreciation | 3,763 | 3,725 | 3,960 | 4,145 | 4,164 | 4,185 | 4,201 |
| Carrying Amount of Fixed Assets Sold | 489 | 425 | 424 | 336 | 386 | 366 | 343 |
| Loss on Revaluation of Assets | 224 | 0 | 0 | 0 | 0 | 0 | 0 |
| Landfill Rehabilitation expense | 0 | 788 | 0 | | | | |
| Other | 21 | 22 | 24 | 25 | 25 | 25 | 25 |
| Total Operating Expenses | 19,458 | 20,844 | 20,269 | 21,107 | 21,787 | 22,407 | 23,035 |
| Increase/(Decrease) in net Assets resulting from operations | 1,447 | 263 | 1,199 | 234 | 717 | 822 | 1,192 |



Standard Statement of Financial Position for the four (4) years ending 30 June 2010

| | actuals 2003/04 | actuals 2004/05 | forecast 2005/06 | budget 2006/07 | budget 2007/08 | budget 2008/09 | budget 2009/10 |
|---|--------------------|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash Assets | 4,016 | 4,704 | 4,911 | 3,565 | 3,252 | 3,439 | 3,580 |
| Receivables | 2,017 | 1,331 | 1,178 | 1,248 | 1,248 | 1,248 | 1,248 |
| Inventories | 123 | 280 | 268 | 207 | 207 | 207 | 207 |
| Other | 316 | 324 | 320 | 330 | 330 | 330 | 330 |
| Total Current Assets | 6,472 | 6,639 | 6,676 | 5,350 | 5,037 | 5,224 | 5,365 |
| Non Current Assets | | | | | | | |
| Property, Plant and Equipment | 146,116 | 149,109 | 153,198 | 157,049 | 157,717 | 158,137 | 158,611 |
| Receivables | 101 | 74 | 59 | 65 | 65 | 65 | 65 |
| Total Non Current Assets | 146,217 | 149,183 | 153,257 | 157,114 | 157,782 | 158,202 | 158,676 |
| TOTAL ASSETS | 152,689 | 155,822 | 159,933 | 162,464 | 162,819 | 163,426 | 164,041 |
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| Payables | 1,669 | 1,497 | 1,575 | 1,590 | 1,590 | 1,590 | 1,590 |
| Provision for Employee Entitlements 4.5% | 628 | 617 | 663 | 723 | 756 | 790 | 825 |
| Interest Bearing Liabilities - Borrowings | 547 | 687 | 808 | 933 | 1,032 | 1,157 | 584 |
| Other | 911 | 1,036 | 693 | 649 | 649 | 649 | 649 |
| Total Current Liabilities | 3,755 | 3,837 | 3,739 | 3,895 | 4,027 | 4,185 | 3,648 |
| Non Current Liabilities | | | | | | | |
| Provision for Employee Entitlements 4.5% | 802 | 931 | 1,071 | 1,256 | 1,313 | 1,372 | 1,433 |
| Interest Bearing Liabilities - Borrowings | 4,182 | 4,646 | 4,638 | 4,622 | 4,072 | 3,639 | 3,537 |
| Provisions | 0 | 829 | 829 | 829 | 829 | 829 | 829 |
| Other | 105 | 50 | 50 | 50 | 50 | 50 | 50 |
| Total Non Current Liabilities | 5,089 | 6,456 | 6,587 | 6,756 | 6,263 | 5,889 | 5,849 |
| TOTAL LIABILITIES | 8,844 | 10,293 | 10,326 | 10,651 | 10,290 | 10,074 | 9,497 |
| NET ASSETS | 143,845 | 145,529 | 149,607 | 151,813 | 152,530 | 153,352 | 154,544 |
| Represented by: | | | | | | | |
| Accumulated Surplus | 78,552 | 78,662 | 79,868 | 80,147 | 80,864 | 81,686 | 82,878 |
| Asset Revaluation Reserve | 64,316 | 65,738 | 68,617 | 70,589 | 70,589 | 70,589 | 70,589 |
| Other Reserves | 976 | 1,130 | 1,122 | 1,077 | 1,077 | 1,077 | 1,077 |
| RATEPAYERS EQUITY | 143,844 | 145,530 | 149,607 | 151,813 | 152,530 | 153,352 | 154,544 |



Standard Statement of Cash Flows for the four (4) years ending 30 June 2010

| | actuals 2003/04 | actuals 2004/05 | forecast 2005/06 | budget 2006/07 | budget 2007/08 | budget 2008/09 | budget 2009/10 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Inflows/ (Outflows) \$000 | Inflows/ (Outflows) \$000 | Inflows/ (Outflows) \$000 | Inflows/ (Outflows) 000\$ | Inflows/ (Outflows) \$000 | Inflows/ (Outflows) \$000 | Inflows/ (Outflows) \$000 |
| Cash Flow From Operating Activities | | | | | | | |
| Receipts from Ratepayers | 8,064 | 8,667 | 9,299 | 9,956 | 10,650 | 11,394 | 12,189 |
| Government Grants (GST incl.) | 6,661 | 7,011 | 7,948 | 7,087 | 7,499 | 7,409 | 7,625 |
| Interest Received | 309 | 296 | 297 | 298 | 333 | 262 | 247 |
| User Charges and Reimbursements | 3,901 | 5,959 | 3,644 | 3,588 | 3,637 | 3,799 | 3,823 |
| Net GST refund | 589 | 692 | | | | | |
| Payments to Employees | (7,084) | (7,491) | (7,914) | (8,414) | (8,967) | (9,370) | (9,792) |
| Payments to Suppliers | (8,240) | (9,488) | (7,338) | (7,531) | (7,824) | (8,054) | (8,295) |
| Interest Expense | (335) | (326) | (354) | (370) | (358) | (339) | (308) |
| Net Cash Flow Provided by Operating Activities | 3,865 | 5,320 | 5,582 | 4,614 | 4,970 | 5,101 | 5,490 |
| Cash Flow From Investing Activities | | | | | | | |
| Proceeds from Sale of Fixed Assets | 522 | 415 | 448 | 336 | 386 | 366 | 343 |
| Payment for Fixed Assets | (5,077) | (5,720) | (5,594) | (6,360) | (5,217) | (4,971) | (5,018) |
| Net Cash Flow Used In Investing Activities | (4,555) | (5,305) | (5,146) | (6,024) | (4,831) | (4,605) | (4,675) |
| Cash Flow From Financing Activities | | | | | | | |
| Proceeds from Borrowings | 500 | 1,150 | 1,300 | 950 | 500 | 750 | 500 |
| Payment of Borrowings | (494) | (547) | (687) | (842) | (951) | (1,059) | (1,174) |
| Payment of Superannuation Liability | 0 | 0 | (499) | 0 | 0 | 0 | 0 |
| Trust Funds and Deposits | 112 | 70 | (343) | (44) | 0 | 0 | 0 |
| Net Cash Flow (Used in) Provided by Financing Activities | 118 | 673 | (230) | 64 | (451) | (309) | (674) |
| Increase/(Decrease) in Cash Held | (572) | 688 | 207 | (1,346) | (312) | 186 | 141 |
| Cash at Beginning of Reporting Period | 4,588 | 4,016 | 4,704 | 4,911 | 3,565 | 3,253 | 3,439 |
| Cash at End of Reporting Period | 4,016 | 4,704 | 4,911 | 3,565 | 3,253 | 3,439 | 3,580 |



Standard Statement of Capital Works for the four (4) years ending 30 June 2010

| | actuals 2003/04 \$000 | actuals 2004/05 \$000 | forecast 2005/06 \$000 | budget 2006/07 \$000 | budget 2007/08 \$000 | budget 2008/09 \$000 | budget 2009/10 \$000 |
|--|-----------------------------|-----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Land | 0 | 37 | 331 | 0 | 0 | 0 | 0 |
| Buildings | 1,056 | 1,515 | 957 | 1,191 | 370 | 170 | 170 |
| Plant & Machinery | 930 | 974 | 888 | 912 | 980 | 922 | 897 |
| Roads Streets & Bridges | 2,911 | 2,982 | 3,163 | 3,888 | 3,613 | 3,590 | 3,669 |
| Drainage | 0 | 17 | 50 | 61 | 82 | 92 | 100 |
| Historical Assets | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Furniture & Equipment | 111 | 105 | 106 | 206 | 69 | 90 | 72 |
| Library Bookstock | 65 | 86 | 97 | 99 | 99 | 102 | 105 |
| Works in Progress | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Capital Works | 5,077 | 5,720 | 5,594 | 6,360 | 5,217 | 4,971 | 5,018 |
| Represented by: | | | | | | | |
| Renewal | | | 1,519 | 2,464 | | | |
| Upgrade | | | 2,474 | 2,530 | | | |
| Expansion | | | 137 | 136 | | | |
| New Assets | | | 1,464 | 1,230 | | | |
| Total Capital Works | | | 5,594 | 6,360 | | | |
| Property, Infrastructure, Plant & Equipment movement Reconciliation Worksheet | | | | | | | |
| Total Capital Works | | | 5,594 | 6,360 | 5,217 | 4,971 | 5,018 |
| Asset revaluation movement | | | 2,878 | 1,972 | | | |
| Depreciation & amortisation | | | 3,960 | 4,145 | 4,164 | 4,185 | 4,201 |
| Written down value of assets sold | | | 424 | 336 | 386 | 366 | 343 |
| Net movement in property, infrastructure, plant and equipment | | | 4,088 | 3,851 | 667 | 420 | 474 |



APPENDIX H

Debt Servicing Graphs

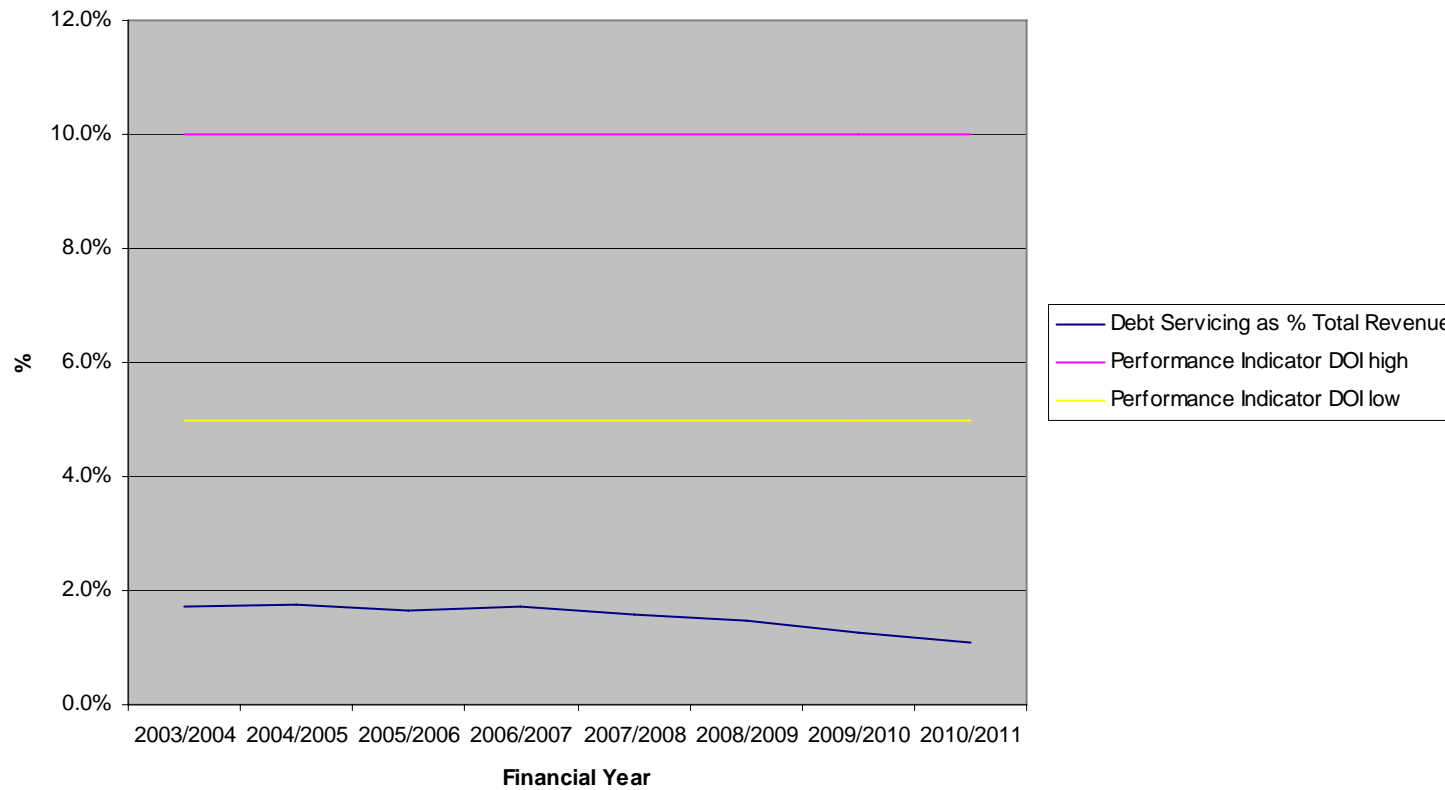


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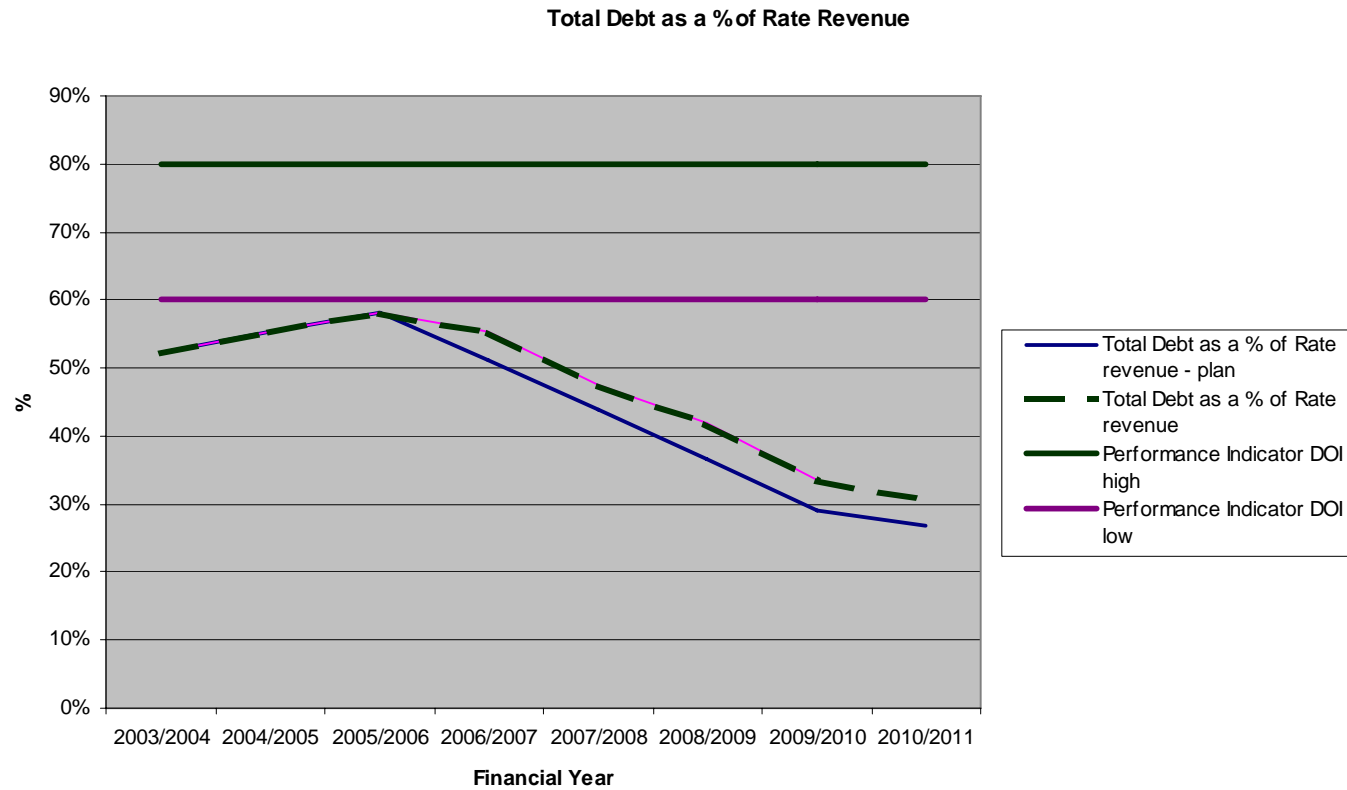
Debt Servicing as a % of Total Revenue

Debt Servicing (Interest) / Total Revenue





Total Debt as a % of Rate Revenue



The increase in total debt as a percentage of rate revenue is as a result of increasing borrowings from \$500,000 to \$950,000 in the 2006/ 2007 Budget period.



APPENDIX I

Key Strategic Activities



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**Key Strategic Activities
For the year ended 30 June 2007**

| Key Strategic Activity | Performance Measure | How Data is reported | Performance Target |
|--|--|---|---|
| <i>Theme 1 – Environment</i> | | | |
| Complete the Rural Land Study for consideration and adoption by the Council in partnership with state government directions on new farming zones. | Completion of the study. | Report to Council | Study adopted by 30 June 2007 |
| Complete the three (3) year monitoring report on the performance of the Murrindindi Planning Scheme and processes (statutory requirement). | Completion of the report. | Report to Council | Report adopted by 30 June 2007 |
| Finalise and adopt the Waste Management Strategy 2006. | Percentage of tonnes of waste to landfill per head of population | Calculation | Less than 0.62% |
| <i>Theme 2 - Community</i> | | | |
| Complete the Yea Children's Precinct and address Pioneer Reserve traffic management issues. | Completion of project. | Occupancy Certificate and report to Council on traffic issues | Building able to be occupied. Council adopts report on traffic measures by 30 June 2007. |
| <i>Theme 3 - Infrastructure</i> | | | |
| Implement the Roads and Bridge Construction Strategy. | Renewal Gap | STEP asset management annual review | Less than \$1.68 million |
| <i>Theme 4 – Local Economy</i> | | | |
| Develop a new program of business and tourism awards. | New program | Local press | Awards made by 30 June 2007 |
| <i>Theme 5 - Governance</i> | | | |
| Review and develop a system that integrates risk assessment, insurance audits, WorkCover inspections, public liability, occupational health and safety, and fraud. | Civic Mutual Plus (CMP) audit overall score | Audit data published | Greater than 54% |
| Address issues raised in the staff satisfaction survey. | Staff satisfaction overall score | Survey data published | Greater than 65.6% |
| To improve our performance | Council Plan Gantt chart score | Quarterly report to Council on progress of Council Plan activities 2006/ 2007 | Greater than 80% |



GLOSSARY

| | |
|--|---|
| Act | Local Government Act 1989 |
| Activities and initiatives | Section 127 of the Act requires a budget to contain a description of the activities and initiatives to be funded by the budget, along with a statement as to how they will contribute to the achievement of the Council's strategic objectives as specified in the Council Plan. |
| AIFRS | Australian equivalents to International Financial Reporting Standards. |
| Annual budget | This document is framed within the Council's strategic resource plan and sets out the short-term goals and objectives as part of the overall strategic planning framework. |
| Annual operating budget (<i>Budgeted income statement</i>) | The budgeted income statement shows the expected operating result in the forthcoming year with a distinction made between revenue received for operating purposes and revenue received for capital purposes. |
| Australian Accounting Standards | Accounting standards are issued from time to time by the professional accounting bodies and are applicable to the preparation of general purpose financial reports. Australian Accounting Standard AAS 27 - Financial Reporting by Local Governments, is applicable to all general purpose financial reports prepared by Councils. AAS 27 is currently the subject of review by the AASB with the release of Exposure Draft ED 125 - Financial Reporting by Local Governments. |
| Borrowing strategy | A borrowing strategy is the process by which the Council's current external funding requirements can be identified, existing funding arrangements managed and future requirements monitored. |
| Budgeted balance sheet (<i>Budgeted balance sheet</i>) | The budgeted balance sheet shows the expected net current asset, net non-current asset and net asset positions in the forthcoming year compared to the forecast actual in the current year. |
| Budgeted cash position (<i>Budgeted cash flow statement</i>) | The budgeted balance sheet should be prepared in accordance with the requirements of AASB 101 - Presentation of Financial Statements. The budgeted cash flow statement shows the expected net cash inflows and outflows in the forthcoming year in the form of reconciliation between opening and closing balances of total cash and investments for the year. Comparison is made to the current year's expected inflows and outflows. |
| Budget preparation requirement | Under the Act, a Council is required to prepare and adopt an annual budget by 31 August each year. |
| Capital expenditure | Capital expenditure is relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. A pre-determined 'threshold' may be used which indicates the level of expenditure deemed to be material in accordance with Council's policy. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and upgrade expenditures, the total project cost needs to be allocated accordingly. |



Capital expenditure is recorded in the balance sheet as additions to the value of the asset (that is, it is capitalised). This accounting treatment reflects the fact that this expenditure has resulted in the creation of additional value in an asset of discernable magnitude (materiality) which will benefit the community over several years and which has not been 'used up' in the year.

The asset value is then progressively 'expensed' or written off to the income statement (operating statement), as its life (or service potential) is used up through the depreciation charge. In this way the total cost/value of the asset is spread over the periods in which it is used, the operating result in each period reflecting the consumption of assets and service potential during that period.

Capital performance statement
*(Impact of current year on 2006/
2007 budget)*

This statement shows the internal and external funds for the budget year and forecast which will be used to fund capital works projects and the total capital works expected to be completed in comparison to the budget.

Capital renewal

Capital renewal expenditure is expenditure on an existing asset, which returns the service potential or the life of the asset, up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components of the asset being renewed.

As capital renewal expenditure reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

Capital works budget *(Budgeted
capital works statement)*

The capital works budget shows the expected internal and external funding for capital works program and the total proposed capital works program for the forthcoming year with a comparison with forecast actual for the current year.

Capital works program

Capital works projects that will be undertaken during the 2006/2007 year.

Cash performance statement
*(Impact of current year on 2006/
2007 budget)*

This statement shows the expected net cash inflows and outflows as compared to the budget for the current year.

Council plan

This document sets out the medium term goals and objectives as part of the overall strategic planning framework and strategic resource plan and is prepared under section 125 of the Act.

The resources required to achieve the Council plan are detailed in the strategic resource plan. As a minimum, a Council plan must include:

- The strategic objectives of the Council
- Strategies for achieving those objectives for at least the next four (4) years
- Strategic indicators for monitoring the achievement of those objectives
- Strategic resource plan

Community satisfaction survey

A survey conducted on an annual basis by every Council.

CPI

Consumer Price Index



| | |
|--|---|
| Current year rate increase (<i>Rating strategy</i>) | A statement included in the budget quantifying the amount of the rate change for the forthcoming year and disclosing any significant factors influencing the rate change. |
| Differential rates | When a Council intends to declare a differential rate (eg business and residential), information prescribed by the Act under section 161 must be disclosed in the Council budget. |
| EFT | Equivalent full time (in reference to employee status) |
| Executive summary | Opening section of report designed to give the reader an overview and high level "snapshot" of the information provided in the report. |
| External funding sources (<i>Analysis of capital budget</i>) | External funding sources relate to capital grants or contributions, which will be received from parties external to the Council. It also includes the proceeds of assets sold to fund the capital works program. |
| External influences in the preparation of a budget | Matters arising from third party actions over which Council has little or no control eg change in legislation. |
| Financial sustainability | A key outcome of the strategic resource plan. Longer term planning is essential in ensuring that a Council remains financially sustainable in the long term. |
| Financing activities | Financing activities means those activities which relate to changing the size and composition of the financial structure of the entity, including equity, and borrowings not falling within the definition of cash. |
| Infrastructure | Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services. |
| Infrastructure strategy | An infrastructure strategy is the process by which the Council's current infrastructure and ongoing maintenance requirements can be identified, budgeted capital works implemented and future developments monitored. The key objective of an infrastructure strategy is to maintain or preserve Council's existing assets at desired condition levels. If sufficient funds are not allocated to asset preservation then Council's investment in those assets will reduce, along with the capacity to deliver services to the community. |
| Internal funding sources (<i>Analysis of capital budget</i>) | Internal sources relate to cash and investments held in reserves or which are uncommitted and cash that will be generated from the operations of Council during the budget year. The latter should equate to the cash inflows from operating activities less capital revenue. |
| Internal influences in the preparation of a budget | Matters arising from Council actions over which there is some element of control (eg approval of unbudgeted capital expenditure). |
| Investing activities | Investing activities means those activities, which relate to acquisition and disposal of non-current assets, including property, plant and equipment and other productive assets, and investments not falling within the definition of cash. |
| Key assumptions | When preparing a budgeted balance sheet of financial position, key assumptions upon which the statement has been based should be disclosed in the budget to assist the reader when comparing movements in assets, liabilities and equity between budget years. |
| Key budget outcomes | The key activities and initiatives that will be achieved in line with the Council plan. |



| | |
|--|---|
| Key strategic activities | <p>The key strategic activities of a Council are those, which will directly contribute to the achievement of the Council Plan during the current year.</p> <p>A statement (or schedule) for the budget year is required by section 127 of the Act to be included in the budget, identifying the key strategic activities to be undertaken during the financial year and performance targets and measures in relation to each key strategic activity.</p> |
| Legislative framework | <p>The Act, Regulations and other laws and statutes, which set a Council's governance and reporting requirements.</p> |
| Local Government (Finance and Reporting) Regulations 2004 | <p>The objective of these Regulations, made under section 243 of the Local Government Act 1989 and which came into operation on 20 April 2004, is to prescribe for the purposes of the Local Government Act 1989:</p> <ul style="list-style-type: none">(a) the manner in which the standard statements and financial statements of a Council are to be prepared and their contents(b) the information to be included in a Council Plan, budget, revised budget and annual report(c) other matters required to be prescribed under Parts 6 and 7 of the Act |
| Local Government (Long Service Leave) Regulations 2002 | <p>These Regulations require sufficient cash and investments to be maintained to meet the total liability for long service leave calculated in accordance with these Regulations.</p> |
| New assets | <p>New assets or capital expenditure does not have any element of expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for Council and will result in an additional burden for future operation, maintenance and capital renewal.</p> |
| Non financial resources | <p>Resources of a non financial nature (such as human resources, information systems and processes, asset management systems) which are consumed by a Council in the achievement of its strategic resource plan goals.</p> |
| Operating activities | <p>Operating activities means those activities that relate to the provision of goods and services.</p> |
| Operating budgeted income statement | <p>The budgeted income statement shows the expected operating result in the forthcoming year compared to the forecast actual result in the current year.</p> <p>The budgeted statement income statement should be prepared in accordance with the requirements of AASB 101 - Presentation of Financial Statements in accordance in the new International Financial Reporting Standard.</p> |
| Operating expenditure | <p>Operating expenditure is defined as consumptions or losses of future economic benefits, in the form of reductions in assets or increases in liabilities; and that result in a decrease in equity during the reporting period.</p> |
| Operating performance (<i>Impact of current year on 2006/ 2007 budget</i>) | <p>This statement shows the expected operating result as compared to the budget result in the current year separating operating and capital components of revenue and expenditure.</p> |
| Operating result | <p>The operating result is a measure of financial sustainability of the Council, which can be masked by non-recurring or capital related items.</p> |



| | |
|---|--|
| Operating revenue | Operating revenue is defined as inflows or other enhancements, or savings in outflows of future economic benefits, in the form of increases in assets or reductions in liabilities; and that result in an increase in equity during the reporting period. |
| Performance statement | Required by section 132 of the Act, a performance statement must be included in the annual report of a Council and include: <ul style="list-style-type: none">• The key strategic activities and performance measures specified in the budget under section 127 for that financial year• The actual results achieved for that financial year having regard to those performance targets and measures. |
| Prudential ratios and thresholds <i>(Borrowing strategy)</i> | Used by the Department for Victorian Communities in assessing a Council's borrowing capacity as part of the annual Australian Loan Council borrowing allocation. |
| Rate structure <i>(Rating strategy)</i> | Site value (SV), capital improved value (CIV) or net annual value (NAV) are the main bases upon which rates will be levied. These should be detailed in the budget statement. |
| Rating strategy | A rating strategy is the process by which the Council's rate structure is established and how the quantum of rate change has been determined, taking into consideration longer term philosophy issues and framework. |
| Regulations | Local Government (Finance and Reporting) Regulations 2004. |
| Restricted funds and discretionary reserves | Monies set aside for statutory and discretionary purposes. |
| Revised budget | Section 128 of the Act permits a Council to prepare a revised budget if circumstances arise which cause a material change in the budget and which affects the financial operations and position of the Council. |
| Road Management Act | The purpose of this Act which came into operation from 1 July 2004 is to reform the law relating to road management in Victoria and to make relating amendments to certain Acts, including the Local Government Act 1989. |
| Standard statements | Prepared under section(s) 126(2)(a), 127(2)(a) and/ or 131(1)(b) of the Act, standard statements are required in the: <ul style="list-style-type: none">• Strategic resource plan• Budget• Annual report <p>Whilst the same set of statements (detailed below) is required in each of these reports, they have different focuses due to the differing purposes of each report. The formats of these statements therefore need to reflect these different focuses being strategic, management and reporting, whilst remaining comparable.</p> <p>The standard statements are the:</p> <ul style="list-style-type: none">• Standard Income Statement• Standard Balance Sheet• Standard Cash Flow Statement• Standard Capital Work Statement |
| Statutory disclosures | Section 127 of the Act and the Regulations require certain information relating to projected results, borrowings, capital works and rates and taxes to be disclosed within the budget. |



| | |
|---|--|
| Statutory reserves | Statutory reserves are funds set aside for specified statutory purposes in accordance with various legislative and contractual requirements. These reserves are not available for other purposes. |
| Strategic planning framework | A "community owned" document or process which identifies the long term needs and aspirations of the Council, and the medium and short term goals and objectives which are framed within the long term plan. |
| Strategic resource plan (SRP) | <p>The Act requires that a Council plan should include a strategic resource plan that includes financial and non-financial resources including human resources.</p> <p>The strategic resource plan outlines the resources required to achieve the Council plan. As a minimum a strategic resource plan must include in respect of at least the next four years:</p> <ul style="list-style-type: none">• Standard statements describing the required financial resources• Statement describing the required non-financial resources - including human resources. <p>Such planning is essential in ensuring that an organisation remains financially sustainable in the long term. The annual budget should be consistent with the first projected year of a strategic resource plan.</p> |
| Three way budgeting methodology <i>(Strategic resource plan)</i> | The linking of the income statement, balance sheet and cash flow statement to produce forecast financial statements based on assumptions about future movements in key revenues, expenses, assets and liabilities. |
| Valuations of Land Act 1960 | The Valuations of Land Act 1960 requires a Council to revalue all rateable properties every two years. |
| Working capital | Working capital represents funds that are free of all specific Council commitments and are available to meet daily cash flow requirements and unexpected short term needs. |



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