

Chartered Accountants Australia and New Zealand

Victorian City Council Model Budget – 2015/2016

A best practice guide for reporting local government budgets in Victoria
13th Edition

Final version released 26 February 2015

This version of the Model Budget reflects the authorised version of the Local Government (Planning and Reporting) Regulations which were made in April 2014 following a public submission process. The new Regulations commenced operation on 18 April 2014.

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All information is current as at February 2015.

Contents

| | |
|----------------------------|-----|
| Introduction to this guide | 4 |
| Compliance checklist | 9 |
| Model budget | 11 |
| Glossary | 111 |
| Index | 117 |

Chartered Accountants Australia and New Zealand would like to thank the Municipal Association of Victoria for its continuing sponsorship of the production of this Guide.



Chartered Accountants ANZ would also like to thank the following for their support for this project.



Introduction to this guide

Background

In April 2001, a specialist taskforce established by Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) reported on its survey of Victorian local government budgets. The report was critical of the quality and content of local government budget reporting and made many recommendations aimed at improving the quality of budget reports. The main failings of budget reports were seen to be:

- The focus on current year performance, with little consideration given to the longer term
- The need to develop budgets in the context of corporate and business plans
- The need for consistency with annual financial statements.

Following consultation with key representative bodies in the local government sector, Local Government Professionals, Local Government Finance Professionals and the Municipal Association of Victoria, Chartered Accountants ANZ convened a Working Party which included members of its Local Government Taskforce and key local government practitioners. The aim of the Working Party was to develop a Best Practice Guide (Guide) for use by local government practitioners in the preparation of annual budget reports. There was a consensus that the Guide should focus on improving reports which are released into the public domain to various stakeholders and that the findings and recommendations of the Chartered Accountants ANZ report would provide an excellent basis for the development of the Guide.

Edition 1 of this Guide was the result of those findings and represented a major achievement in terms of providing practical guidance regarding the information that annual budgets should provide to stakeholders.

Revision of the Guide

The thirteenth edition of the Guide entitled Victorian City Council Model Budget - 2015/2016 builds on previous editions in improving the usefulness of the budget to financial users and is reflective of changes to the *Local Government Act 1989* and the new *Local Government (Planning and Reporting) Regulations 2014*. It also continues to address practical matters affecting preparers which have been communicated through surveys and other feedback mechanisms.

The key changes included in this edition of the Guide include:

- Updated compliance checklist to reflect current Act and Regulations

- Updated glossary towards the end of the document which reflects current terminology in the Act and Regulations.

The Guide also addresses issued and/or amended Accounting Standards that are applicable to the forthcoming reporting period. For this edition there have been no significant new or amended Accounting Standards that have required changes.

Structure of the guide

Sections 1 to 10 and the appendices to this Guide represent the core components of a suggested annual budget report. There are some key points to highlight regarding the contents of the Guide:

- The Guide is structured in four layers including an overall summary of the budget outcomes and processes, an overview of the budget (Sections 1 to 3), an analysis of the key issues embodied in the budget (Sections 4 to 7) and linkages to the long term strategies of council (Sections 8 to 10)
- The Guide includes appendices setting out greater levels of detail on important matters directly related to the budget and statutory disclosures required by the *Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014*
- The Guide provides commentary at the end of each Section which has been designed to assist practitioners in deciding what information they should include in budgets and how it should be disclosed. The commentary does not form part of the Budget Report.

The structuring of the Guide into four layers is considered best practice as it recognises that there are different levels of interest in the budget and therefore different levels of detail stakeholders seek when reviewing a local government budget. It is recognised that the Guide is not mandated by legislative or other means but its use is recommended. The Local Government Investigations and Compliance Inspectorate has encouraged councils to refer to the Model Budget which will assist in ensuring all statutory requirements for council budgets are met. As with previous versions of this Guide, we have communicated with Local Government Victoria (LGV) throughout the development of this revision.

While the Working Party has a strong view that the type of information included in the Guide is relevant and should be disclosed it accepts that good disclosure can be achieved in a variety of ways. The Working Party therefore does not seek to mandate the type of disclosures included in the Guide, other than those required directly by the Act and Regulations. However, it is worth noting that the earlier versions of this Guide have enjoyed overwhelming support from practitioners and the Working Party continues to receive positive feedback about the Guide.

Context of the budget within the strategic planning framework

This Guide has been designed to demonstrate how a council's budget forms part of, and should be driven by, the strategic planning framework. Section 1 of the Guide shows how to link the annual budget with council's long term objectives as defined in the Council Plan, and with the Strategic Resource Plan. This is further explored in Section 2 which details the services, initiatives and major initiatives funded in the budget which will lead to the achievement of the Council Plan, along with service performance indicators and measures.

The focus of the annual budget becomes the resourcing of service delivery in the short term, but within the context of longer term financial sustainability. With this in mind, the key indicators within the budget are:

- The surplus or deficit for the year
- The adjusted underlying operating result which excludes the impact of non-recurrent capital grants, non-monetary asset contributions and other contributions to fund capital expenditure
- The adequacy of cash flows from operations, together with available cash and investments to fund capital works and borrowing commitments.

The Guide shows that within the context of a sustainable strategic resource plan, it is acceptable for a council to budget for an operating or cash flow deficit in one or more years, as long as it has adequate reserves of cash and investments. Stakeholders should be concerned if actual financial performance varies significantly from the projected performance as set out in the Strategic Resource Plan.

Consistency with annual reporting requirements

One of the major criticisms of local government budget reports in the past has been the lack of consistency of accounting treatments and disclosures between annual reports and budget reports. The criticism was based on the fact that inconsistent reporting conceals important information and renders analysis of budgeted and actual results very difficult.

This Guide is based on the standards that apply to annual reports and recommends that well founded budgets have four key elements:

- Operations
- Financial position
- Cash position
- Capital works.

These key elements are critical in demonstrating an integrated and rational approach to financial management with linkages to the Council Plan and Strategic Resource Plan.

What is Victorian City Council?

Victorian City Council (VCC) is the name of the fictional council upon which this Guide is based. VCC is a large council with a population of over 100,000 residents. It has a diverse mix of communities with differing ethnic backgrounds. While it has elements of older inner city development, it also has some areas of newer development akin to outer suburban Melbourne.

VCC provides a wide range of services to its residents ranging from most forms of community welfare and support to recreational and sporting activities. There is a strong industrial base which provides good employment opportunities and VCC recognises that this must be fostered if it is to remain a viable council capable of delivering services to its community. VCC has a strong urban planning function because of the many planning issues which arise constantly.

Because of the need for renewal of some ageing infrastructure and the demand for new services, VCC has the challenge of finding adequate funding for its large capital works needs, particularly in the short term. VCC has decided that it does not wish to use borrowings to a major extent for funding its needs and therefore wants to be largely self-reliant in terms of its finances. It is a council that is best described as financially prudent and one which wants to make its strategic decisions on the basis of well researched information and within the context of what it can afford.

Use of the Guide

This Guide is a serious effort aimed at providing local government practitioners with definitive guidance on the preparation of best practice budget reports. It is based on real examples and is particularly relevant to local government in Victoria.

The Guide also provides a framework for any budget reports prepared by councils for dissemination in the public domain. It therefore does not replace the detailed reports generated by management in the preparation and analysis of local government budgets. The Working Party believes that distribution to the public of information used by management to monitor and control council activities is inappropriate and likely to confuse many stakeholders.

Each council will need to adapt the Guide to meet its own individual objectives and address its own issues. Assumptions and content will therefore need to be varied from the wording used in the Guide to address the specific circumstances of each council.

Any feedback on the Guide will be enthusiastically welcomed and used to enhance future updates. Feedback or commentary should be directed to:

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Email: duncan.pittard@charteredaccountantsanz.com
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Working party membership

As with earlier editions of the Guide, each member of the Working Party has made a significant contribution to this edition's structure and content. Many conceptual and practical issues have been vigorously debated. The Guide represents the collective's preferred position on technical and other matters and the sector practitioners on the Working Party have had a significant influence on the content of the Guide, thereby ensuring that it remains relevant and retains its practical and best practice focus.

The Working Party is comprised of representatives from the accounting profession, local government practitioners and major local government sector peak bodies. Working Party members are listed below.

Local government practitioners

| | |
|--|--|
| James Scott, CA | Moreland City Council (Working Party Chairman) |
| Lucy Roffey, FCA | Mount Alexander Shire Council |
| *Also see Greg Hall under FINPro representatives | |

Accounting profession

| | |
|----------------------|---------------|
| Mark Peters, CPA | HLB Mann Judd |
| Martin Thompson, CPA | Crowe Horwath |

Local Government Finance Professionals (FINPro)

| | |
|----------------|-------------------------|
| Greg Hall, CPA | Boroondara City Council |
|----------------|-------------------------|

Local Government Professionals (LGPro)

| | |
|----------------|-------------------------|
| Portia Branton | Whitehorse City Council |
|----------------|-------------------------|

Municipal Association of Victoria (MAV)

| | |
|---------------------|----------------------|
| Allan Holmes, FAICD | Financial Consultant |
|---------------------|----------------------|

Compliance checklist

This section lists the items that must be included in the budget in order for it to comply with the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*. It is recommended that the compliance checklist be used at the conclusion of budget preparation to ensure compliance with legislative disclosure requirements.

| | Requirement | Act & Regs | Model Budget | Yes/ No |
|-----|--|-----------------------------------|--------------|---------|
| 1. | Financial statements (income statement, balance sheet, changes in equity, cash flows, capital works) in the form set out in the Local Government Model Financial Report | Section 127(2)(a) Regulation 9 | App A | |
| 2. | Services and initiatives to be funded in the budget | Section 127(2)(b) | Sect 2 | |
| 3. | Statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the Council Plan | Section 127(2)(c) | Sect 2 | |
| 4. | Major initiatives, being initiatives identified by the Council as priorities, to be undertaken during the financial year | Section 127(2)(d) | Sect 2 | |
| 5. | For services to be funded in the budget, the prescribed indicators of service performance that are required to be reported against in the performance statement, and the prescribed measures relating to those indicators | Section 127(2)(da)-(db) | Sect 2 | |
| 6. | Details of the rates to be declared | Section 158(1) | App B | |
| 7. | Details of differential rates | Section 161(2) | App B | |
| 8. | A detailed list of capital works expenditure in relation to non-current assets classified in accordance with the model statement of capital works in the Local Government Model Financial Report, and set out according to asset expenditure type | Regulation 10(1)(a) | App C | |
| 9. | A summary of the funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings | Regulation 10(1)(b) | App C | |
| 10. | A statement of human resources | Regulation 10(1)(c) | App A | |
| 11. | A summary of human resources expenditure and the number of full time equivalent Council staff referred to in the statement of human resources, categorised according to the organisational structure of the Council and classified separately as to permanent full time or permanent part time | Regulation 10(1)(d-e) | Sect 4 | |
| 12. | A list of grants by type and source, classified as recurrent grants to be used to fund operating expenditure and capital expenditure, and non-recurrent grants to be used to fund operating and capital expenditure | Regulation 10(1)(f) | Sect 4 | |
| 13. | Total amount borrowed as at 30 June of the financial year compared with the previous financial year | Regulation 10(1)(g) | Sect 10 | |
| 14. | Total amount to be borrowed during the financial year compared with the previous financial year | Regulation 10(1)(h)(i) | Sect 10 | |

| | Requirement | Act & Regs | Model Budget | Yes/ No |
|-----|--|---------------------|--------------|---------|
| 15. | Total amount projected to be redeemed during the financial year compared with the previous financial year | Regulation 10(1)(i) | Sect 10 | |
| 16. | Rate in the dollar for each type or class of land | Regulation 10(2)(a) | App B | |
| 17. | Percentage change in the rate in the dollar for each class or type of land compared with the previous financial year | Regulation 10(2)(b) | App B | |
| 18. | Estimated amount to be raised by general rates in relation to each type of class of land compared with the previous financial year | Regulation 10(2)(c) | App B | |
| 19. | Estimated total amount to be raised by general rates compared with the previous financial year | Regulation 10(2)(d) | App B | |
| 20. | Number of assessments for each class or type of land compared with the previous financial year | Regulation 10(2)(e) | App B | |
| 21. | Number of assessments compared with the previous financial year | Regulation 10(2)(f) | App B | |
| 22. | Basis of valuation to be used | Regulation 10(2)(g) | App B | |
| 23. | Estimated value of each type or class of land compared with the previous financial year | Regulation 10(2)(h) | App B | |
| 24. | Estimated total value of land rated compared with the previous financial year | Regulation 10(2)(i) | App B | |
| 25. | Municipal charge compared with the previous financial year | Regulation 10(2)(j) | App B | |
| 26. | Percentage change in the municipal charge compared with the previous financial year | Regulation 10(2)(k) | App B | |
| 27. | Estimated amount to be raised by municipal charges compared with the previous financial year | Regulation 10(2)(l) | App B | |
| 28. | Rate or unit amount to be levied for each type of service rate or charge compared with the previous financial year | Regulation 10(2)(m) | App B | |
| 29. | Percentage change for each type of service rate or charge compared with the previous financial year | Regulation 10(2)(n) | App B | |
| 30. | Estimated amount to be raised by each type of service rate or charge compared with the previous financial year | Regulation 10(2)(o) | App B | |
| 31. | Estimated total amount to be raised by service rates and charges compared with the previous financial year | Regulation 10(2)(p) | App B | |
| 32. | Estimated total amount to be raised by all rates and charges compared with the previous financial year | Regulation 10(2)(q) | App B | |
| 33. | Any significant changes that may affect the estimated amounts referred to in Regulation 10(2) | Regulation 10(2)(r) | App B | |

Victorian City Council Budget Report – 2015/2016

This Budget Report has been prepared with reference to Chartered Accountants ANZ “Victorian City Council Model Budget 2015/2016” a best practice guide for reporting local government budgets in Victoria.



| Contents | Page |
|---|-------------|
| Mayor's introduction | 13 |
| Chief Executive Officer's summary | 14 |
| Budget processes | 20 |
| Overview | |
| 1. Linkage to the Council Plan | 25 |
| 2. Services, initiatives and service performance indicators | 28 |
| 3. Budget influences | 42 |
| Budget analysis | |
| 4. Analysis of operating budget | 47 |
| 5. Analysis of budgeted cash position | 57 |
| 6. Analysis of capital budget | 61 |
| 7. Analysis of budgeted financial position | 68 |
| Long term strategies | |
| 8. Strategic resource plan and financial performance indicators | 72 |
| 9. Rating information | 78 |
| 10. Summary of Other Strategies | 83 |
| Appendices | |
| A Financial statements | 90 |
| B Rates and charges | 97 |
| C Capital works program | 103 |
| D Fees and charges schedule | 112 |

Mayor's introduction¹

It gives me great pleasure to present this Budget to the community of Victorian City Council.

We will increase rates by 3.9 percent in the 2015/16 financial year. This level allows us to maintain existing service levels, fund a number of new initiatives and continue to allocate additional funds to renew the City's infrastructure.

The rate increase has been kept in line with the level foreshadowed in Council's Strategic Resource Plan adopted in the previous year, despite a number of significant budget impacts including higher than expected wage increases and a freeze in indexation of the Victoria Grants Commission funding.

The proposed budget includes a number of new initiatives:

- Expansion of the Community Grants program (\$0.44 million)
- Implementation of the aged partnerships program (\$0.90 million)
- Expansion of arboriculture services (\$0.15 million)
- Introduction of Council provided street cleansing service (\$1.4 million)
- Introduction of multicultural library and leisure services
- Expansion of youth services (\$0.06 million)
- Opening of the Homestead Centre for Decorative Arts (\$0.25 million)
- Resourcing of the employment strategy (\$0.18 million)
- Introduction of a range of alternative payment options
- Opening of a new customer service centre at Victorian Community Centre (\$0.11 million).

The total Capital Works program will be \$30.72 million, of which \$7.13 million relates to projects carried over from the 2014/15 year.

Highlights of the Capital Works program include:

- Roads (\$7.13 million) – including reconstructions, roads to recovery projects, resheeting, footpaths and the Integrated Transport Plan
- Drains (\$1.65 million) – including road drainage replacement works, stage 1 of the Victoria Park Lake redevelopment and implementation of the Stormwater Management Plan
- Open space (\$3.29 million) – including playground equipment, irrigation systems, street trees and completion of Victoria Park
- Buildings (\$8.43 million) – including pavilion upgrades, construction of the Victorian Community Facility, construction of a Velodrome and State Bowls Centre and completion of the Block Arcade redevelopment
- Plant and equipment (\$4.84 million) – including information technology, library materials and scheduled replacement of Council's fleet.

This budget was developed through a rigorous process of consultation and review and Council endorses it as financially responsible.

Cr Jo Johnson
Mayor

Commentary – Mayor's introduction

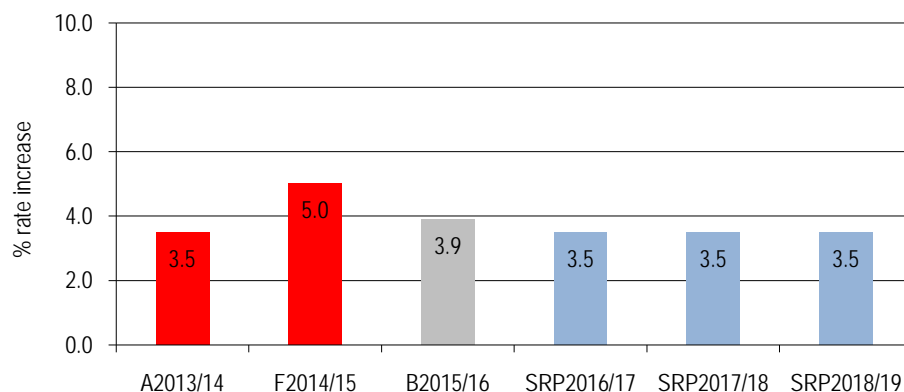
Purpose of Mayor's introduction

1. The purpose of the Mayor's introduction section is to demonstrate ownership of the Budget by the Council. It also allows the Mayor to highlight key issues of interest to the community including new operating initiatives and capital works projects. The Mayor may want to comment on the rate increase but this is not considered essential in this section.

Chief Executive Officer's summary¹

Council has prepared a Budget for the 2015/16 financial year which seeks to balance the demand for services and infrastructure with the community's capacity to pay. Key budget information is provided below about the rate increase, operating result, services, cash and investments, capital works, financial position, financial sustainability and strategic objectives of the Council.

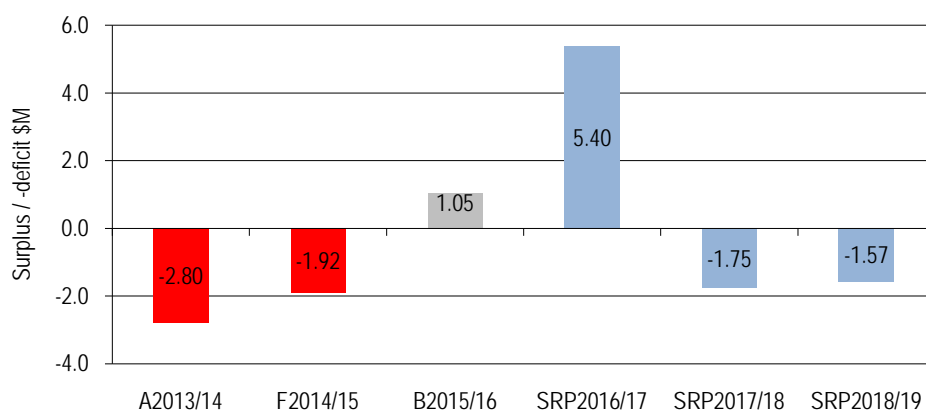
1. Rates²



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

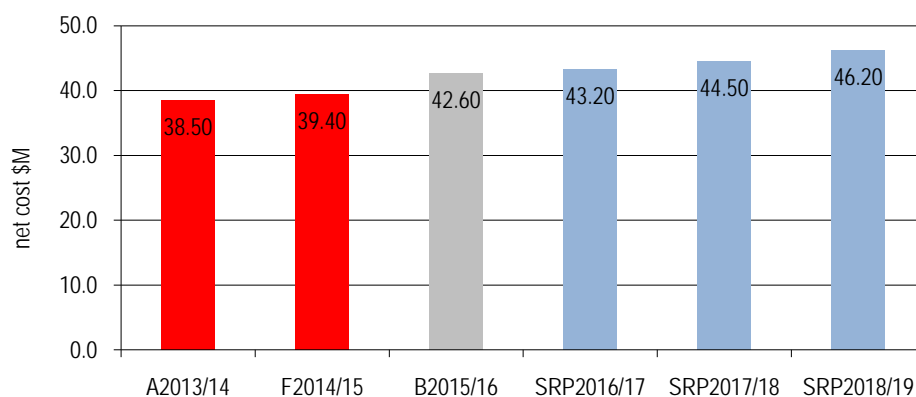
It is proposed that general rates increase by 3.9% for the 2015/16 year, raising total rates of \$43.46 million, including \$0.43 million generated from supplementary rates. Of the 3.9% increase, 3.0% will go toward maintaining service levels and meeting the cost of a number of external influences affecting the operating budget including a \$0.40 million reduction in the Victoria Grants Commission allocation. The remaining 0.9% increase will go toward capital works to address the asset renewal needs of the City. This rate increase is in line with the level foreshadowed in Council's Strategic Resource Plan adopted in the previous year. (The rate increase for the 2014/15 year was 5.0%).

2. Operating result



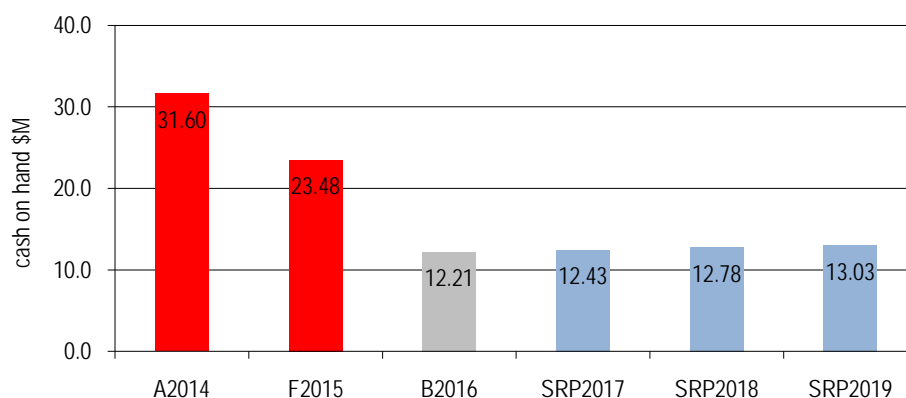
The expected operating result for the 2015/16 year is a surplus of \$1.05 million, which is an increase of \$2.97 million over 2014/15. The improved operating result is due mainly to external funding for capital works which is forecast to increase by \$3.37 million to \$6.28 million. The adjusted underlying result, which excludes items such as non-recurrent capital grants and non-cash contributions is a deficit of \$4.40 million, which is an increase of \$0.39 million over 2014/15 – refer to Section 7 of this summary for further information. (The forecast operating result for the 2014/15 year is a deficit of \$1.92 million).

3. Services



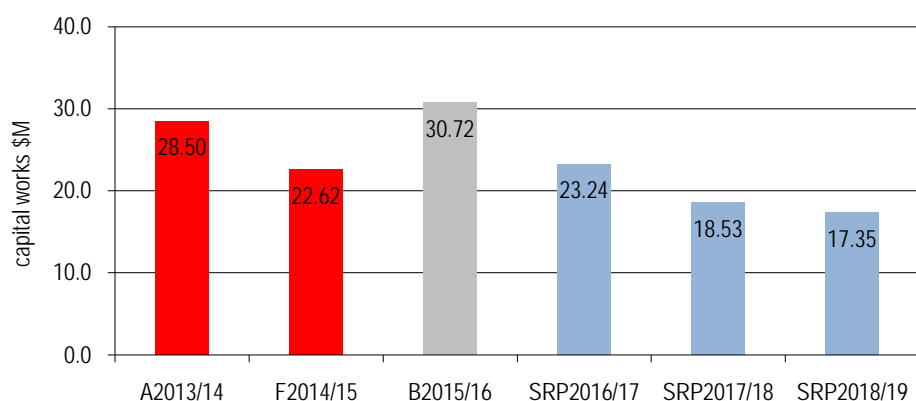
The net cost of services delivered to the community for the 2015/16 year is expected to be \$42.60 million which is an increase of \$3.20 million over 2014/15. A key influencing factor in the development of the 2015/16 budget has been the recently released results of the community satisfaction survey conducted by Council. The survey results show that while there is a relatively high level of satisfaction with most services provided by Council, there are some areas of concern where there is a clear message that ratepayers want improved service levels. For the 2015/16 year, service levels have been maintained and a number of initiatives proposed. (The forecast net cost for the 2014/15 year is \$39.40 million).

4. Cash and investments



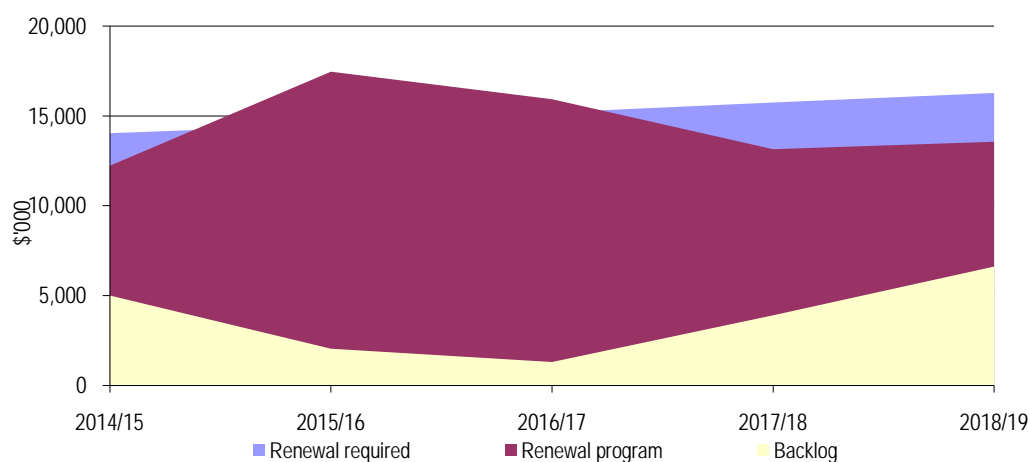
Cash and investments are expected to decrease by \$11.27 million during the year to \$12.21 million as at 30 June 2016. This is due mainly to the carried forward component of the 2014/15 capital works program and a number of major building projects. The reduction in cash and investments is in line with Council's Strategic Resource Plan. (Cash and investments are forecast to be \$23.48 million as at 30 June 2015).

5. Capital works



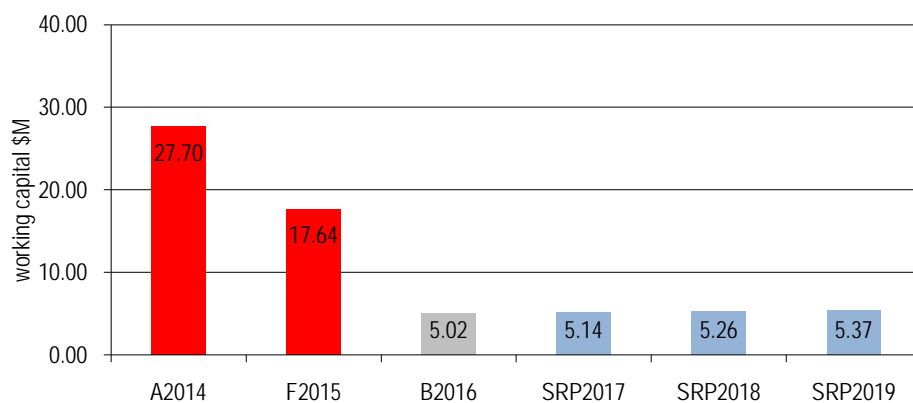
The capital works program for the 2015/16 year is expected to be \$30.72 million of which \$7.13 million relates to projects which will be carried forward from the 2014/15 year. The carried forward component is fully funded from the 2014/15 budget. Of the \$30.72 million of capital funding required, \$6.28 million will come from external grants with the balance of \$24.44 million from Council cash. The Council cash amount comprises asset sales (\$1.68 million), cash held at the start of the year (\$13.89 million) and cash generated through operations in the 2015/16 financial year (\$8.87 million). The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. This year's program includes a number of major building projects including the construction of a velodrome and lawn bowls centre. (Capital works is forecast to be \$22.62 million for the 2014/15 year).

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



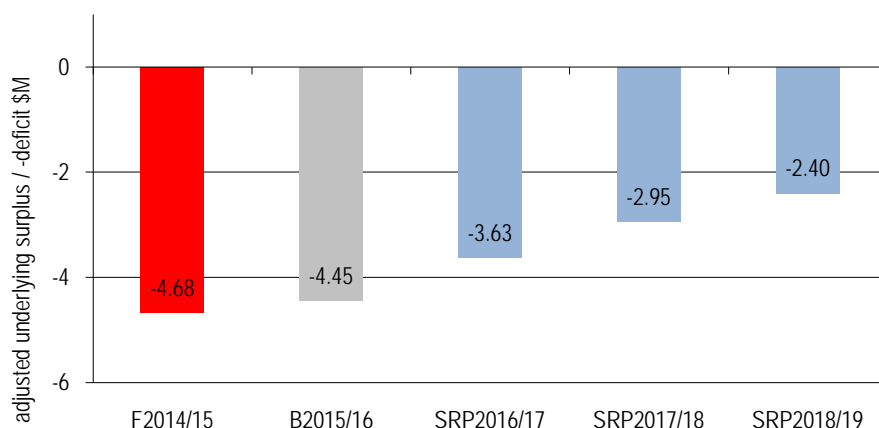
The asset renewal program has been increased to \$17.50 million in the 2015/16 year which will lead to a reduction in the backlog to \$2.04 million. However over the rest of the four year period, it is expected to increase as funds are directed toward new asset projects with the backlog expected to climb to \$6.61 million at the end of the 2018/19 year.

6. Financial position



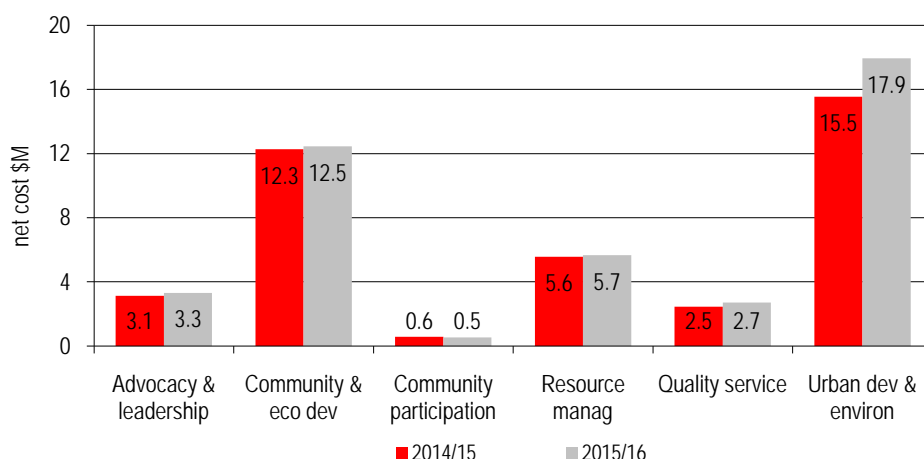
The financial position is expected to improve with net assets (net worth) to increase by \$1.05 million to \$514.83 million although net current assets (working capital) will reduce by \$12.61 million to \$5.03 million as at 30 June 2016. This is mainly due to the use of cash reserves to fund the capital works program. (Net assets is forecast to be \$513.79 million as at 30 June 2015).

7. Financial sustainability



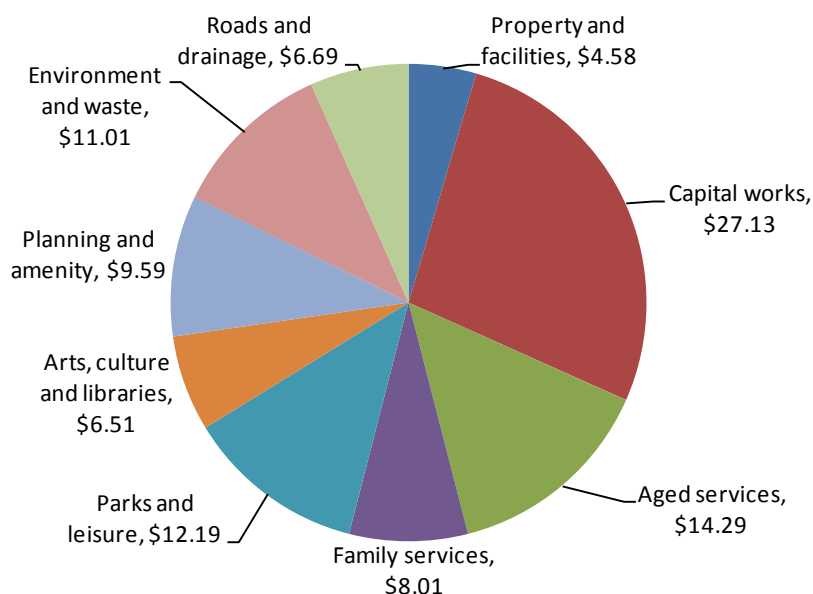
A high level Strategic Resource Plan for the years 2015/16 to 2018/19 has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the Council's strategic objectives as specified in the Council Plan. The adjusted underlying result, which is a measure of financial sustainability, shows a decreasing deficit over the four year period.

8. Strategic objectives



The Annual Budget includes a range of services and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2015/16 year.

9. Council expenditure allocations



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

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

Chris Cross
Chief Executive Officer

Commentary – Chief Executive Officer's summary

Purpose of Chief Executive Officer's summary

1. The purpose of the Chief Executive Officer's summary section is to provide the reader with a high level "snapshot" of the key financial outcomes of the budget. A more detailed line item analysis is provided later in the report. The summary should give consideration to the following areas:
 - (a) Rating increases / decreases
 - (b) Operating result
 - (c) Service delivery and costs
 - (d) Cash and investments
 - (e) Capital works
 - (f) Financial position
 - (g) Financial sustainability
 - (h) Strategic objectives.
 - (i) Council expenditure allocations
2. The Minister for Local Government issued a letter to all Mayors and Chief Executive Officers on 14 January 2015 in which she confirmed the Government's intention to cap rates from 2016/17. While the cap won't apply to the 2015/16 financial year, the Minister states "this should not be seen as an opportunity to raise rates above inflation prior to the implementation of the rates cap".

When setting rates for 2015/16, Councils should also consider what rate rise has previously been foreshadowed in their Strategic Resource Plan for 2015/16.

Budget processes¹⁻⁶

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

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

The 2015/16 budget, which is included in this report, is for the year 1 July 2015 to 30 June 2016 and is prepared in accordance with the Act and Regulations. The budget includes financial statements being a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Statement of Capital Works. These statements have been prepared for the year ending 30 June 2016 in accordance with the Act and Regulations, and consistent with the annual financial statements which are prepared in accordance with Australian Accounting Standards. The budget also includes information about the rates and charges to be levied, the capital works program to be undertaken, the human resources required, and other financial information Council requires in order to make an informed decision about the adoption of the budget.

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

To assist interested persons to understand the budget and make a submission if they wish, Council officers undertake a community engagement process including public information sessions, focus groups and other techniques. The final step is for Council to adopt the budget after receiving and considering any submissions from interested parties. The budget is required to be adopted by 30 June and a copy submitted to the Minister within 28 days after adoption. The key dates for the budget process are summarised below:

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

Commentary – Budget processes

Purpose of budget processes

1. This section lists the budget and related processes to be undertaken in order to adopt the Budget in accordance with the Act and Regulations. The relevant legislative references are detailed below.

| Action | Proposed Timing | Notes | Act & Regulations |
|---|-----------------|---|-------------------------------|
| 1. Council Plan | Dec | Commence the preparation / review of 4 year Council Plan. The Act requires a Council to prepare and approve a Council Plan within 6 months after a general election or by the next 30 June, whichever is later. At least once in each financial year, a Council must consider whether the Council Plan requires any adjustment in respect of its remaining period. Best practice would see this review taking place in time to guide the budget preparation. | Act Sec 125 |
| 2. Strategic Resource Plan | Dec/Jan | Commence the preparation / review of 4 year Strategic Resource Plan (SRP). The SRP forms part of the Council Plan. It must be reviewed during the preparation of the Council Plan and adopted by 30 June each year. The SRP includes financial statements, prepared based on a Council's long term financial plan, and a statement of human resources. | Act Sec 126 |
| 3. Preparation of Budget | Jan - April | Develop Operating and Capital budgets reflected in the financial statements. | Act Sec 127 |
| 4. Budget submitted to Council for approval including: | May | Includes establishment of a submission panel of the Council or a committee of the Council to hear submissions to the budget. Items 4.1 – 4.32 are required to comply with the Regulations. Refer also Appendix C commentary. | Act Secs 127, 158 & 161-162. |
| 4.1 Financial statements (income statement, balance sheet, changes in equity, cash flows and capital works) in the form set out in the Local Government Model Financial Report | | | Regulation Part 3 (Regs 9-10) |
| 4.2 Services and initiatives to be funded in the budget | | | |
| 4.3 Statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the Council Plan | | | |
| 4.4 Major initiatives, being initiatives identified by the Council as priorities, to be undertaken during the financial year | | | |
| 4.5 For services to be funded in the budget, the prescribed indicators of service performance that are required to be reported against in the performance statement, and the prescribed measures relating to those indicators | | | |
| 4.6 Details of the rates to be declared | | | |
| 4.7 Details of differential rates | | | |

- 4.8 A detailed list of capital works expenditure in relation to non-current assets classified in accordance with the model statement of capital works in the Local Government Model Financial Report, and set out according to asset expenditure type
- 4.9 A summary of funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings
- 4.10 A statement of human resources
- 4.11 A summary of human resources expenditure and of the number of full time equivalent Council staff referred to in the statement of human resources, categorised according to the organisational structure of the Council and classified separately as to permanent full time and permanent part time
- 4.12 A list of grants by type and source, classified as recurrent grants to be used to fund operating expenditure and capital expenditure, and non-recurrent grants to be used to fund operating and capital expenditure
- 4.13 Total amount borrowed as at 30 June of the financial year compared with the previous financial year
- 4.14 Total amount to be borrowed during the financial year compared with the previous financial year
- 4.15 Total amount expected to be redeemed during the financial year compared with the previous financial year
- 4.16 Rate in the dollar for each type or class of land
- 4.17 Percentage change in the rate in the dollar for each class or type of land compared with the previous financial year
- 4.18 Estimated amount to be raised by general rates in relation to each type of class of land compared with the previous financial year
- 4.19 Estimated total amount to be raised by general rates compared with the previous financial year
- 4.20 Number of assessments for each class or type of land compared with the previous financial year
- 4.21 Total number of assessments compared with the previous financial year
- 4.22 Basis of valuation to be used

| | | | | |
|------|--|-----------|---|--|
| 4.23 | Estimated value of each type or class of land compared with the previous financial year | | | |
| 4.24 | Estimated total value of land rated compared with the previous financial year | | | |
| 4.25 | Municipal charge compared with the previous financial year | | | |
| 4.26 | Percentage change in the municipal charge compared with the previous financial year | | | |
| 4.27 | Estimated amount to be raised by municipal charges compared with the previous financial year | | | |
| 4.28 | Rate or unit amount to be levied for each type of service rate or charge compared with the previous financial year | | | |
| 4.29 | Percentage change for each type of service rate or charge compared with the previous financial year | | | |
| 4.30 | Estimated amount to be raised by each type of service rate or charge compared with the previous financial year | | | |
| 4.31 | Estimated total amount to be raised by service rates and charges compared with the previous financial year | | | |
| 4.32 | Estimated total amount to be raised by all rates and charges compared with the previous financial year | | | |
| 4.33 | Any significant changes that may affect the estimated amounts referred to in Regulation 10(2) | | | |
| 5. | Public Notice advising intention to adopt budget including: | May | Public Notice is required as soon as practicable after budget has been prepared. The Public Notice is required to include the matters outlined in the Regulations. | Act Sec 129, Regulations Part 3 (Reg 11) |
| 5.1 | Council meeting date to adopt budget | | | |
| 5.2 | In the case of a revised budget, a summary of reasons for the preparation of the revised budget | | | |
| 6. | Budget available for public inspection and comment | May | The Budget must be available for public inspection at its premises and internet website for at least 28 days after publication of the public notice. Public submissions can be received during this time. | Act Sec 222, 223 |
| 7. | Submissions period closes and consideration by Panel of Council/Committee | June | Council must consider submissions received from the public before adopting the budget. This is generally done by Council or a Committee of Council. Persons making a submission can request to be heard. | Act Sec 223 |
| 8. | Budget and submissions presented to Council for adoption | June | The Annual Budget must be adopted by 30 June to enable programs and capital works to commence in the new financial year. | Act Sec 130 |
| 9. | Current budget to be published on the internet website | June/July | The adopted budget must be published on the internet website as soon as practicable after being | Act Sec 82A |

| | | | | |
|--------------------|--|------------------|---|--|
| adopted by Council | | | | |
| 10. | Copy of the budget or revised budget must be available for public inspection | June | The adopted budget must be available for public inspection at the Council office and any district offices | Act Sec 130 |
| 11. | Copy of the adopted budget submitted to the Minister | July | A copy of the budget must be submitted to the Minister within 28 days after adoption. | Act Sec 130 |
| 12. | Prepare a revised budget where a circumstance has arisen resulting in a material change to the budget which affects the financial operations and position of the Council | September - June | <p>In the case of a revised budget the Regulations require the information in Regulation 10(2) to be compared with the original budget, rather than the previous financial year.</p> <p>A summary of the reasons for the preparation of the revised budget is required to be included on the Public Notice.</p> <p>A copy of the revised budget is to be submitted to the Minister within 28 days after adoption.</p> | Act Secs 128, 129 & 130 Regulation Part 3 (Regs 9-11) |

Community engagement

- To ensure that the community understands the implications of the proposed budget and is able to make an informed decision about its contents it is recommended that the Council undertake an engagement process. This could include public information sessions, focus groups, or other engagement techniques. It is considered inadequate to simply make the budget available at the Council's premises or on its web site.

Timing of budget processes

- The proposed timing of the budget processes shown in this section are considered to be best practice. Budget adoption in accordance with the Act and Regulations must be by 30 June. A copy of the budget must be submitted to the Minister within 28 days after adoption.

Revised budget

- Councils are required under Section 128 of the Act 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. A revised budget will be required, for example, where a Council wishes to borrow money but has not included the proposed borrowings within the original budget. Normal variances from original budget expectations will not trigger the need for a revised budget, but can be managed internally through a process of re-forecasting. Councils are accountable for reporting against the most recent budget within the Financial Statements as part of the Annual Report. A copy of the revised budget must be sent to the Minister within 28 days after adoption.

Conflict of interest

- The Act contains requirements governing conflicts of interest. There are a number of factors which give rise to Councillors having either a direct or indirect conflict of interest. As one example, a Councillor has a conflict where there is a reasonable likelihood that the residential amenity of a Councillor or a councillor's relative will be directly affected if a matter is decided in a particular way. Councillors with a conflict of interest are required to declare the conflict and absent themselves from any discussion on the matter in question. This requirement applies to both Council meetings and Councillor briefings, which are an Assembly of Councillors under the Act. Local Government Victoria (LGV) has issued a detailed guide accessible at www.localgovernment.vic.gov.au that provides details on the conflict of interest provisions of the Act.
- The conflict of interest changes may impact on the way in which the budget is discussed and adopted by Council. For example, there may be a number of Councillors with conflicts arising from individual capital works projects that affect their residential amenity. Council officers will need to consider how the proposed budget will be discussed with Councillors and presented for adoption to address potential conflicts of interest. Council officers should seek advice to ensure an appropriate approach is taken for their own circumstances to ensure compliance with the relevant legislative requirements.

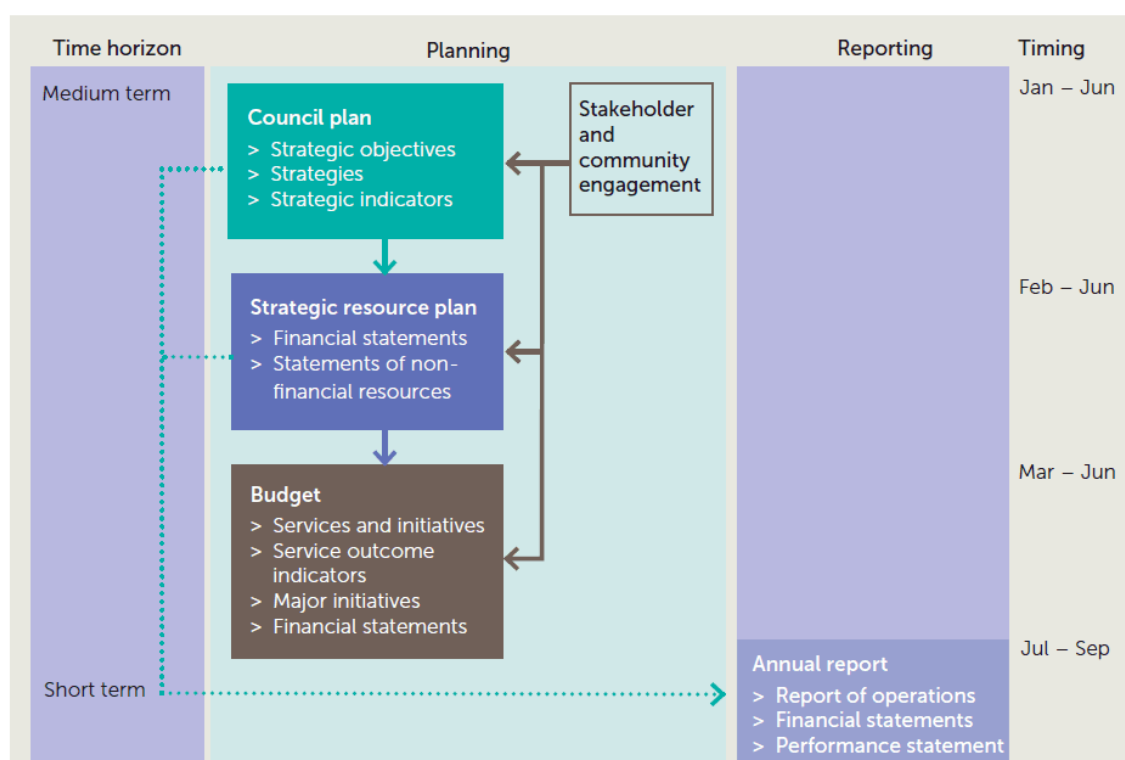
Overview

1. Linkage to the Council Plan¹

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

1.1 Planning and accountability framework²

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



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

In addition to the above, Council has a long term plan (Vision 2030) which articulates a community vision, mission and values. The Council Plan is prepared with reference to Council's long term community plan.

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

1.2 Our purpose³

Our vision 'one community – proudly diverse'

Victorian City Council seeks to create an environmentally sustainable and liveable city, where people can shop, work and socialise locally; a city where a car and high income are not necessary for a rich

and rewarding quality of life; and a city that will continue to provide a range of opportunities and choices for a diverse and prosperous community.

Our mission

Victorian City Council will engage in partnership with the Victorian community to lead and develop:

- a city with sustainable growth
- a city that cares for and respects all of its citizens
- a city that welcomes people from across the globe
- a city that celebrates its social, cultural and ethnic heritage
- a city that promotes wellbeing.

As an innovative and accountable organisation, Victorian City Council will promote vibrant democracy and provide high-quality services.

Our values

Victorian City Council has a clear strength in the bond and affinity between its Councillors, the community and staff. Staff support the community leadership and governance role of Councillors, and work together to achieve the commitments of the Council Plan. Having all Victorian City Council staff practise the following organisational values enhances the quality of this partnership:

- **Service** - Our citizens, community and service users are the focus of all our actions
- **Accountability** - We are responsible for our actions, which are open to review
- **Innovation** - We encourage and seek new ideas in finding solutions
- **Teamwork** - We share our skills, knowledge and experience as part of a team and work together towards achieving Council's goals
- **Recognition** - We promote the achievements and efforts of others
- **Safety** - We look after our environment and the welfare of others
- **Integrity** - We are open and honest and work to the best of our ability
- **Respect** - We acknowledge the opinions of others and their rights and differences.

1.3 Strategic objectives⁴

Council delivers services and initiatives under 34 major service categories. Each contributes to the achievement of one of the six Strategic Objectives as set out in the Council Plan for the years 2013-17. The following table lists the six Strategic Objectives as described in the Council Plan.

| Strategic Objective | Description |
|---------------------------------------|--|
| 1. Advocacy and leadership | Maintain an understanding of issues of local importance and provide leadership in tackling them. Where appropriate, advocate on behalf of our community and ensure that our community is represented in debates which affect us. |
| 2. Community and economic development | Work to improve the quality of life for the local community. Ensure that social and cultural services are tailored to meet specific local needs and work to stimulate the city's economic activity. |
| 3. Community participation | Communicate clearly with the community and consult in a meaningful and appropriate way. Increasingly encourage residents and other stakeholders to participate in Council decision making. |
| 4. Resource management | Take seriously its responsibility as the custodian of community resources. Commit to achieving maximum benefit for the community from all our resources while taking care of our natural environment. |
| 5. Quality service | Deliver high quality value for money services in areas that are important to the community and involve the community in determining and evaluating their performance on an ongoing basis. |
| 6. Urban development and environment | Work to improve the quality of our natural and urban environment, and stimulate development activity within a framework that protects and enhances the natural environment, heritage assets and residential amenity. |

Commentary – Linkage to the Council Plan

Purpose of linkage to the Council Plan

1. The purpose of linkage to the Council Plan is to show how the budget contributes to the achievement of the Council Plan. This section should include as a minimum, the following:
 - (a) Planning and accountability framework
 - (b) Our purpose
 - (c) Strategic objectives.

Planning and accountability framework

2. This section gives the reader a wider picture of how the budget fits into the strategic planning and reporting framework. As a significant number of readers may not be trained in financial management and corporate planning techniques, the planning and reporting framework is best illustrated diagrammatically with a brief explanation. The diagram should highlight how Council's overall longer term objectives feed into the Council Plan, link to the Annual Budget and show how they are expressed numerically in the Financial Statements included in the Strategic Resource Plan and Budget. The Council Plan, Strategic Resource Plan, Annual Budget and Annual Report (containing Audited Statements) are statutory requirements. The preparation of a longer term planning / vision document is not required by legislation but is common within council planning frameworks in Victoria.

Our purpose

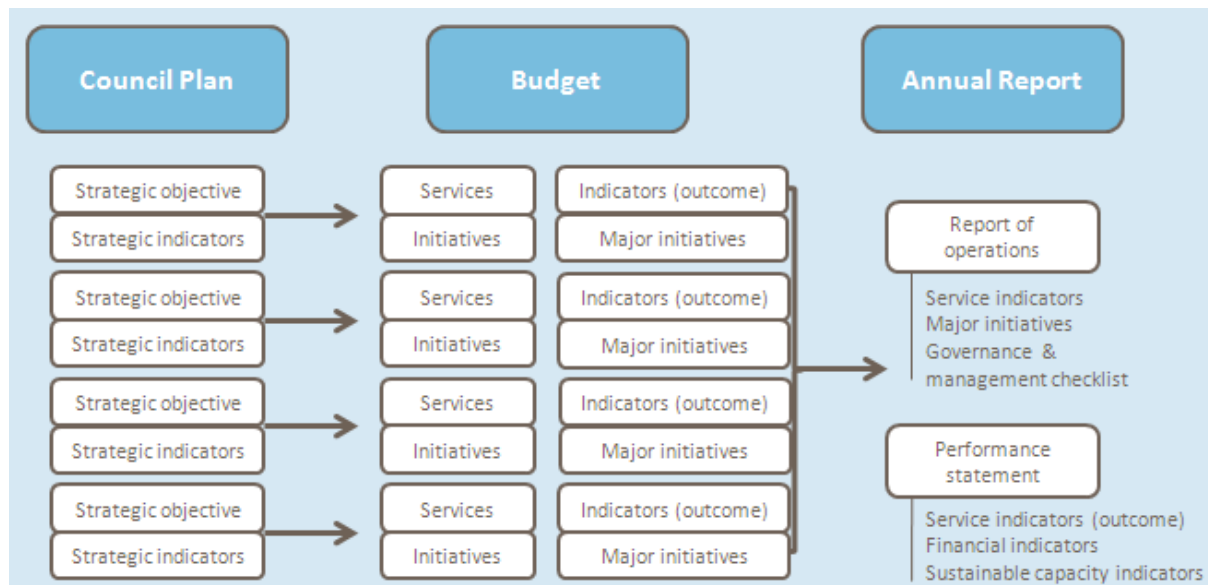
3. This section describes the vision, mission and values of the Council as set out in its Council Plan.

Strategic objectives

4. This section provides an overview of the strategic objectives, which when achieved, will deliver the outcome described in the vision and mission. A description is provided to allow the reader to understand each objective.

2. Services, initiatives and service performance indicators¹

This section provides a description of the services and initiatives to be funded in the Budget for the 2015/16 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan. It also describes a number of major initiatives, initiatives and service performance outcome indicators for key areas of Council's operations. Council is required by legislation to identify major initiatives, initiatives and service performance outcome indicators in the Budget and report against them in their Annual Report to support transparency and accountability. The relationship between these accountability requirements in the Council Plan, the Budget and the Annual Report is shown below.



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

Services for which there are prescribed performance indicators to be reported on in accordance with the Regulations are shown in **bold** and underlined in the following sections.

2.1 Strategic Objective 1: Advocacy and leadership²⁻¹⁰

To achieve our objective of Advocacy and Leadership, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

| Service area | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|---|---|--|
| Councillors, Chief Executive and Executive Team | This area of governance includes the Mayor, Councillors, Chief Executive Officer and Executive Management Team and associated support which cannot be easily attributed to the direct service provision areas. | 2,006 (0) 2,006 |
| Social policy ¹⁾⁻³⁾ | This service has the responsibility to frame and respond to the challenges of social inclusion that present to Council. It is the responsibility of this service to ensure that issues that arise and situations and trends that develop of a social policy nature are responded to appropriately by Council. | 1,546 (250) 1,296 |

Major Initiatives

- 1) Additional funding to the Community Grants program, which is the first additional funding for some years for this significant community program (\$0.44 million net cost).

Initiatives

- 2) The recommendations from the Poverty Inquiry will be implemented with a responsible gambling charter to be developed with gambling agencies in Council to ensure the promotion of responsible gambling among Council residents. Also, further dialogue will occur with the State Government to address adverse impacts of gambling in the municipality (\$Nil net cost).
- 3) Council's Friendship City Relationship with East Timor will be realised through the commencement of several projects to assist the rebuilding of community and basic infrastructure in East Timor (\$Nil net cost).

Service Performance Outcome Indicators

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

2.2 Strategic Objective 2: Community and economic development²⁻¹⁰

To achieve our objective of Community and Economic Development, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

| Service area | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|--|---|--|
| Aged and Disability Services ⁴⁾ | This service provides a range of home and community care services for the aged and disabled including home delivered meals, personal care, transport, dementia care, home maintenance, housing support and senior citizen clubs. | 10,041 (6,174) 3,867 |
| Family Services ^{6), 7)} | This service provides family oriented support services including pre-schools, a toy library, maternal and child health , pre-school dental, counselling and support, youth services, immunisation, family day care, holiday programs and health and safety. | 5,632 (2,476) 3,156 |
| Library Services ⁸⁾ | This service provides public library services at three locations and provides a customer focused service that caters for the cultural, educational and recreational needs of residents and provides a focal point for the community where they can meet, relax and enjoy the facilities and services offered. | 3,083 (759) 2,324 |
| Victorian Park | This service provides public open space, an 18 hole public golf course, pristine environmental areas, a visitor's centre and café and an accredited Tourist Information Centre. Victorian Park is also home to a Settlement, a community tourist attraction providing a host of activities including an Urban Farm, Heritage Village and the Wildlife Reserve. | 1,758 (1,026) 732 |
| Leisure Outsourcing | This service includes a 9 hole public golf course which offers a range of golfing programs and events including tournaments. It provides a range of recreational facilities including indoor and outdoor swimming pool facilities , a fully equipped Gymnasium, aqua aerobics, aerobics, pump, circuit, yoga and gymnastics classes, public tennis courts and childcare facilities. It also provides 4 indoor and 3 outdoor multipurpose courts and provides an extensive range of recreational programs and opportunities accessible to individuals of all ages, sexes and abilities. | 212 (394) (182) |
| Arts and Entertainment Centre | This service provides theatre services including technical staging advice and performance operations, facilities for presentations including events for children, families and older people and exhibitions of works by local artists, function and catering services including seminars, meetings, conferences and expos and a kiosk. This service is also responsible for management of the public facilities at the Council Town Hall and the delivery of the annual Festival. | 791 (347) 444 |
| Victorian Leisure Centre ⁸⁾ | This service combines a wide range of programs and services, which provide the opportunity for the community to participate in a variety of cultural, health, education, and leisure activities, which contribute to the general well being of the community. | 1,363 (979) 384 |

| Service area | Description of services provided | Expenditure |
|------------------------------------|--|---------------------------------|
| | | (Revenue) Net Cost \$'000 |
| Arts and Cultural Planning | This service provides a varied ongoing program of arts and cultural events and activities, plans and develops arts and cultural facilities and infrastructure and develops policies and strategies to facilitate art practice. | 404 (55) 349 |
| Leisure Services | This service is responsible for the management and use of sporting grounds and pavilions and community centres with meeting, function and activity space. The service provides advice to Council on local leisure needs and assists community groups with funding applications, event management and promotion and issues relating to license agreements with Council. | 712 (256) 456 |
| Victorian Homestead ⁹⁾ | This service provides the community with a flexible recreational and cultural space at Victorian Homestead. The service includes exhibition spaces which host a year round exhibition program that includes both historic and contemporary art and craft. | 298 (50) 248 |
| Economic Development ⁵⁾ | The economic development service assists the organisation to facilitate an environment that is conducive to a sustainable and growing local business sector and provides opportunities for local residents to improve their skill levels and access employment. | 785 (106) 679 |

Major Initiatives

- 4) Council is the lead agency on aged partnerships project and although grants were received in 2014/15, the majority of programs will be implemented during the next financial year (\$0.90 million net cost).
- 5) Resourcing of the Employment Strategy will see the engagement of a part time employment co-ordinator to ensure that Council gains its fair share of employment programs and is able to respond to employment and training issues in the municipality. Resources also include provision for Council's participation in the State Government's Community Jobs Program and implementing recommendations arising from the Employment Strategy (\$0.18 million net cost).

Initiatives

- 6) Increase in service provision from Youth Resource Centre at Victorian Civic Centre. Support for youth consortium work, and for a young mother's group run jointly with maternal and child health nurse and youth worker. Council's music centre to offer employment opportunities to eight young people in music related disciplines (\$0.06 million net cost).
- 7) Increase in hours of pre-school field officer who currently is funded for 28 hours per week, but provides service to over 100 families and 30 pre-schools in Council (\$0.02 million net cost).
- 8) New programs will be developed to reflect the cultural diversity of Council including a community languages program through the Library Services, a volunteers' support network for leisure organisation volunteers and opportunities for new residents to participate in culturally relevant activities (\$Nil net cost).
- 9) The Victorian Homestead Centre for Decorative Arts on Mt Victorian Estate will open during the year to host major and decorative art exhibits (\$0.25 million net cost).

Service Performance Outcome Indicators

| Service | Indicator | Performance Measure | Computation |
|---------------------------|-------------------|--|---|
| Home and Community Care | Participation | Participation in HACC service (Percentage of the municipal target population who receive a HACC service) | [Number of people that received a HACC service / Municipal target population for HACC services] x100 |
| | | Participation in HACC service by CALD people (Percentage of the municipal target population in relation to CALD people who receive a HACC service) | [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100 |
| Maternal and Child Health | Participation | Participation in the MCH service (Percentage of children enrolled who participate in the MCH service) | [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100 |
| | | Participation in MCH service by Aboriginal children (Percentage of Aboriginal children enrolled who participate in the MCH service) | [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100 |
| Libraries | Participation | Active library members (Percentage of the municipal population that are active library members) | [Number of active library members / municipal population] x100 |
| Aquatic Facilities | Utilisation | Utilisation of aquatic facilities (Number of visits to aquatic facilities per head of municipal population) | Number of visits to aquatic facilities / Municipal population |
| Economic Development | Economic activity | Change in number of businesses (Percentage change in the number of businesses with an ABN in the municipality) | [Number of businesses with an ABN in the municipality at the end of the financial year / less the number of businesses at the start of the financial year / Number of businesses with an ABN in the municipality at the start of the financial year] x100 |

2.3 Strategic Objective 3: Community participation²⁻¹⁰

To achieve our objective of Community Participation, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

| Service area | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|----------------------------------|---|--|
| Communications ¹⁰⁾¹¹⁾ | This service is responsible for the management and provision of advice on external communication, in consultation with relevant stakeholders, on behalf of Council. | 537 (0) 537 |

Major Initiatives

- 10) A major step forward in the improvement of Council's Multilingual Communication Service to meet the needs of a non-English speaking background community including a major redevelopment of Council's multilingual website and other communication services (\$0.05 million net cost).

Initiatives

- 11) Improve the use of social media in Council's communications with the community (\$0.02 million net cost).

2.4 Strategic Objective 4: Resource management²⁻¹⁰

To achieve our objective of Resource Management, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

| Service areas | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|-------------------------------------|--|--|
| Financial Services ¹³⁾ | This service predominantly provides financial based services to both internal and external customers including the management of Council's finances, payment of salaries and wages to Council employees, procurement and contracting of services, raising and collection of rates and charges and valuation of properties throughout the municipality. | 2,003 (345) 1,658 |
| Information Services ¹²⁾ | This service provides, supports and maintains reliable and cost effective communications and computing systems, facilities and infrastructure to Council staff enabling them to deliver services in a smart, productive and efficient way. | 1,729 (0) 1,729 |
| Organisation Development | This service provides Council with strategic and operational organisation development support. The service develops and implements strategies, policies and procedures through the provision of human resources and industrial relations services. The service also assists managers to determine and progress toward future structures, capability and cultures in their service units. | 806 (0) 806 |

| Service areas | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|-----------------------------------|--|--|
| Fleet Services | This service purchases and maintains Council vehicles, plant and equipment to meet functionality and safety needs and to maximise the performance and minimise operational cost of the fleet. In addition, the service provides baby capsule hire to residents. | 2,350 <u>(3,621)</u> (1,271) |
| Infrastructure Planning | This service conducts capital works planning for Council's main civil infrastructure assets in an integrated and prioritised manner in order to optimise their strategic value and service potential. These include roads, laneways, car parks, foot/bike paths, drains and bridges. | 268 <u>(0)</u> 268 |
| Facilities Maintenance | This service prepares long term maintenance management programs for Council's property assets in an integrated and prioritised manner in order to optimise their strategic value and service potential. These include municipal buildings, pavilions and other community buildings. | 2,233 <u>(280)</u> 1,953 |
| Engineering Design and Management | This service undertakes design, tendering, contract management and supervision of various works within Council's capital works program. The service also approves and supervises private development activities such as subdivisions and infrastructure associated with unit developments. | 513 <u>(0)</u> 513 |

Major Initiatives

- 12) Significant advances will be made in the further development of the Geographic Information System (GIS). Additionally, public access to the GIS will become operational during this calendar year, as will the commissioning of the Community (Internet) Portal and community email facilities. These initiatives will place Council firmly at the forefront of local governments in Victoria and Australia for electronic public access to service information and facilities (\$Nil net cost).

Initiatives

- 13) Alternative payment options will be phased in during the year which will allow the following accounts to be paid at Australia Post via internet, phone and over-the-counter using cash, cheque, credit card and debit card – rates, homecare, family day care, meals, home maintenance, holiday program, animal registrations, parking fines and sundry debtors (\$Nil net cost).

2.5 Strategic Objective 5: Quality service²⁻¹⁰

To achieve our objective of Quality Service, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

| Service areas | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|--|---|--|
| Customer and Civic Services ¹⁴⁾ | This service provides a range of governance, statutory and corporate support services and acts as the main customer interface with the community. Services include the coordination of council and committee meetings, records and information management and office support services at the Civic Centre. Two municipal halls are available for hire and the customer support service is delivered from four located customer service centres. | 2,369 (0) 2,369 |
| Performance Support ¹⁵⁾ | This service provides organisational policy, systems and support in the areas of continuous improvement, corporate planning, performance measurement and reporting. | 351 (0) 351 |

Major Initiatives

- 14) Customer service facilities will be provided at the new Victorian Community Centre following its completion (\$0.11 million net cost).

Initiatives

- 15) Fifteen of Council services will be going through a review under Council's Continuous Improvement Program, which will include consultation with stakeholders and the development of service standards and commitments for these services (\$Nil net cost).

2.6 Strategic Objective 6: Urban development and environment²⁻¹⁰

To achieve our objective of Urban Development and Environment, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The services, initiatives, major initiatives and service performance indicators for each business area are described below.

Services

| Service areas | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|---------------------|---|--|
| Open Space Planning | This service prepares policies and strategies relating to open space and urban design issues and prepares and implements an annual capital works program. The service also provides landscape and urban design advice and is actively involved in setting service standards for parks maintenance activities. | 554 (0) 554 |

| Service areas | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|--|---|--|
| Urban Development ^{16),18)} | This statutory planning service processes all planning applications, provides advice and makes decisions about development proposals which require a planning permit, as well as representing Council at the Victorian Civil and Administrative Tribunal where necessary. It monitors the Council's Planning Scheme as well as preparing major policy documents shaping the future of the City. It also prepares and processes amendments to the Council Planning Scheme and carries out research on demographic, urban development, economic and social issues affecting Council. | 2,358 (697) 1,661 |
| Parks and Gardens ¹⁹⁾ | This service is divided into four main operational units. Arboriculture provides tree pruning, planting, removal, planning and street tree strategies. Bushland provides the management of conservation and parkland areas, creeks and other areas of environmental significance. Parks Management provides management and implementation of open space strategies and maintenance programs. Infrastructure Maintenance provides management of all parks and gardens and infrastructure maintenance. | 3,964 (0) 3,964 |
| Traffic and Transportation Services | This service provides strategic planning, policy development and day to day management of traffic and transport related issues in Council. The unit also implements a Green Travel Plan for Council staff, the TravelSMART "Better Ways to Work" program, Local Area Traffic Management schemes and assists with implementation of the Road Safety Strategy. | 511 (0) 511 |
| Property Management | This service facilitates the smooth flow of traffic and parking throughout the municipality through the provision of safe, orderly and equitable parking enforcement and education. In addition the service is responsible for the maintenance, management and strategic planning for Council's building, land and property leases and licenses. | 985 (0) 985 |
| Environmental Services ¹⁷⁾ | This service provides waste collection including kerbside rubbish collections of garbage, hard waste and green waste from all households and some commercial properties in Council. It also provides street cleaning, leaf collection, weed removal, drainage pit cleaning and street litter bins throughout Council. | 6,596 (212) 6,384 |
| Roads and Resource Recovery ²⁰⁾ | This service provides public tipping to the Council and wider community and conducts ongoing maintenance of the Council's 600km of roads , 2,000km of drains and 1.6 million square metres of footpath. | 3,406 (1,380) 2,026 |
| Environmental Planning ²¹⁾ | This service develops environmental policy, coordinates and implements environmental projects and works with other services to improve Council's environmental performance. Reducing greenhouse gas emissions within Council operations and the community are a key priority through Council's ongoing involvement in the Cities for Climate Protection Plus program. | 396 (36) 360 |

| Service areas | Description of services provided | Expenditure (Revenue) Net Cost \$'000 |
|----------------------------------|---|--|
| Amenity ²²⁾ | This service provides staff at school crossings throughout the municipality to ensure that all pedestrians, but mainly school aged children, are able to cross the road safely. It maintains and improves the health and safety of people, animals and the environment in Council by providing animal management services including a cat trapping program, a dog and cat collection service, a lost and found notification service, a pound service, a registration and administration service, an afterhours service and an emergency service. It also provides education, regulation and enforcement of the General Local Law and relevant State legislation. | 1,425 (652) 773 |
| Building Services ²³⁾ | This service provides statutory building services to the Council community including processing of building permits, emergency management responsibilities, fire safety inspections, audits of swimming pool barriers and investigations of complaints and illegal works. | 624 (340) 284 |
| Environmental Health | This service protects the community's health and well-being by coordinating food safety support programs, Tobacco Act activities and smoke free dining and gaming venue issues. The service also works to rectify any public health concerns relating to unreasonable noise emissions, housing standards and pest controls. | 746 (314) 432 |

Major Initiatives

- 16) The major three year review of Council's Municipal Strategic Statement will commence in July 2014 with a completion date of December 2015. This will be the main focus of work being undertaken by the Strategic Planning Unit next year (\$Nil net cost).
- 17) In November 2014, Council resolved to deliver an in-house provided Street Cleansing service. This year's allocation includes the recent employment of an additional 14 staff, plant maintenance, materials and tipping fees, to deliver this new in house service (\$1.40 million net cost).

Initiatives

- 18) Two additional staff for Statutory Planning will enable Council to respond in a timelier manner to planning permit applications and also to an anticipated increased workload resulting from the newly introduced planning zones (\$0.90 million net cost).
- 19) Arboriculture maintenance in Council equates to in excess of 80% of customer enquiries related to Council parks. As a result, an additional two employees will be recruited to continue with the delivery of this service. The contract allocation for Arboriculture Maintenance has also been increased to allow for additional line clearance within the municipality, in fill planting, stump removal and other tree maintenance costs (\$0.15 million net cost).
- 20) As a result of delivering a Council provided street cleansing service, the increased labour allocation in the Roads and Recovery program includes an allowance for a new full time Drainage Inspector (\$0.04 million net cost).
- 21) An extra position is included to implement the storm water management program and coordinate the implementation of the Victorian Park Lake water quality and weir works, including further funding work and community liaison. The position will be a two year role in line with the lake timescale. An additional \$0.05 million is also included in this year's budget for the environmental monitoring of the old landfill gas and leachate (\$0.08 million net cost).
- 22) The number of Local Laws enquiries has increased, as has the number of abandoned vehicles, the number of permits and corresponding fines. The sharing of an Administration officer with the School Crossing Unit has slightly reduced the expenditure in this area, which combined with the extra predicted income, enables one extra Local Law officer to be employed with no net budget implications (\$Nil net cost).

- 23) In recent years the Building Supervisor's role has increased in scope and volume. This includes mandatory tasks related to site dispensation and consents, smoke detector and swimming pool fencing. Additionally complaints and enforcement requests for work carried out by private building supervisors and general complaints related to urban consolidation have increased. This budget sees the development of two new positions, an additional Building Supervisor and a Building Enforcement officer to address these issues (\$0.03 million net cost).

Service Performance Outcome Indicators

| Service | Indicator | Performance Measure | Computation |
|--------------------|-------------------|--|--|
| Statutory planning | Decision making | Council planning decisions upheld at VCAT (Percentage of planning application decisions subject to review by VCAT and that were not set aside) | [Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100 |
| Waste collection | Waste diversion | Kerbside collection waste diverted from landfill (Percentage of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill) | [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100 |
| Roads | Satisfaction | Satisfaction with sealed local roads (Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads) | Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads. |
| Animal Management | Health and safety | Animal management prosecutions (Number of successful animal management prosecutions) | Number of successful animal management prosecutions |
| Food safety | Health and safety | Critical and major non-compliance notifications (Percentage of critical and major non-compliance notifications that are followed up by Council) | [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100 |

2.7 Performance Statement⁶⁻¹⁰

The service performance indicators detailed in the preceding pages will be reported on in the Performance Statement which is prepared at the end of the year as required by Section 132 of the Act and included in the 2015/16 Annual Report. The Performance Statement will also include reporting on prescribed indicators of financial performance (outlined in Section 8) and sustainable capacity, which are not included in this budget report. The prescribed performance indicators contained in the Performance Statement are audited each year by the Victorian Auditor General who issues an audit opinion on the Performance Statement. The major initiatives detailed in the preceding pages will be reported in the Annual Report in the form of a statement of progress in the Report of Operations.

2.8 Reconciliation with budgeted operating result¹¹

| | Net Cost (Revenue) \$'000 | Expenditure \$'000 | Revenue \$'000 |
|---------------------------------------|---------------------------------|-----------------------|-------------------|
| Advocacy and leadership | 3,302 | 3,552 | 250 |
| Community and economic development | 12,455 | 25,079 | 12,624 |
| Community participation | 537 | 537 | 0 |
| Resource management | 5,656 | 9,902 | 4,246 |
| Quality service | 2,720 | 2,720 | 0 |
| Urban development and environment | 17,934 | 21,565 | 3,631 |
| Total services and initiatives | 42,604 | 63,355 | 20,751 |
| Other non-attributable | 6,085 | | |
| Deficit before funding sources | 48,689 | | |
| Funding sources | | | |
| Rates and charges | 43,457 | | |
| Capital grants | 6,277 | | |
| Total funding sources | 49,734 | | |
| Surplus for the year | 1,045 | | |

Commentary – Services, initiatives and service performance indicators

Purpose of services, initiatives and major initiatives

- The purpose of the services, initiatives and service performance indicators section is to show the strategic objectives and key strategies included in the Council Plan and how these will be translated into services delivered, initiatives and major initiatives undertaken in the forthcoming year. This enables the reader to obtain an understanding as to how revenue and expenditure levels are set and then how rating levels are determined. As a minimum the services, initiatives, major initiatives and service performance section should include the following:
 - Services, initiatives and major initiatives
 - Service performance outcome indicators
 - Performance statement
 - Reconciliation with budgeted operating result.

Services, initiatives and major initiatives

- Section 127(2)(b) and (c) of the Act requires the budget to contain a description of the services and initiatives to be funded in the budget, and a statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the Council Plan. Section 127 (2)(d) of the Act requires that the budget must also include major initiatives, being initiatives identified by the Council as priorities, to be undertaken during the financial year. This section complies with these requirements and sets out what the Council believes are the services, initiatives and major initiatives that will be achieved in line with the Council Plan.

Commentary – Services, initiatives and service performance indicators

3. The services delivered by Council are those undertaken to meet the needs of the community as reflected in the Council Plan. They tend to be ongoing in nature and have internal and external customers. It will be important that this section does not become a list of all services delivered by the Council, since this level of disclosure would not be useful to the readers. It is recommended that the services be described at a level which gives the reader a good understanding (but not detailed) of the services undertaken by Council. The services should be grouped under the relevant strategic objective (Council Plan) to which it relates to show the linkage between the Budget services and the Council Plan.
4. In addition to the services provided by Council, the initiatives and major initiatives to be undertaken during the forthcoming year should also be described. Initiatives are tasks or actions that are once-off in nature and lead to improvements in service performance or service levels. Major initiatives are significant initiatives that the Council has identified as priorities and that directly contribute to the achievement of the Council Plan during the budget year. The major initiatives should be limited to only those initiatives that will have a significant impact on the operations of the Council in that financial year and will be of interest to the reader. They should be disclosed under the strategic objective to which they relate to show a clear linkage to the Council Plan including an estimate of the net cost (revenue).
5. The example disclosure provided in this model includes only those services, initiatives and major initiatives that are of an operational nature. It may also be desirable to describe those pertaining to the capital activities of the Council. This can be disclosed by including separate columns for net cost (revenue) from operational activities and net cost (revenue) from capital activities as follows:

| Service Area | Description of services or major initiatives | Operating Net Cost (Revenue) \$'000 | Capital Net Cost (Revenue) \$'000 |
|----------------------------|---|--|--|
| Resource Management | | | |
| Engineering | Services | | |
| Design and Management | This service undertakes design, tendering, contract management and supervision of various works within Council's capital works program. The service also approves and supervises private development activities such as subdivisions and infrastructure associated with unit developments. | 513 (0) 513 | 173 (0) 173 |
| | Operating Initiatives | | |
| | Significant advances will be made in the further development of the Geographic Information System (GIS). Additionally, public access to the GIS will become operational during this calendar year, as will the commissioning of the Community (Internet) Portal and community email facilities. These initiatives will place Council firmly at the forefront of local governments in Victoria and Australia for electronic public access to service information and facilities. (\$Nil net cost). | | |
| | Capital Initiatives | | |
| | Rehabilitation of footpaths for 25 streets across the municipality as part of the Council's Footpath Risk Management Program (\$0.17 million net cost). | | |

Service performance indicators

6. The Victorian Government introduced a new Local Government Performance Reporting Framework (LGPRF) which became mandatory for implementation by councils as part of the planning and reporting cycle in FY 2014-15.
7. The Act provides the legislative basis for the LGPRF, supported by prescribed indicators contained within the Regulations.
8. The objective of the LGPRF is to provide comprehensive performance information that meets the needs of stakeholders to ensure that:
 - councils have information to support strategic decision-making and continuous improvement;

Commentary – Services, initiatives and service performance indicators

- communities have information about council performance and productivity;
- regulators have information to monitor compliance with relevant reporting requirements; and
- State and Commonwealth Governments are better informed to make decisions that ensure an effective, efficient and sustainable system of local government.

9. To provide a comprehensive picture of council performance, four indicator sets – service performance, financial performance, sustainable capacity and governance and management – have been developed across three thematic areas – service performance, financial performance and sustainability.

The Performance Statement comprises the service performance outcome indicators, financial performance and sustainable capacity indicators as established in Section 131(4) of the Act and prescribed in part 4, division 2 and schedule 3 of the Regulations.

10. This section of the model budget includes the service performance outcome indicators (prescribed indicators of service performance) and prescribed measures that must be included in the budget under Section 127 (2)(da) and (db) of the Act. The prescribed indicators of service performance are required to be reported against in the performance statement under Section 131 of the Act.

Section 131(4)(a)(i) of the Act, states that the indicators of service performance that must be reported against in the performance statement are prescribed in the Regulations.

Regulation 15(1) of the Regulations states that the indicators of service performance to be reported against in the Performance Statement are set out in part 2 of schedule 3 of the Regulations.

Where a service is not funded in the budget or is funded but the council does not have 'operational control' the relevant service performance outcome indicator is not required to be disclosed.

Reconciliation with budgeted operating result

11. The reconciliation with budgeted operating result is not mandated however, it is suggested that such a reconciliation is good practice as it shows how the strategic objectives contained in the Council Plan have been funded in the Budget.

3. Budget influences¹

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

3.1 Snapshot of Victorian City Council²

Victorian City Council is located on the northern edge of Melbourne. The city, covering an area of 51 square kilometres, comprises the former cities of East and West and the southern parts of the former North municipality.

The current City was created through two stages of amalgamation with the first stage between the former City of East and the former City of West in 1994. Victorian City was then adopted as the official name of the City. In the second stage, the southern part of the former City of North was subsequently added to this newly created municipality.

Population

In June 1994, the preliminary estimated resident population of the City was 108,861 people. In the 10 years from 1995 to 2005, the population dropped by about 4,000. It has however been fairly stable since 2005 at around 104,000. (Source: Australian Bureau of Statistics, Estimated Resident Population).

Ageing population

The population is ageing and the City has a greater proportion of older people than the Melbourne average. The age profile is similar to metropolitan averages however there is a slightly lower proportion of 5 to 14 year olds and 45 to 64 year olds. In addition, the proportion of 25 to 44 year olds is higher and the proportion of people aged over 65 years is significantly higher. (Source: Australian Bureau of Statistics, Census of Population and Housing).

Births

Despite an ageing population, approximately 1,900 babies have been born each year since 2005. In the 2014/15 financial year 2,219 babies were born in the municipality. (Source: Maternal and Child Health database).

Cultural diversity

The City is a highly culturally and linguistically diverse municipality. Many different cultural groups live in Victorian City and more than 100 different languages are spoken at home by residents.

Just over one third of residents were born overseas. Of the total population, 61% were born in Australia. Of those residents born overseas, 88% were born in non-English-speaking countries and 12% were born in English-speaking countries. The main countries of birth of residents, apart from Australia, represent the traditional migrant groups from Europe, including Italy, Greece and the United Kingdom. (Source: Australian Bureau of Statistics, Census of Population and Housing).

Housing

The number of homes is increasing. In 2012, there were 52,584 dwellings, of which 52,505 were private homes and 79 were non-private dwellings such as nursing homes, hotels and hostels. While more housing stock is available, the population has remained fairly stable, due to decreasing household sizes. Trends show that the number of one-person households is increasing, as is the number of small households.

The proportion of separate houses has fallen over the past decade with the growth of flats, units or apartments, along with semidetached, row, terrace and townhouses. Residential property prices have increased significantly over the past 10 years, although some decline has been seen since 2010 in line with the broader Melbourne metropolitan area. The median house price increased from \$298,000 in 2004 to \$600,000 in 2014..

Education and occupation

In the past decade, Melbourne's northern region, which includes Victorian City, has experienced a steadily improving retention of students from Year 10 to Year 12, up from 86% in 2002 to 87.7% in 2014. (Source: Department of Education and Training, Summary Statistics Victorian Schools).

People in Victorian City are also becoming better educated. The proportion of residents who have non-school qualifications is increasing. Many more residents in 2012 had completed a non-school qualification than in 2000 (33% compared with 22%). (Source: Australian Bureau of Statistics, Census of Population and Housing).

The occupations of residents have also changed. The proportion of professionals, associate professionals and intermediate clerical, sales and service workers has increased, while a fall has occurred in the proportion of tradespeople and related workers, advanced clerical, sales and service workers and labourers and related workers.

Budget implications

As a result of the City's demographic profile there are a number of budget implications in the short and long term as follows:

- Cultural and linguistic diversity means that Council needs to use a variety of media in languages other than English for mass communication with citizens, and use interpreting services for interpersonal communication with citizens. Council also draws on the abilities of its bilingual staff.
- The small area of Victorian City reduces transport costs when compared to rural Shires. Services can be centralised as most citizens are able to reach Council facilities without extensive travel.
- Over 25% of ratepayers are entitled to the pensioner rebate. As pensioners are often asset rich but income poor, the adoption of significant rate increases has a real impact on the disposable income of a significant proportion of our community. Council has hardship provisions in place but these can impact on cash balances when large volumes of ratepayers are involved. In addition, Council has long waiting lists for services to older people such as 'Home Help' and 'Delivered Meals' but not the income to service this demand.
- The City is substantially developed and while it is experiencing a small increase in property numbers, these mainly arise from higher density developments. The budget implications arise in Council having to cope with replacement of infrastructure such as drains which cannot cope with the higher density. These costs cannot be passed on to the developer and are paid for from rates. The rates received from new dwellings do not offset the significant infrastructure costs.

3.2 External influences³⁻⁶

- Consumer Price Index (CPI) increases on goods and services of 1.7% through the year to December quarter 2014 (ABS release 28 January 2015). State-wide CPI is forecast to be 2.5% for the 2015/16 year (Victorian Budget Papers 2014/15).
- Australian Average Weekly Earnings (AWE) growth for Public Sector full-time adult ordinary time earnings in the 12 months to May 2014 was 3.1% (ABS release 14 August 2014). The wages price index in Victoria is projected to be 3.50% per annum in 2015/16 and the subsequent two years (Victorian Budget Papers 2014/15). Council must renegotiate a new Collective Agreement during the 2015/16 year for commencement on 1 July 2016.
- Reduction of \$0.40 million in Victoria Grants Commission funding compared to the prior year.
- Receipt of significant capital works funding of \$6.28 million for the construction of a Velodrome and State Bowls Centre at Victoria Park and the completion of Roads to Recovery projects
- Increases of 10% (or \$5.30 per tonne) in the levy payable to the State Government upon disposal of waste into landfill, resulting in additional waste tipping costs of \$0.20 million. The levy has increased from \$9 per tonne in 2008/09 to \$58.50 per tonne in 2015/16 (550% increase in 7 years) and has added \$1.84 million to Council's costs.
- Cost Shifting occurs where Local Government provides a service to the community on behalf of the State and Federal Government. Over time the funds received by local governments do not increase in line with real cost increases. Examples of services that are subject to Cost Shifting include school crossing supervision, Library services and Home and Community Care for aged residents. In all these services the level of payment received by Council from the State Government does not reflect the real cost of providing the service to the community.
- The Victorian State Government has announced that local government rates will be capped from 2016/17. Depending on the level at which rates are capped Council may need to undertake a

review of services that are provided to the community with the aim of reducing the level of rate payer subsidy for services undertaken by Local Government on behalf of the State and Federal Government.

- Councils across Australia raise approximately 3% of the total taxation collected by all levels of Government in Australia. In addition Councils are entrusted with the maintenance of more than 30% of the all Australian public assets including roads, bridges, parks, footpaths and public buildings. This means that a large proportion of Council's income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.
- The carbon price repeal legislation received Royal Assent on 17 July 2014, effective from 1 July 2014. Councils are expected to account for carbon price refunds received and unused carbon price revenue collected in a transparent way. The Australian Competition and Consumer Commission has recently suggested that Councils use the money collected for the Carbon Tax on projects or infrastructure benefiting their communities or by accounting for this additional money by setting their future fees and charges lower than they otherwise would have been.
- The Fire Services Property Levy will continue to be collected by Council on behalf of the State Government with the introduction of the *Fire Services Property Levy Act 2012*.
- A write down of flood/fire affected assets estimated at \$1.00 million in 2014/15 and estimated repairs of \$1.20 million over two years. Compensation of \$0.40 million has been confirmed by Council's insurers, with the balance to be funded by the Natural Disaster Assistance Fund (NDAF). An advance payment of \$1.00 million from the NDAF was received in 2013/14. Council is also eligible to claim the first \$0.03 million from the Victoria Grants Commission.

3.3 Internal influences⁷⁻⁸

As well as external influences, there are also a number of internal influences which are expected to have a significant impact on the preparation of the 2015/16 Budget. These matters have arisen from events occurring in the 2014/15 year resulting in variances between the forecast actual and budgeted results for that year and matters expected to arise in the 2015/16 year. These matters and their financial impact are set out below:

- Overrun of \$0.48 million in the maintenance of trees due to the removal of severely diseased street trees.
- Reduction in the budgeted draw down from discretionary reserves of \$0.30 million as a result of government funding being awarded for the Victoria Civic Centre redevelopment.
- Higher than expected wage increases of 5% per annum resulting in additional ongoing employee costs of \$0.46 million per annum.
- Ongoing savings of \$0.23 million as a result of meals production being contracted out at a rate more favourable than budget.
- Council's decision during the year to bring the street cleansing service in-house. This has resulted in start-up investment costs of \$0.80 million for plant and equipment to be funded from investment reserves and ongoing operational costs of \$1.40 million per annum.

3.4 Budget principles⁹

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

- Existing fees and charges to be increased in line with CPI or market levels.
- Grants to be based on confirmed funding levels.
- New revenue sources to be identified where possible.
- Service levels to be maintained at 2014/15 levels with the aim to use less resources with an emphasis on innovation and efficiency.
- Salaries and wages to be increased in line with Average Weekly Earnings.
- Contract labour to be minimised.
- Construction and material costs to increase in line with the Engineering Construction Index (refer 'Rawlinsons Australian Construction Handbook')
- New initiatives or employee proposals to be justified through a business case.
- Real savings in expenditure and increases in revenue identified in 2014/15 to be preserved

- Operating revenues and expenses arising from completed 2014/15 capital projects to be included.

3.5 Long term strategies

The budget includes consideration of a number of long term strategies and contextual information to assist Council to prepare the Budget in a proper financial management context. These include a Strategic Resource Plan for 2015/16 to 2018/19 (Section 8.), Rating Information (Section 9.) and Other Long Term Strategies (Section 10.) including borrowings, infrastructure and service delivery.

Commentary – Budget influences

Purpose of budget influences

1. The purpose of the budget influences is to set out those matters which have had a significant influence on the framing of the budget. The budget influences section should as a minimum include the following main areas:
 - (a) Snapshot of Victorian City Council
 - (b) External influences
 - (c) Internal influences
 - (d) Budget principles

Councils should critically review the range of potential external influences every year in the preparation of the long term financial strategy and annual budget. The most effective long term financial strategies are a driver, not an extrapolation, of the annual budget. Future external influences, such as expected increases in energy and water costs or a carbon trading scheme, may not have a significant impact on the current budget period but will have a significant impact on the long term sustainability of Council and therefore should be considered in the budget preparation process.

Only the major influences should be included in the budget report to enable the reader to quickly identify those factors which are driving the budget.

Snapshot of Victorian City Council

2. The purpose of the snapshot is to provide a summary of the makeup of the community and its environment and some of the issues and opportunities faced by the Council which drive demand for its services and its budget preparation. In particular, it is aimed at people who may not be familiar with the Council and its community. It should assist a reader to understand why budgets may differ when comparing different communities and their Council Budgets. The snapshot should address key community factors and must link those factors to their impact on the budget. The impact on the budget may not always be able to be quantified.

External influences

3. This section sets out the external influences arising from third party actions, over which Council has little or no control, for example proposed changes in legislation or the introduction of new State government funded initiatives.
4. Reference has also been made to a report prepared by the MAV Economic Policy & Research Unit – “Local Government Cost Index Report” – which can be obtained at <http://www.mav.asn.au/about-local-government/local-government-finance/Pages/Cost-index.aspx>. This report argues that CPI does not properly reflect local government cost increases as a broad breakdown of the expenditure profile of local government indicates that 80% of cost increases are related to labour and 20% to non-residential construction costs. It suggests that a composite weighted index comprising Average Weekly Earnings and an index of materials costs may be more appropriate
5. Councils affected by a natural disaster will have damaged or destroyed non-current assets on which they will need to perform impairment tests to ensure carrying values are correct. Repair of these assets and receipt of compensation will occur over a number of years, therefore care should be taken to identify the reporting periods in which these transactions will occur when preparing the Income Statement and Balance Sheet for the 2015/16 budget and Strategic Resource Plan.

LGV released “Accounting for Natural Disasters – a guide” in July 2011 to assist councils with the required accounting recognition, measurement and disclosure requirements that may arise as a result of a natural disaster. The guide states that, where compensation is received in respect of a written-off asset, the impairment and derecognition of the asset and the expected compensation cannot be netted off. They need to be treated as separate transactions particularly as the loss

Commentary – Budget influences

resulting in the impairment may occur in one reporting period with the receipt of compensation occurring in a subsequent reporting period.

Internal influences

6. This section sets out the internal influences arising from Council actions over which it does have some element of control, for example the approval of unbudgeted capital expenditure in the current year or matters expected to arise in the following year such as bringing a major outsourced service in-house.
7. In order to properly identify the internal influences expected to significantly impact on the Budget, it is recommended that an analysis of forecast actual versus budgeted results be carried out for the current year. This analysis should cover the following key elements:
 - (a) Operating performance
 - (b) Cash performance
 - (c) Capital performance.

Budget principles

8. This section sets out the budget principles which have been established to guide the budget preparation as a result of the desired Council Plan outcomes and the significant influences. Only the major budget principles should be included to enable the reader to quickly determine how the budgeted income and expenditure has been determined in light of the significant influences and what measures have been taken to ensure the optimal outcome for Council.

Budget analysis

4. Analysis of operating budget

This section analyses the operating budget including expected income and expenses of the Council for the 2015/16 year.

4.1 Budgeted income statement¹⁻³

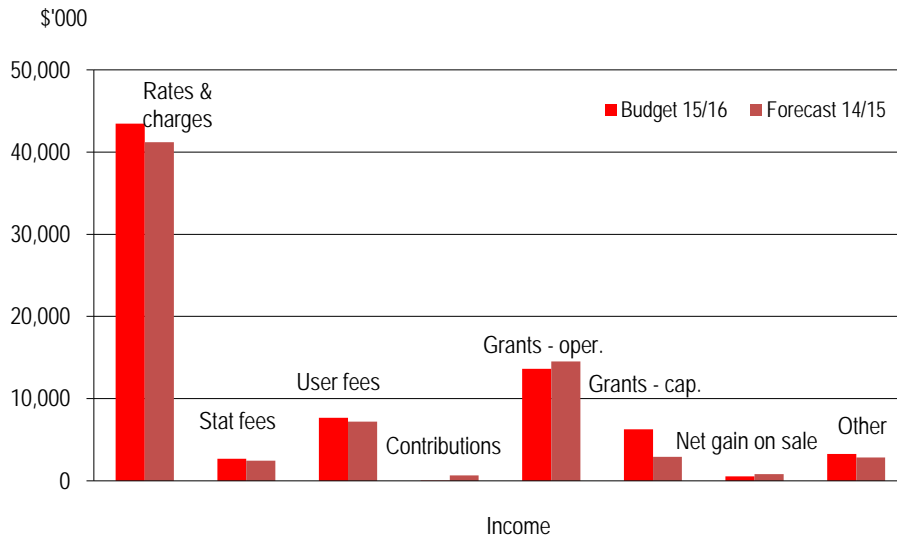
| | Ref | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|--|--------------|---|-----------------------------|--------------------|
| Total income | 4.2 | 72,571 | 77,574 | 5,003 |
| Total expenses | 4.3 | (74,493) | (76,529) | (2,036) |
| Surplus (deficit) for the year | | (1,922) | 1,045 | 2,967 |
| Grants – capital non-recurrent | 4.2.6 | (2,093) | (5,447) | (3,354) |
| Contributions - non-monetary assets | | 0 | 0 | 0 |
| Capital contributions - other sources | 4.2.4 | (661) | (51) | 610 |
| Adjusted underlying surplus (deficit) | 4.1.1 | (4,676) | (4,453) | 223 |

4.1.1 Adjusted underlying deficit (\$0.22 million decrease)

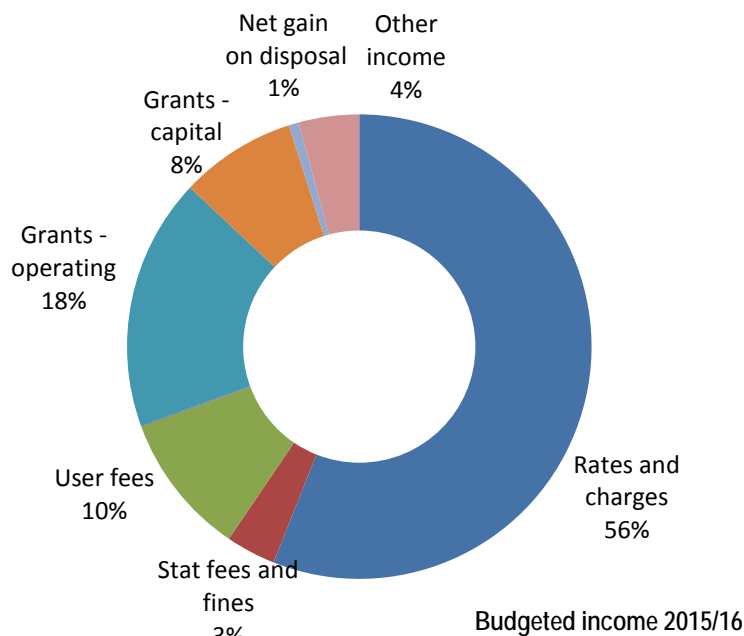
The adjusted underlying result is the net surplus or deficit for the year adjusted for non-recurrent capital grants, non-monetary asset contributions, and capital contributions from other sources. It is a measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by capital income items which can often mask the operating result. The adjusted underlying result for the 2015/16 year is a deficit of \$4.45 million which is a decrease of \$0.22 million from the 2014/15 year. In calculating the adjusted underlying result, Council has excluded grants received for capital purposes which are non-recurrent and capital contributions from other sources. Contributions of non-monetary assets are excluded as the value of assets assumed by Council is dependent on the level of development activity each year.

4.2 Income^{4-7,11}

| Income Types | Ref | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|---|-------|---|-----------------------------|--------------------|
| Rates and charges | 4.2.1 | 41,195 | 43,457 | 2,262 |
| Statutory fees and fines | 4.2.2 | 2,445 | 2,690 | 245 |
| User fees | 4.2.3 | 7,198 | 7,680 | 482 |
| Contributions - monetary | 4.2.4 | 661 | 51 | (610) |
| Grants - operating | 4.2.5 | 14,523 | 13,617 | (906) |
| Grants – capital | 4.2.6 | 2,903 | 6,277 | 3,374 |
| Net gain on disposal of property, infrastructure, plant and equipment | 4.2.7 | 823 | 539 | (284) |
| Other income | 4.2.8 | 2,823 | 3,263 | 440 |
| Total income | | 72,571 | 77,574 | 5,003 |



Source: Appendix A



4.2.1 Rates and charges (\$2.26 million increase)

It is proposed that income raised by all rates and charges be increased by 5.5% or \$2.26 million over 2014/15 to \$43.46 million. This includes increases in general rates of 4.5%; Municipal Charge of 5.9%; kerbside waste charge of 5.0%; recycling waste charge of 13.4%; and forecasts supplementary rates to increase by \$0.23 million over 2014/15 to \$0.43 million. Section 9. Rating Information includes a more detailed analysis of the rates and charges to be levied for 2015/16. Information on rates and charges specifically required by the Regulations is included in Appendix B.

4.2.2 Statutory fees and fines (\$0.25 million increase)

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

Statutory fees are forecast to increase by 10.0% or \$0.25 million compared to 2014/15. Statutory Planning fees will increase by \$0.17 million due to the planned release of two major property

developments and increased activity in the building sector. Traffic Enforcement fees will also increase by \$0.06 million due to the appointment of an additional enforcement officer.

A detailed listing of statutory fees is included in Appendix D.

4.2.3 User fees (\$0.48 million increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include separate rating schemes, use of leisure, entertainment and other community facilities and the provision of human services such as family day care and home help services. In setting the budget, the key principle for determining the level of user charges has been to ensure that increases do not exceed CPI increases or market levels.

User charges are projected to increase by 6.7% or \$0.48 million over 2014/15. The main area contributing to the increase is leisure services (\$0.55 million) due to expected increased patronage of Council facilities. Council has also anticipated a reduction in fees from the Transfer Station (\$0.15 million) resulting from its temporary closure in the budget year. In addition, Council plans to increase user charges for all areas by 2.5% in line with expected inflationary trends over the budget period to maintain parity between user charges and the costs of service delivery.

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

4.2.4 Contributions - monetary (\$0.60 million decrease)

Contributions relate to monies paid by developers in regard to public resort and recreation, drainage and car parking in accordance with planning permits issued for property development.

Contributions are projected to decrease by \$0.60 million or 92.3% compared to 2014/15 due mainly to the completion of a number of major property developments within the municipality during the 2014/15 year.

4.2.5 Grants - operating (\$0.91 million decrease)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. Overall, the level of operating grants is projected to decrease by 6.2% or \$0.91 million compared to 2014/15. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

| Operating Grants | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|--|---|-----------------------------|--------------------|
| <i>Recurrent - Commonwealth Government</i> | | | |
| Victoria Grants Commission | 7,191 | 6,779 | (412) |
| Family day care | 365 | 522 | 157 |
| General home care | 2,930 | 3,165 | 235 |
| Other (*specify each type) | 600 | 400 | (200) |
| <i>Recurrent - State Government</i> | | | |
| Primary care partnerships | 80 | 240 | 160 |
| Aged care | 125 | 265 | 140 |
| School crossing supervisors | 240 | 240 | - |
| Libraries | 200 | 200 | - |
| Maternal and child health | 230 | 230 | - |
| Recreation | 200 | 200 | - |
| Community safety | 150 | 150 | - |
| Other (*specify each type) | 1,262 | 226 | (1,036) |
| Total recurrent grants | 13,573 | 12,617 | (956) |
| <i>Non-recurrent - Commonwealth Government</i> | | | |
| Drainage maintenance | 500 | - | (500) |
| Environmental planning | - | 500 | 500 |
| <i>Non-recurrent - State Government</i> | | | |
| Community health | 450 | - | (450) |
| Family and children | - | 500 | 500 |
| Total non-recurrent operating grants | 950 | 1,000 | 50 |
| Total operating grants | 14,523 | 13,617 | (906) |

Increases in specific operating grant funding reflect expected increased demand for these services. The reduction in Victoria Grants Commission (VGC) funding results from changes to the funding formula following a review of the basis of funding by the VGC. This decrease is contrary to the statewide increase of 3.4% or \$11 million in the \$324 million Commonwealth financial assistance grants paid to Victorian local governments – (Indicative allocation advice received from Victoria Grants Commission).

4.2.6 Grants - capital (\$3.37 million increase)

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Overall the level of capital grants has increased by 116.2% or \$3.37 million compared to 2014/15 due mainly to specific funding for some large capital works projects. Section 6. "Analysis of Capital Budget" includes a more detailed analysis of the grants and contributions expected to be received during the 2015/16 year. A list of capital grants by type and source, classified into recurrent and non-recurrent, is included below.

| Capital Grants | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|--|---|-----------------------------|--------------------|
| <i>Recurrent - Commonwealth Government</i> | | | |
| Roads to recovery | 810 | 830 | 20 |
| <i>Recurrent - State Government</i> | - | - | - |
| Total recurrent capital grants | 810 | 830 | 20 |
| <i>Non-recurrent - Commonwealth</i> | - | - | - |

| | | | |
|---|--------------|--------------|--------------|
| <i>Government</i> | | | |
| Buildings | 1,500 | 2,000 | 500 |
| Plant and machinery | - | 435 | 435 |
| Drainage | 593 | 560 | (33) |
| Footpaths | - | 161 | 161 |
| <i>Non-recurrent - State Government</i> | | | |
| Buildings | - | 2,291 | 2,291 |
| Total non-recurrent capital grants | 2,093 | 5,447 | 3,354 |
| Total capital grants | 2,903 | 6,277 | 3,374 |

4.2.7 Net gain on disposal of property, infrastructure, plant and equipment (\$0.29 million decrease)

Proceeds from the disposal of Council assets is forecast to be \$2.50 million for 2015/16 and relate mainly to the planned cyclical replacement of part of the plant and vehicle fleet (\$1.70 million) and sale of properties including surplus land and numerous rights-of-way throughout the municipality (\$0.80 million). The written down value of assets sold is forecast to be \$1.96 million.

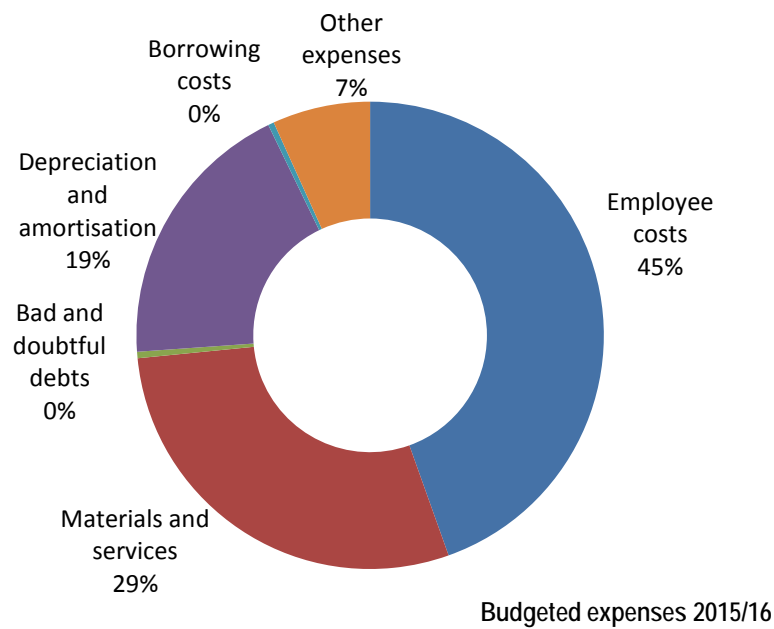
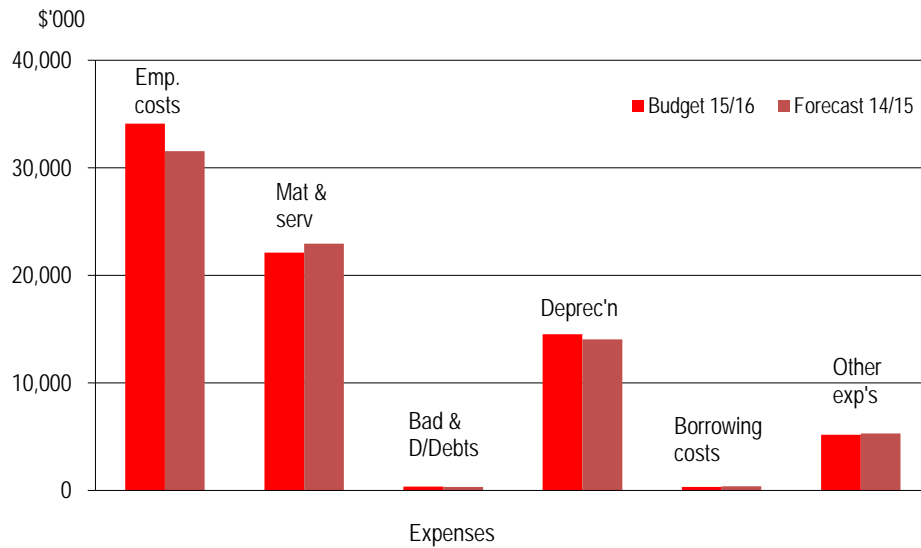
4.2.8 Other income (\$0.44 million increase)

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

Other income is forecast to increase by 15.6% or \$0.44 million compared to 2014/15. Interest on investments is forecast to decline by 10.0% or \$0.10 million compared to 2014/15. This is mainly due to a forecast reduction in Council's available cash reserves during 2015/16 to fund major infrastructure projects. Interest on unpaid rates is forecast to increase by \$0.03 million compared to 2014/15 following an expected increase in the level of unpaid rates during 2015/16. The increase in other income items is due mainly to an increased share of the operating surpluses from Council's outsourced leisure centres (\$0.20 million) and payments from the State Revenue Office for the purchase of valuation data (\$0.25 million).

4.3 Expenses⁸⁻¹¹

| Expense Types | Ref | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|-------------------------------|-------|---|-----------------------------|--------------------|
| Employee costs | 4.3.1 | 31,541 | 34,091 | 2,550 |
| Materials and services | 4.3.2 | 22,937 | 22,107 | (830) |
| Bad and doubtful debts | 4.3.3 | 314 | 340 | 26 |
| Depreciation and amortisation | 4.3.4 | 14,034 | 14,500 | 466 |
| Borrowing costs | 4.3.5 | 380 | 312 | (68) |
| Other items of expense | 4.3.6 | 5,287 | 5,179 | (108) |
| Total expenses | | 74,493 | 76,529 | 2,036 |



Source: Appendix A

4.3.1 Employee costs (\$2.55 million increase)⁹

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

Employee costs are forecast to increase by 8.1% or \$2.55 million compared to 2014/15. This increase relates to three key factors:

- Renegotiation of Council's Enterprise Bargaining Agreement (EBA) which is estimated to cost \$1.30 million in 2015/16
- Increases in staff numbers resulting largely from Council's decision to re-commence in-house street cleansing following the expiry of the externally provided street cleansing contract during the 2014/15 year. The cost of this change to service delivery in 2015/16 will be \$0.77 million which will be offset by a saving in external contract costs
- Anticipated non EBA wages growth of 3.5% or \$0.48 million due mainly to small increases in staff numbers in Family Day Care and General Home Care in response to increased community demand for these services. As indicated above, additional funding will be available to cover the extension of these services.

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

| Department | Budget 2015/16 \$'000 | Comprises | |
|-----------------------------------|-----------------------------|----------------------------------|----------------------------------|
| | | Permanent Full time \$'000 | Permanent Part Time \$'000 |
| Asset Management | 2,500 | 2,000 | 500 |
| City Services | 7,200 | 7,000 | 200 |
| Community Services | 8,500 | 7,000 | 1,500 |
| Corporate Services | 4,400 | 4,000 | 400 |
| Culture and Leisure | 5,300 | 5,000 | 300 |
| Environment and Amenity | 1,900 | 1,000 | 900 |
| Strategy and Governance | 3,100 | 3,000 | 100 |
| Total permanent staff expenditure | 32,900 | 29,000 | 3,900 |
| Casuals and other expenditure | 1,191 | | |
| Capitalised Labour costs | 0 | | |
| Total expenditure | 34,091 | | |

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

| Department | Budget FTE | Comprises | |
|--------------------------|---------------|------------------------|------------------------|
| | | Permanent Full time | Permanent Part Time |
| Asset Management | 41.6 | 33.3 | 8.3 |
| City Services | 120.0 | 116.7 | 3.3 |
| Community Services | 141.7 | 116.7 | 25.0 |
| Corporate Services | 73.4 | 66.7 | 6.7 |
| Culture and Leisure | 88.3 | 83.3 | 5.0 |
| Environment and Amenity | 31.7 | 16.7 | 15.0 |
| Strategy and Governance | 52.1 | 50.4 | 1.7 |
| Total permanent staff | 548.8 | 483.8 | 65.0 |
| Casuals and other | 19.9 | | |
| Capitalised Labour costs | 0.0 | | |
| Total staff | 568.7 | | |

The most significant increases in employee costs by service unit are summarised below:

| Department | Service Unit | Forecast | Budget 2015/16 \$'000 | Variance \$'000 |
|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------|
| | | Actual 2014/15 \$'000 | | |
| City Services | Street cleansing | 0 | 772 | 772 |
| | Collection services | 1,089 | 1,503 | 414 |
| | Parks and gardens | 2,168 | 2,280 | 112 |
| Strategy and Governance | Statutory planning | 690 | 866 | 176 |
| Community Services | Home support | 427 | 654 | 227 |
| | Maternal and child health | 940 | 1,031 | 91 |
| Culture and Leisure | Urban design | 134 | 245 | 111 |

4.3.2 Materials and services (\$0.83 million decrease)

Materials and services include the purchases of consumables, payments to contractors for the provision of services and utility costs. Materials and services are forecast to decrease by 3.6% or \$0.83 million compared to 2014/15.

Consumables is forecast to increase by \$0.47 million or 13.8% compared to 2014/15 and relates mainly to an increase in fuel costs to operate the Council's plant and vehicle fleet as a result of significant increases in diesel and petrol prices.

External contracts are forecast to decrease by 9.0% or \$1.40 million compared to 2014/15. The main areas contributing to this decrease are the cessation of the Street Cleansing contract (\$1.60 million) and Environmental Health (\$0.31 million) as a result of a change in the *Food Act 1984* requirements. These have been offset by expected increases in contracts relating to Primary Care Partnerships (\$0.24 million) due to an expansion of the service, Council elections (\$0.21 million), Facilities Maintenance (\$0.13 million) due to Council requests to increase maintenance levels and Family Day Care (\$0.11 million) due to additional contract staff required to meet anticipated increases in demand for the service.

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 2.1% or \$0.08 million compared to 2014/15 resulting from expected additional street lighting costs following an unfavourable renegotiation of Council's electricity contract with its supplier.

4.3.3 Bad and doubtful debts (\$0.03 million increase)

Bad and doubtful debts is projected to increase by \$0.03 million or 8.3% compared to 2014/15 due mainly to an increase in parking fines forwarded to the Infringements Court for collection and a consequent reduction in collection rates.

4.3.4 Depreciation and amortisation (\$0.47 million increase)

Depreciation is an accounting measure which attempts to allocate the value of an asset over its useful life for Council's property, plant and equipment including infrastructure assets such as roads and drains. The increase of \$0.47 million for 2015/16 is due mainly to the completion of the 2015/16 capital works program and the full year effect of depreciation on the 2014/15 capital works program. Refer to Section 6. 'Analysis of Capital Budget' for a more detailed analysis of Council's capital works program for the 2015/16 year.

4.3.5 Borrowing costs (\$0.07 million decrease)

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

4.3.6 Other items of expense (\$0.11 million decrease)

Other items of expense relate to a range of unclassified items including contributions to community groups, advertising, insurances, motor vehicle registrations and other miscellaneous expenditure items. Other expenses are forecast to decrease by 2.0% or \$0.11 million compared to 2014/15. This

is mainly due to a reduction in Council's contribution to the XYZ Children's Services Association due to a change in government funding arrangements.

Commentary – Analysis of operating budget

Purpose of analysis of operating budget

1. The purpose of analysis of the operating budget is to provide an understanding to the community of the key income and expense items making up the current year forecast and forthcoming year operating budget introduced in the Executive Summary. The analysis of the operating budget should include as a minimum, an analysis of significant items and movements in the following:
 - (a) Income
 - (b) Expenses
 - (c) Adjusted underlying result.

Consistency with annual reporting requirements

2. Income and expenses included in the annual budget and strategic resource plan should be measured consistently against the requirements of the Act and relevant accounting standards. Failure to do this will confuse readers and make comparison of actual and budgeted operating results difficult. This means that rate determination information should not be used. In order to achieve full consistency between the budget report and the annual report, the presentation of income and expense items in the budget report should apply the same categories as disclosed in the Income Statement and comply with Council's accounting policies as set out in the annual report. Under regulation 9(b) of the Regulations, the financial statements are required to be prepared in the form set out in the Local Government Model Financial Report which will ensure consistency between the format and presentation of the financial statements in the budget and annual report.

Adjusted underlying result

3. This section should include a reconciliation of the surplus (deficit) for the year to the adjusted underlying result showing the reconciling items separately. It is relevant to consider this reconciliation as the surplus (deficit) can be masked by items relating to capital assets. The adjusted underlying result is therefore considered a better indicator of Council's financial sustainability and future capacity to expand services, fund debt repayment and complete its capital works program.

Adjusted underlying result and adjusted underlying revenue are defined in Schedule 3, Part 1 of the Regulations.

Adjusted underlying revenue is defined as total income other than:

- (a) Non-recurrent grants used to fund capital expenditure; and
- (b) Non-monetary asset contributions; and
- (c) Contributions to fund capital expenditure from sources other than those referred to in (a) and (b).

Adjusted underlying surplus (or deficit) means adjusted underlying revenue less total expenditure.

The adjusted underlying result terminology and definition contained in the Regulations differs from the underlying surplus as determined by the Victorian Auditor General in his report "Local Government: Results of the 2012-13 Audits" issued in December 2013. The VAGO calculation of underlying result subtracts non-cash developer contributions and other one-off (non-recurring) adjustments from the revenue and surplus.

Income

4. This section should include a detailed analysis of the significant income items comprising the total income to be generated by Council. It should include the following:
 - (a) A comparison in tabular form of the current year forecast actual, forthcoming year budget and variance for each income item
 - (b) Disclosure of the information provided in (a) graphically to assist those readers who are not trained in the analysis and interpretation of financial information
 - (c) An analysis of the significant variances (+/-10%) between the current year forecast and forthcoming year budget, which briefly summarises in narrative form the underlying reasons for the variances. The analysis should include the key elements making up the variances.
5. If an item has been considered elsewhere in the budget it should be referenced to that section (for example, rates – rating information). Where an item is so significant as to warrant more than a brief explanation, the detailed explanation should be included as an appendix and referenced to a brief

Commentary – Analysis of operating budget

explanation in this section.

6. Net gain on sale of assets has been included as income in the example presented. If a net loss on sale of assets is budgeted then this should be presented as an expense in table 4.3.
7. Regulation 10(f) of the Regulations require that the budget includes a list of grants by type and source, classified as to recurrent grants to be used to fund operating expenditure, recurrent grants to be used to fund capital expenditure, non-recurrent grants to be used to fund operating expenditure, or non-recurrent grants to be used to fund capital expenditure.

Expenses

8. This section should include a detailed analysis of the significant expense items comprising the total expenses to be incurred by Council. It should include the following:
 - (a) A comparison in tabular form of the current year forecast actual, forthcoming year budget and variance for each expense item
 - (b) Disclosure of the information provided in (a) graphically to assist those readers who are not trained in the analysis and interpretation of financial information
 - (c) An analysis of the significant variances (+/-10%) between the current year forecast and forthcoming year budget, which briefly summarises in narrative form the underlying reasons for the variances. The analysis should include the key elements making up the variances.
9. If an item has been considered elsewhere in the budget it should be referenced to that section (for example, borrowing costs – borrowing strategy). Where an item is so significant as to warrant more than a brief explanation, it should be included as an appendix and referenced to a brief explanation in this section.
10. Regulations 7(b) and (c) and 10(d) and (e) of the Regulations require the budget and Strategic Resource Plan of a Council to include a Statement of Human Resources and summary information about the planned number of staff and expenditure. The summary of human resources expenditure and full time equivalent staff is categorised according to the Council's organisational structure and classified separately as to permanent full time and permanent part time. It is suggested that this information be included in this section as part of the analysis of employee costs expenditure within the operating budget. Casual staff expenditure and FTE is shown as a separate line within the summary included at Section 4.3.1 in order that that total here reconciles to total employee costs. The human resources expenditure shown in the comprehensive income statement and that shown in the Statement of Human Resources may differ where human resources expenditure is capitalised to capital works projects. The Statement of Human Resources is included in Appendix A of this Guide.

Unusual income and expenses

11. It is common for councils to have unusual items of income and expenses. These should not be ignored in the budget process. Councils should make reasonable estimates of these items and include them in the budget. Typical items which are likely to fit into these categories include:
 - (a) Recognition of assets not previously recognised by councils
 - (b) Contributions of subdivisional and other infrastructure by external parties at no cost to Council.

5. Analysis of budgeted cash position¹⁻²

This section analyses the expected cash flows from the operating, investing and financing activities of Council for the 2015/16 year. Budgeting cash flows for Council is a key factor in setting the level of rates and providing a guide to the level of capital expenditure that can be sustained with or without using existing cash reserves.

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

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

5.1 Budgeted cash flow statement³⁻⁹

| | Ref | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|--|-------|---|-----------------------------|--------------------|
| Cash flows from operating activities | 5.1.1 | | | |
| <i>Receipts</i> | | | | |
| Rates and charges | | 41,410 | 43,357 | 1,947 |
| User fees and fines | | 10,044 | 10,370 | 326 |
| Grants - operating | | 13,313 | 13,617 | 304 |
| Grants - capital | | 2,903 | 6,277 | 3,374 |
| Interest | | 2,044 | 1,820 | (224) |
| Trust funds and deposits taken | | 50 | 0 | (50) |
| Other receipts | | 3,172 | 1,494 | (1,678) |
| | | 72,936 | 76,935 | 3,999 |
| <i>Payments</i> | | | | |
| Employee costs | | (31,185) | (33,841) | (2,656) |
| Other payments | | (29,829) | (27,635) | 2,194 |
| | | (61,014) | (61,476) | (462) |
| Net cash provided by operating activities | | 11,922 | 15,459 | 3,537 |
| Cash flows from investing activities | 5.1.2 | | | |
| Proceeds from sales of property, infrastructure, plant and equipment | | 1,664 | 3,741 | 2,077 |
| Repayment of loans and advances | | 10 | 199 | 189 |
| Payments for property, infrastructure, plant and equipment | | (21,007) | (29,195) | (8,188) |
| Net cash used in investing activities | | (19,333) | (25,255) | (5,922) |
| Cash flows from financing activities | 5.1.3 | | | |
| Finance costs | | (380) | (312) | 68 |
| Proceeds from borrowings | | 0 | 0 | 0 |
| Repayment of borrowings | | (1,161) | (1,161) | 0 |
| Net cash used in financing activities | | (1,541) | (1,473) | 68 |
| Net decrease in cash and cash equivalents | | (8,952) | (11,269) | (2,317) |
| Cash and cash equivalents at the beginning of the year | | 32,428 | 23,476 | (8,952) |
| Cash and cash equivalents at end of the year | 5.1.4 | 23,476 | 12,207 | (11,269) |

Source: Appendix A

5.1.1 Operating activities (\$3.59 million increase)

The increase in cash inflows from operating activities is due mainly to a \$3.37 million increase in capital grants to fund the capital works program and a \$1.95 million increase in rates and charges, which is in line with the rate increase of 3.9%.

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

| | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|--|---|-----------------------------|--------------------|
| Surplus (deficit) for the year | (1,922) | 1,045 | 2,967 |
| Depreciation | 14,034 | 14,500 | 466 |
| Loss (gain) on disposal of property, infrastructure, plant and equipment | 417 | (1,778) | (2,195) |
| Net movement in current assets and liabilities | (607) | 1,692 | 2,349 |
| Cash flows available from operating activities | 11,922 | 15,459 | 3,537 |

5.1.2 Investing activities (\$5.97 million increase)

The large increase in payments for investing activities represents the planned large increase in capital works expenditure disclosed in Section 10 of this budget report. Proceeds from sale of assets are forecast to increase by \$2.1 million due to settlement of land sales achieved during 2014/15.

5.1.3 Financing activities (\$0.07 million decrease)

For 2015/16 the total of principal repayments is projected to be \$1.16 million and finance charges is projected to be \$0.31 million.

5.1.4 Cash and cash equivalents at end of the year (\$11.27 million decrease)

Overall, total cash and investments is forecast to decrease by \$11.27 million to \$12.21 million as at 30 June 2016, reflecting Council's strategy of using excess cash and investments to enhance existing and create new infrastructure. This is consistent with Council's Strategic Resource Plan (see Section 8), which forecasts a significant reduction in the capital works program from 2015/16 onwards to balance future cash budgets.

5.2 Restricted and unrestricted cash and investments¹⁰⁻¹⁴

Cash and cash equivalents held by Council are restricted in part, and not fully available for Council's operations. The budgeted cash flow statement above indicates that Council is estimating at 30 June 2016 it will have cash and investments of \$12.21 million, which has been restricted as shown in the following table.

| | Ref | Forecast Actual 2015 \$'000 | Budget 2016 \$'000 | Variance \$'000 |
|--|-------|--------------------------------------|--------------------------|--------------------|
| Total cash and investments | | 23,476 | 12,207 | (11,269) |
| Restricted cash and investments | | | | |
| - Statutory reserves | 5.2.1 | (936) | (894) | 42 |
| - Cash held to fund carry forward capital works | 5.2.2 | (6,569) | - | 6,569 |
| - Trust funds and deposits | | - | - | - |
| Unrestricted cash and investments | 5.2.3 | 15,971 | 11,313 | (4,658) |
| - Discretionary reserves | 5.2.4 | (8,461) | (3,908) | 4,553 |
| Unrestricted cash adjusted for discretionary reserves | 5.2.5 | 7,510 | 7,405 | (105) |

5.2.1 Statutory reserves (\$0.89 million)

These funds must be applied for specified statutory purposes in accordance with various legislative requirements. While these funds earn interest revenues for Council, the funds are not available for other purposes.

5.2.2 Cash held to fund carry forward capital works

There is no amount shown as cash held to fund carry forward works at 30 June 2016, as it is expected that the capital works budget in the 2015/16 financial year will be fully expended. An amount of \$6.57 million is forecast to be held at 30 June 2015 to fund capital works budgeted but not completed in the 2014/15 financial year. Section 6.2 contains further details on capital works funding.

5.2.3 Unrestricted cash and investments (\$11.31 million)

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

5.2.4 Discretionary reserves (\$3.91 million)

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

5.2.5 Unrestricted cash adjusted for discretionary reserves (\$7.41 million)

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

Commentary – Analysis of budgeted cash position

Purpose of analysis of budgeted cash position

1. The purpose of this section is to provide an analysis of the cash inflows and outflows forecast for the forthcoming year and the overall change in cash and investments for that year. The analysis of budgeted cash position should include as a minimum, an analysis of the following key points:
 - (a) Cash flow statement
 - (b) Restricted funds and working capital
 - (c) Reconciliation of cash and operating results.

The analysis needs to clearly show how cash and investments are committed and the level of uncommitted funds. This should be driven by the Strategic Resource Plan.

2. The cash flow statement is the key financial management tool for establishing cash requirements for both short and long term needs. Linking the balance sheet for the year to the Strategic Resource Plan can best do this. It is essential that where Council is setting a 'deficit budget' (where there is a budgeted decrease in total cash and investments as disclosed in the Cash Flow Statement) it can be clearly demonstrated that the deficit is sustainable in the longer term.

Preparation of cash flow statements

3. The budgeted cash position should be prepared in accordance with AASB 107 Statement of Cash Flows. However, in order to do this in practice it will be necessary to prepare a Balance Sheet as at the end of the budget period, since adjustments will need to be made to assets and liabilities as well as income and expenditure to remove non-cash items such as accruals, depreciation, etc. in order to determine cash inflows and outflows. Refer to commentary in Section 7 for guidance on how to prepare a Balance Sheet.
4. In order to enable a meaningful comparison of cash flow against budget, it is necessary to forecast expected cash flows on at least a quarterly basis. This will enable an effective variance analysis to be undertaken and if necessary corrective action to take place. Quarterly cash flow budgets are used for financial management and quarterly reporting purposes and this level of detail is not considered necessary for the budget document. With only an annual cash flow budget, variance analysis cannot take place until the end of the year.

Commentary – Analysis of budgeted cash position

Analysis of operating activities

5. This section should include an analysis of the significant operating cash flow variances between the current year forecast and the budget year.

Analysis of investing activities

6. This section should include an analysis of the significant investing cash flow variances between the current year forecast and the budget year. This would include payments made in relation to the capital works program and proceeds from the sale of assets. A distinction should be made here between capital works and capital expenditure. It is the latter, which must be reflected in the cash flow statement. This section will also include cash flows arising from repayable advances to community organisations and the like.

Analysis of financing activities

7. This section should include an analysis of the significant financing cash flow variances between the current year forecast and the budget year. This would include payments made in respect of loan redemption, leases and proceeds from new borrowings. A reference should be made here to Section 10.1 Borrowing Strategy where new borrowings are being raised or existing borrowings are being repaid.

Analysis of cash and cash equivalents at the end of the year

8. This section should include an analysis of the total change in cash and investments for the year and the closing cash balance. As mentioned above, a reference should be made here to Section 8 Strategic Resource Plan stating that the budgeted change in cash is sustainable, particularly where there is a significant net decrease in cash and investments.

Reconciliation of surplus (deficit) for the year and net cash from operating activities

9. This section should include a reconciliation of the items which make up the difference between the surplus (deficit) and net cash from operating activities for the year for the forecast actual, the current year and the new budget year. It is relevant to consider this reconciliation since it highlights non-cash items and timing differences in cash inflows and outflows, which may not be apparent in the consideration of the surplus (deficit) or cash result alone. It also identifies the key elements contributing to the cash generated from operations and how they will be used throughout the year, including key shifts in the allocation of funding to the repayment of loans, unrestricted cash and investments and capital expenditure. It also provides a means of identifying clearly the impact of the capital expenditure program and whether council is living within its means.

Restricted and unrestricted cash and investments

10. The closing cash balance at the end of the budget year should be notionally allocated between restricted and unrestricted cash and investments. The purpose of this distinction is to show the reader what portion of the cash and investments balance is discretionary (can be used for any purpose) and where it is tied to a particular purpose.
11. Schedule 3 of the Regulations define restricted cash as cash and cash equivalents, within the meaning of AASB 107, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year. Unrestricted cash is defined as all cash and cash equivalents other than restricted cash.
12. Traditionally, statutory and discretionary reserves have been represented by reserves in the equity section of the Balance Sheet. However, it is not necessary to create equity reserves in this way and the legislation, regulation or resolution imposing the restriction merely requires that these cash assets not be used for any other purposes.
13. It is important that the closing cash balance at the end of the budget year includes all cash and short term investments available for the Council to meet operating obligations. In some cases this may mean the inclusion of balances that do not meet the definition of cash. However, the benefits are that the reader can make a total assessment of the cash and short term investment position of the Council.
14. Care should be exercised in drawing incorrect conclusions from an adverse cash flow position in any one year as this should be considered in the context of the Strategic Resource Plan.

6. Analysis of capital budget¹⁻³

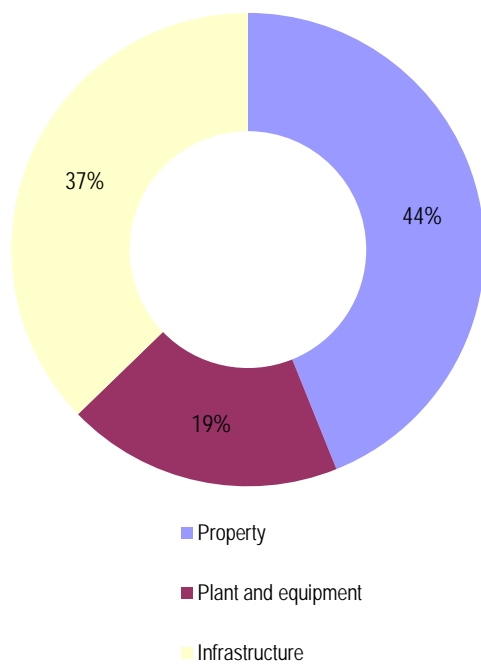
This section analyses the planned capital works expenditure budget for the 2015/16 year and the sources of funding for the capital budget. Further detail on the capital works program can be found in Appendix C.

6.1 Capital works expenditure⁴⁻⁶

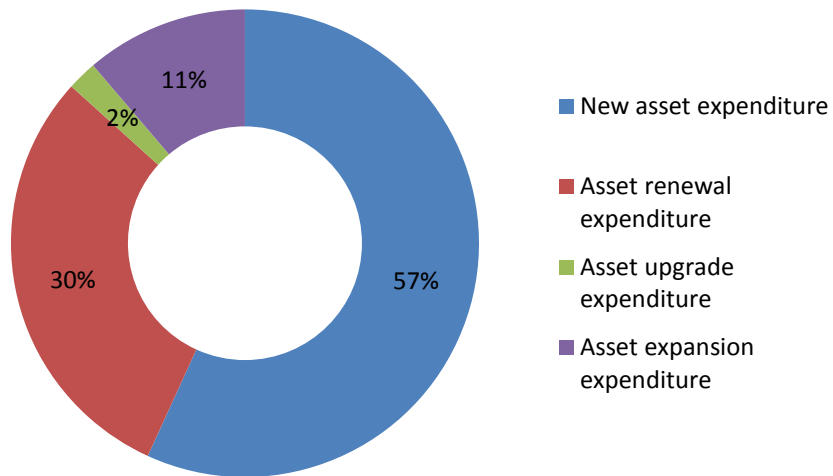
| Capital Works Areas | Ref | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|---------------------------------------|-------|---|-----------------------------|--------------------|
| Works carried forward | 6.1.1 | | | |
| Property | | | | |
| Land | | 0 | 0 | 0 |
| Land improvements | | 0 | 0 | 0 |
| Total land | | 0 | 0 | 0 |
| Buildings | | 5,384 | 5,054 | (330) |
| Heritage buildings | | 0 | 0 | 0 |
| Building improvements | | 0 | 0 | 0 |
| Leasehold improvements | | 0 | 0 | 0 |
| Total buildings | | 0 | 0 | 0 |
| Total property | | 5,384 | 5,054 | (330) |
| Plant and equipment | | | | |
| Plant, machinery and equipment | | 168 | 158 | (10) |
| Computers and telecommunications | | 849 | 797 | (52) |
| Library books | | 0 | 0 | 0 |
| Fixtures, fittings and furniture | | 0 | 0 | 0 |
| Total plant and equipment | | 1,017 | 955 | (62) |
| Infrastructure | | | | |
| Roads | | 444 | 417 | (27) |
| Bridges | | 0 | 0 | 0 |
| Footpaths and cycleways | | 356 | 334 | (22) |
| Drainage | | 250 | 235 | (15) |
| Rec, leisure and community facilities | | 11 | 10 | (1) |
| Waste management | | 0 | 0 | 0 |
| Parks, open space and streetscapes | | 53 | 50 | (3) |
| Off street car parks | | 37 | 35 | (2) |
| Other infrastructure | | 38 | 35 | (3) |
| Total infrastructure | | 1,189 | 1,116 | (73) |
| Total works carried forward | | 7,590 | 7,125 | (465) |
| New works | | | | |
| Property | 6.1.2 | | | |
| Land | | 0 | 0 | 0 |
| Land improvements | | 0 | 0 | 0 |
| Total land | | 0 | 0 | 0 |
| Buildings | | 5,295 | 8,314 | 3,019 |
| Heritage buildings | | 0 | 0 | 0 |
| Building improvements | | 75 | 117 | 42 |
| Leasehold improvements | | 0 | 0 | 0 |
| Total buildings | | 0 | 0 | 0 |
| Total property | | 5,370 | 8,431 | 3,061 |
| Plant and equipment | 6.1.3 | | | |
| Plant, machinery and equipment | | 1,924 | 3,021 | 1,097 |
| Computers and telecommunications | | 838 | 1,315 | 477 |
| Library books | | 318 | 500 | 182 |
| Total plant and equipment | | 3,080 | 4,836 | 1,756 |
| Infrastructure | 6.1.4 | | | |
| Roads | | 3,154 | 4,950 | 1,796 |

| | | | | |
|--|-------|---------------|---------------|--------------|
| Bridges | | 6 | 10 | 4 |
| Footpaths and cycleways | | 221 | 347 | 126 |
| Drainage | | 1,051 | 1,650 | 599 |
| Rec, leisure and community facilities | | 394 | 619 | 225 |
| Parks, open space and streetscapes | | 1,633 | 2,564 | 931 |
| Off street car parks | | 51 | 80 | 29 |
| Other infrastructure | | 67 | 105 | 38 |
| Total infrastructure | | 6,577 | 10,325 | 3,748 |
| Total new works | | 15,027 | 23,592 | 8,565 |
| Total capital works expenditure | | 22,617 | 30,717 | 8,100 |
| Represented by: | | | | |
| New asset expenditure | 6.1.5 | 6,850 | 9,176 | 2,326 |
| Asset renewal expenditure | 6.1.5 | 12,225 | 17,454 | 5,229 |
| Asset upgrade expenditure | 6.1.5 | 1,352 | 632 | (720) |
| Asset expansion expenditure | 6.1.5 | 2,190 | 3,455 | 1,265 |
| Total capital works expenditure | | 22,617 | 30,717 | 8,100 |

Budgeted capital works 2015/16



Budgeted capital works 2015/16



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

6.1.1 Carried forward works (\$7.13 million)

At the end of each financial year there are projects which are either incomplete or not commenced due to factors including planning issues, weather delays and extended consultation. For the 2014/15 year it is forecast that \$7.13 million of capital works will be incomplete and be carried forward into the 2015/16 year. The more significant projects include the Civic Precinct redevelopment (\$0.75 million) and the Newlands Community Facility (\$3.00 million).

6.1.2 Property (\$8.43 million)

The property class comprises buildings and building improvements including community facilities, municipal offices, sports facilities and pavilions.

For the 2015/16 year, \$8.43 million will be expended on building and building improvement projects. The more significant projects include pavilion upgrades (\$0.32 million), Victorian Community Facility (\$1.20 million), redevelopment of the City Children's Centre (\$0.25 million), construction of a Velodrome and State Bowls Centre at Victoria Park (\$4.00 million) and completion of the Block Arcade redevelopment (\$0.97 million).

6.1.3 Plant and equipment (\$4.84 million)

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

For the 2015/16 year, \$4.84 million will be expended on plant, equipment and other projects. The more significant projects include ongoing cyclical replacement of the plant and vehicle fleet (\$3.02 million), upgrade and replacement of information technology (\$1.32 million) and library material purchases (\$0.50 million).

6.1.4 Infrastructure (\$10.33 million)

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

For the 2015/16 year, \$4.95 million will be expended on road projects. The more significant projects include local road reconstructions (\$1.80 million), federally funded Roads to Recovery projects (\$0.81 million), road resheeting (\$0.80 million), road safety (\$0.51 million), and Integrated Transport Plan (\$0.22 million).

\$1.65 million will be expended on drainage projects. The more significant of these include road drainage replacement works (\$0.87 million), Stage 1 of the Victoria Park Lake redevelopment (\$0.50 million) and implementation of the Stormwater Management Plan (\$0.22 million).

\$2.56 million will be expended on parks, open space and streetscapes, including \$1.90 million for the completion of Victoria Park.

Other new infrastructure expenditure includes \$0.01 million on bridges, \$0.35 million on footpaths and cycleways, \$0.62 million on recreational, leisure and community facilities, \$0.08 million on car parks and \$0.11 million on other infrastructure.

6.1.5 Asset renewal (\$17.45 million), new assets (\$9.18 million), upgrade (\$0.63 million) and expansion (\$3.46 million)

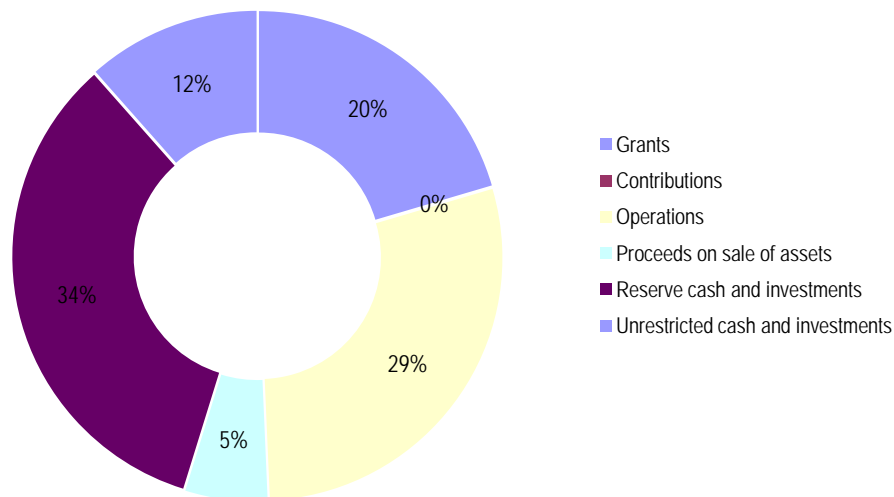
A distinction is made between expenditure on new assets, asset renewal, upgrade and expansion. Expenditure on asset renewal is expenditure on an existing asset, or on replacing an existing asset that returns the service of the asset to its original capability. Expenditure on new assets does not have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

The major projects included in the above categories, which constitute expenditure on new assets, are the Victorian Community Facility (\$1.20 million), construction of a Velodrome and State Bowls Centre at Victoria Park (\$4.00 million) and information technology purchases (\$1.11 million). The remaining capital expenditure represents renewals and expansion/upgrades of existing assets.

6.2 Funding sources⁷⁻⁸

| Sources of Funding | Ref | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Variance \$'000 |
|-------------------------------------|-------|---|-----------------------------|--------------------|
| Works carried forward | | | | |
| Current year funding | | | | |
| Grants | | 527 | 461 | (66) |
| Contributions | | - | - | - |
| Borrowings | | - | - | - |
| Council cash | | | | |
| - operations | | - | - | - |
| - proceeds on sale of assets | | 105 | 95 | (10) |
| - reserve cash and investments | | 5,851 | 3,752 | (2,099) |
| - unrestricted cash and investments | | 1,107 | 2,817 | 1,710 |
| Total works carried forward | 6.2.1 | 7,590 | 7,125 | (465) |
| New works | | | | |
| Current year funding | | | | |
| Grants | 6.2.2 | 2,376 | 5,816 | 3,440 |
| Contributions | | - | - | - |
| Borrowings | | - | - | - |
| Council cash | | | | |
| - operations | 6.2.3 | 8,589 | 8,870 | 281 |
| - proceeds from sale of assets | 6.2.4 | 1,024 | 1,586 | 562 |
| - reserve cash and investments | 6.2.5 | 1,826 | 6,596 | 4,770 |
| - unrestricted cash and investments | 6.2.6 | 1,212 | 724 | (488) |
| Total new works | | 15,027 | 23,592 | 8,565 |
| Total funding sources | | 22,617 | 30,717 | 8,100 |

Budgeted total funding sources 2015/16



Source: Appendix A

6.2.1 Carried forward works (\$7.13 million)

At the end of each financial year there are projects which are either incomplete or not commenced due to factors including planning issues, weather delays and extended consultation. For the 2014/15 year it is forecast that \$7.13 million of capital works will be incomplete and be carried forward into the 2015/16 year. Significant funding includes grants for the Municipal Offices (\$0.15 million) and reserve cash and investments for the Municipal Offices (\$0.75 million) and Newland Centre (\$3.00 million).

6.2.2 Grants (\$5.82 million)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Significant grants and contributions are budgeted to be received for the State Bowls Centre and Training Velodrome (\$4.00 million), Roads to Recovery projects (\$0.81 million), Victoria Park Lake (\$0.43 million) and Compressed Natural Gas Conversion (\$0.34 million).

6.2.3 Council cash - operations (\$8.87 million)

Council generates cash from its operating activities, which is used as a funding source for the capital works program. It is forecast that \$8.87 million will be generated from operations to fund the 2015/16 capital works program. This amount equates to the cash generated from operating activities of \$15.46 million as set out in Section 5. 'Analysis of Budgeted Cash Position' adjusted for capital grants of \$6.28 million and borrowing costs of \$0.31 million.

6.2.4 Council cash - proceeds from sale of assets (\$1.59 million)

Proceeds from sale of assets include motor vehicle sales in accordance with Council's fleet renewal policy of \$1.59 million.

6.2.5 Council cash - reserve cash and investments (\$6.60 million)

Council has significant cash reserves, which it is currently using to fund its annual capital works program. The reserves include monies set aside for specific purposes such as Golf Course Renewal and non-specific reserves such as the Building Replacement Reserve. For 2015/16 \$6.60 million will be used to fund part of the new capital works program including the landfill (\$1.90 million), Victoria Civic Centre (\$3.60 million), Plant Replacement (\$1.00 million), Victoria Arcade (\$0.87 million) and the Victoria Civic Precinct (\$0.10 million).

6.2.6 Council cash - unrestricted cash and investments (\$0.72 million)

In addition to reserve investments, Council has uncommitted cash and investments which represent unrestricted cash and investments and funds preserved from the previous year mainly as a result of grants and contributions being received in advance. It is forecast that \$0.72 million will be available from the 2014/15 year to fund new capital works in the 2015/16 year.

Commentary – Analysis of capital budget

Purpose of analysis of capital budget

1. The purpose of the analysis of the capital budget is to provide an understanding of the broad areas where projects are planned and the key funding sources as highlighted in the Chief Executive Officer's Summary. The analysis of the capital budget should include as a minimum, an analysis of the following:
 - (a) Description of the broad areas of proposed capital works
 - (b) Funding sources.
2. The Regulations require that the budget include a Statement of Capital Works, which must be in the form set out in the Local Government Model Financial Report. An example of such disclosure is shown in Appendix A. A more detailed analysis of the capital works program is also required by regulation 10(1)(a) of the Regulations and is provided in Appendix C.
3. Users of the Guide should also be aware of the requirements outlined in regulation 7(a) of the Regulations which requires the Strategic Resource Plan to contain a summary of planned capital works expenditure in relation to non-current assets by class (as contained in the model statement of capital works in the Local Government Model Financial Report) and classified separately as to asset expenditure type. Regulation 7(b) of the Regulations also requires the Strategic Resource Plan to contain a summary of funding sources in relation to the planned capital works expenditure classified separately as to grants, contributions, Council cash, and borrowings.

Commentary – Analysis of capital budget

Regulation 7 comes into operation on 1 July 2015 and therefore will apply to the 2015/16 forecast in the Strategic Resource Plan.

Capital works

4. This section should include an analysis of movements in the asset classes prescribed by the Regulations in which there will be significant activity as part of the capital works program. Regulation 10(1)(a) of the Regulations require that non-current assets are classified in accordance with the model statement of capital works in the Local Government Model Financial Report. This section should include the following:
 - (a) A comparison in tabular form of the current year forecast actual, forthcoming year budget and variance for each class of asset
 - (b) A graphic representation of the information provided in (a) to assist those readers who are not trained in the analysis and interpretation of financial information
 - (c) Classification of the capital works program between asset renewal, new, upgrade and expansion
 - (d) An analysis, which briefly summarises in narrative form the key elements of the asset class including details of the major projects.
5. At the time of preparing this publication, the asset categories set out in this section, and also in the statement of capital works in Appendix A and the more detailed disclosures in Appendix C, are based on the 2014/15 Local Government Model Financial Report and advice from LGV as to the form that will be required. Preparers of budgets should ensure that the classifications in their budget documents are in accordance with the final requirements set out by LGV.
6. Contrary to accepted practice, some councils still include in their capital works program items of both a capital and an operating nature. Capital expenditure is relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. A predetermined 'threshold' may be used which indicates the level of expenditure deemed to be material in accordance with Council's policy. Capital expenditure includes renewal, new, expansion and upgrade. Where capital projects involve a combination of renewal, new, expansion and upgrade expenditures, the total project cost needs to be allocated accordingly. Maintenance expenditure, by contrast, is expenditure which maintains an asset in efficient working order, or which is required for an asset to continue to operate for its expected useful life.

Funding sources

7. This section should include an analysis of the significant items making up the total funding sources prescribed by the Regulations for the capital works program. It should include the following:
 - (a) A comparison in tabular form of the current year forecast actual, forthcoming year budget and variance for each funding source
 - (b) A graphic representation of the information provided in (a) to assist those readers who are not trained in the analysis and interpretation of financial information
 - (c) An analysis which briefly summarises in narrative form the key elements of the funding source.
8. Regulation 10(1)(b) of the Regulations require capital works funding sources to be split between grants, contributions, borrowings and Council cash. The disclosures in this Guide provide a further breakdown of Council cash by showing how much of this has been generated from current year operations, asset sales, and equity cash & investments (from both cash-backed reserves and unrestricted). This additional level of disclosure is considered best practice.

7. Analysis of budgeted financial position¹⁻²

This section analyses the movements in assets, liabilities and equity between 2014/15 and 2015/16. It also considers a number of key financial performance indicators.

7.1 Budgeted balance sheet³⁻⁸

| | Ref | Forecast Actual 2014 \$'000 | Budget 2015 \$'000 | Variance \$'000 |
|---|-------|--------------------------------------|--------------------------|--------------------|
| Current assets | 7.1.1 | | | |
| Cash and cash equivalents | | 23,476 | 12,207 | (11,269) |
| Trade and other receivables | | 5,272 | 5,367 | 95 |
| Financial assets | | 6 | 6 | 0 |
| Other assets | | 1,440 | 200 | (1,240) |
| Total current assets | | 30,194 | 17,780 | (12,414) |
| Non-current assets | 7.1.1 | | | |
| Trade and other receivables | | 206 | 12 | (194) |
| Property, infrastructure, plant and equipment | | 501,795 | 514,527 | 12,732 |
| Total non-current assets | | 502,001 | 514,539 | 12,538 |
| Total assets | | 532,195 | 532,319 | 124 |
| Current liabilities | 7.1.2 | | | |
| Trade and other payables | | 5,880 | 5,880 | 0 |
| Interest-bearing loans and borrowings | | 1,161 | 1,161 | 0 |
| Provisions | | 5,510 | 5,714 | 204 |
| Total current liabilities | | 12,551 | 12,755 | 204 |
| Non-current liabilities | 7.1.2 | | | |
| Interest-bearing loans and borrowings | | 4,887 | 3,726 | (1,161) |
| Provisions | | 972 | 1,008 | 36 |
| Total non-current liabilities | | 5,859 | 4,734 | (1,125) |
| Total liabilities | | 18,410 | 17,489 | (921) |
| Net assets | | 513,785 | 514,830 | 1,045 |
| Equity | 7.1.4 | | | |
| Accumulated surplus | | 398,518 | 407,910 | 9,392 |
| Asset revaluation reserve | | 102,118 | 102,118 | 0 |
| Other reserves | | 13,149 | 4,802 | (8,347) |
| Total equity | | 513,785 | 514,830 | 1,045 |

Source: Appendix A

7.1.1 Current Assets (\$12.41 million decrease) and Non-Current Assets (\$12.54 million increase)

Cash and cash equivalents include cash and investments such as cash held in the bank and in petty cash and the value of investments in deposits or other highly liquid investments with short term maturities of three months or less. These balances are projected to decrease by \$11.27 million during the year mainly to fund the capital works program during the year.

Trade and other receivables are monies owed to Council by ratepayers and others. Short term debtors are not expected to change significantly in the budget. Long term debtors (non-current) relating to loans to community organisations will increase by \$0.09 million in accordance with agreed repayment terms.

Other assets includes items such as prepayments for expenses that Council has paid in advance of service delivery, inventories or stocks held for sale or consumption in Council's services and other revenues due to be received in the next 12 months. Accrued income is expected to reduce by \$1.24 million as land sales which became unconditional at the end of the 2014/15 year are paid.

Property, infrastructure, plant and equipment is the largest component of Council's worth and represents the value of all the land, buildings, roads, vehicles, equipment, etc which has been built up by Council over many years. The \$12.73 million increase in this balance is attributable to the net result of the capital works program (\$29.08 million of new assets), depreciation of assets (\$14.50 million) and the sale through sale of property, plant and equipment (\$1.85 million).

7.1.2 Current Liabilities (\$0.20 million increase) and Non-Current Liabilities (\$1.13 million decrease)

Trade and other payables are those to whom Council owes money as at 30 June. These liabilities are budgeted to remain consistent with 2014/15 levels.

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

Interest-bearing loans and borrowings are borrowings of Council. Council is budgeting to repay loan principal of \$1.16 million over the year.

7.1.3 Working Capital (\$12.62 million decrease)

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

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

| | Forecast Actual 2014 \$'000 | Budget 2015 \$'000 | Variance \$'000 |
|---|--------------------------------------|--------------------------|--------------------|
| Current assets | 30,194 | 17,780 | (12,414) |
| Current liabilities | 12,551 | 12,755 | (204) |
| Working capital | 17,643 | 5,025 | (12,618) |
| Restricted cash and investment current assets | | | |
| - Statutory reserves | (936) | (894) | 42 |
| - Cash held to fund carry forward capital works | (6,569) | - | 6,569 |
| - Trust funds and deposits | - | - | - |
| Unrestricted working capital | 10,138 | 4,131 | (6,007) |

In addition to the restricted cash shown above, Council is also projected to hold \$3.91 million in discretionary reserves at 30 June 2016. Although not restricted by a statutory purpose, Council has made decisions regarding the future use of these funds and unless there is a Council resolution these funds should be used for those earmarked purposes.

7.1.4 Equity (\$1.05 million increase)

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

- Asset revaluation reserve which represents the difference between the previously recorded value of assets and their current valuations
- Other reserves that are funds that Council wishes to separately identify as being set aside to meet a specific purpose in the future and to which there is no existing liability. These amounts are transferred from the Accumulated Surplus of the Council to be separately disclosed.

- Accumulated surplus which is the value of all net assets less Reserves that have accumulated over time. \$1.05 million of the \$9.39 million increase in accumulated surplus results directly from the surplus for the year. An amount of \$8.35 million (net) is budgeted to be transferred from other reserves to accumulated surplus. This reflects the usage of investment cash reserves to partly fund the capital works program. This is a transfer between equity balances only and does not impact on the total balance of equity.

7.2 Key assumptions⁹

In preparing the Balance Sheet for the year ending 30 June 2016 it was necessary to make a number of assumptions about assets, liabilities and equity balances. The key assumptions are as follows:

- A total of 98.5% of total rates and charges raised will be collected in the 2015/16 year (2014/15: 97.8% forecast actual)
- Trade creditors to be based on total capital and operating expenditure less written down value of assets sold, depreciation and employee costs. Payment cycle is 30 days
- Other debtors and creditors to remain consistent with 2014/15 levels
- An advance of \$0.19 million to Victorian Bowls Club will be repaid in full
- Proceeds from the sale of property in 2014/15 of \$1.24 million will be received in full in the 2015/16 year
- Employee entitlements to be increased by the Collective Agreement outcome offset by the impact of more active management of leave entitlements of staff
- Repayment of loan principal to be \$1.16 million
- Total capital expenditure to be \$21.95 million
- A total of \$8.35 million to be transferred from reserves to accumulated surplus, representing the internal funding of the capital works program for the 2015/16 year.

Commentary – Analysis of budgeted financial position

Purpose of analysis of budgeted financial position

1. The purpose of the analysis of budgeted financial position is to provide an understanding of the significant movements in assets, liabilities and equity for the forthcoming year. The analysis should include as a minimum, an analysis of significant movements in the following main balance sheet sections:
 - (a) Current and non-current assets
 - (b) Current and non-current liabilities
 - (c) Net assets
 - (d) Accumulated surplus and reserves.
2. It is essential that a balance sheet be prepared since it directly impacts on the preparation of the cash flow which is now the key tool for determining financial sustainability and estimating cash flows. Refer Section 5. Budgeted Cash Position for further discussion.

Preparation of balance sheet

3. The balance sheet should be prepared in accordance with AASB 101 Presentation of Financial Statements. The recommended steps for preparation of a balance sheet are as follows:
 - (a) Break up the assets, liabilities and equity into their significant components. For some items such as debtors, these may need to be dissected to line up with revenue and expense types in the income statement or even further into sub-types such as parking fees, home care, meals on wheels etc. The estimates should take into account expected movements in these balances between the conclusion of the current year and the budget year. Where those movements relate to cash flows, they should be reflected in the cash flow statement
 - (b) For each component, insert the current year forecast actual and expected movement (increase or decrease) for the forthcoming year
 - (c) The annual movements need to be based on sound assumptions regarding expected activity for the forthcoming year – borrowings based on loan repayment schedules, non-current assets based on the capital works program, rate arrears based on expected rate collection levels, trade creditors based on expenditure activity and payment terms
 - (d) Determine the balance of each asset, liability and equity component based on the current year forecast actual and expected movement (increase or decrease) for the forthcoming year.
4. In order to enable a meaningful comparison of the financial position against budget, it is necessary to forecast expected balance sheets on at least a quarterly basis. This will enable an effective variance analysis to be undertaken and, if necessary, corrective action to take place. Quarterly balance sheet budgets are used for financial management and quarterly reporting purposes and this level of detail is not

Commentary – Analysis of budgeted financial position

considered necessary for the budget document. With only an annual balance sheet budget, variance analysis cannot take place until the end of the year.

Analysis of current and non-current assets

5. This section should include an analysis of the significant movements in assets between the current year forecast and next year budget. Changes in total cash and investments and changes in the non-current portion of loans or advances should link directly to Section 5. Budgeted Cash Position. Changes in fixed assets such as land, roads, buildings etc., should link directly to Section 6. Analysis of Capital Budget for movements in fixed asset balances.

Analysis of current and non-current liabilities

6. This section should include an analysis of the significant movements in liabilities between the forecast and next year budget. The total movement in current and non-current borrowings should link directly to Section 10.1 Borrowing Strategy and Section 5. Budgeted Cash Position (Financing Activities).

Analysis of working capital

7. This section should include an analysis of Council's working capital position, comparing current assets with current liabilities. Adjustments are made to working capital for restricted cash amounts to calculate working capital that is unrestricted or potentially available for discretionary spending. The restricted cash amounts should be drawn from Section 5.2 Restricted and unrestricted cash and investments.

Analysis of equity

8. This section should include an analysis of the significant movements in equity balances between the current year forecast and next year budget. This includes changes in accumulated surplus, asset revaluation reserve or other investment reserves. The movement in investment reserves should be linked to Section 10.2 Infrastructure Strategy.

Key assumptions

9. The key assumptions upon which the Balance Sheet has been based should be included to assist the reader when comparing movements in assets, liabilities and equity between budget years.

Accounting changes impacting on budgeted financial position

10. DELWP (formally the Department of Transport, Planning and Local Infrastructure) issued guidance for the recognition and valuation of Land Under Roads by councils in July 2011 (*DPCD Circular No. 15/11*). The guidance recommended all councils consistently apply the same recognition and valuation accounting policy, with a preference recommended for recognition of *all* land under roads controlled by councils, including assets acquired prior to 1 July 2008. This may necessitate a change in accounting policy for some councils.

In December 2014, DELWP advised that an extension to the transition period has been approved, with all councils to now be compliant for their 2017-18 financial statements (*DTPLI Circular No. 29/2014*).

While there will not be a cash or rating impact of the change in accounting policy required to adopt this guidance, there will be an impact on the budgeted financial position as the infrastructure assets, accumulated surplus, and potentially asset revaluation reserves increase. If possible, councils should incorporate the anticipated impact of the recognition of land under roads not previously recognised into long term financial strategies and the annual budget for the anticipated year in which the council's accounting policy will change.

The Local Government Model Financial Report issued by DELWP has provided guidance in regards to presenting the change in accounting policy.

11. The Australian Accounting Standards Board released exposure draft ED 242 "Leases" for comment and referral back to the International Accounting Standards Board in 2013. This exposure draft is the second revision to previous exposure drafts for the "Leases" standard. The exposure draft proposed a significant change in the treatment for leases which would result in the removal of the distinction between finance and operating leases. Under ED 242, all leases would be accounted for as assets and liabilities on the statement of financial position, similar to the manner in which finance leases are currently accounted for. ED 242 has not yet been released as an Accounting Standard. The exposure draft is being redeliberated by the International Accounting Standards Board. This exposure draft is not currently listed on the Australian Accounting Standards Board's 2015 work program. The process from exposure draft through to application date of a Standard is usually 6 – 18 months. Whilst the proposals in this exposure draft are likely to have a budgetary impact in future years, the impact of revisions to accounting for leases will not be able to be determined for the 2015/16 financial year within the budget preparation timeframe.

Long term strategies

8. Strategic resource plan and financial performance indicators¹⁻²

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

8.1 Plan development^{3,8-10}

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

Council has prepared a SRP for the four years 2015/16 to 2018/19 as part of its ongoing financial planning to assist in adopting a budget within a longer term framework. The SRP takes the strategic objectives and strategies as specified in the Council Plan and expresses them in financial terms for the next four years.

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

- Maintain existing service levels
- Achieve a breakeven operating result within five to six years
- Maintain a capital expenditure program of at least \$16 million per annum
- Achieve a balanced budget on a cash basis.

In preparing the SRP, Council has also been mindful of the need to comply with the following Principles of Sound Financial Management as contained in the Act:

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

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

8.2 Financial resources⁴⁻⁵

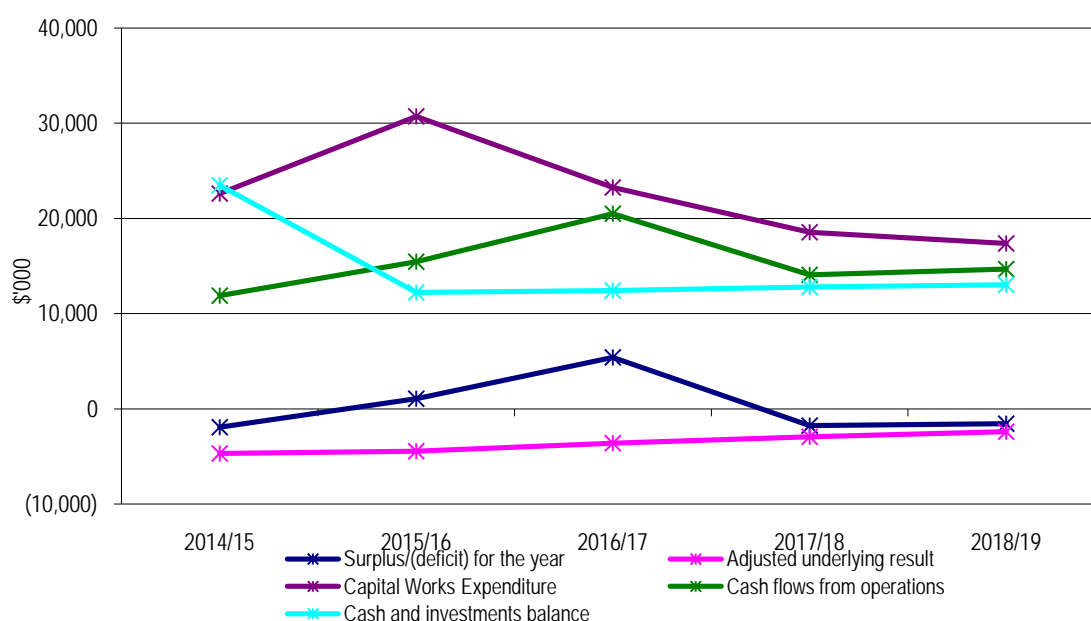
The following table summarises the key financial results for the next four years as set out in the SRP for years 2015/16 to 2018/19. Appendix A includes a more detailed analysis of the financial resources to be used over the four year period.

| Indicator | Forecast | Budget | Strategic Resource Plan | | | Trend +/- |
|---------------------------------|----------|---------|-------------------------|---------|---------|--------------|
| | Actual | | Projections | | | |
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Surplus/(deficit) for the year | (1,922) | 1,045 | 5,398 | (1,754) | (1,570) | - |
| Adjusted underlying result | (4,676) | (4,453) | (3,630) | (2,948) | (2,397) | + |
| Cash and investments balance | 23,476 | 12,207 | 12,428 | 12,776 | 13,028 | o |
| Cash flow from operations | 11,922 | 15,459 | 20,492 | 14,052 | 14,687 | - |
| Capital works expenditure | 22,617 | 30,717 | 23,242 | 18,530 | 17,349 | - |

Key to Forecast Trend:

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

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



The key outcomes of the SRP are as follows:

- **Financial sustainability (Section 5)** - Cash and investments is forecast to increase marginally over the four year period from \$12.20 million to \$13.03 million, which indicates a balanced budget on a cash basis in each year
- **Rating levels (Section 9)** – Modest rate increases are forecast over the four years at an average of 3.9%, well below that expected of comparable councils
- **Service delivery strategy (Section 10)** – Service levels have been maintained throughout the four year period. Despite this, operating surpluses are forecast in years 2015/16 and 2016/17 as a result of significant capital grant revenue being received to fund the annual capital works program. Years 2017/18 to 2018/19 forecast reducing operating deficits with a view to breaking even. However, excluding the effects of capital items such as capital grants and contributions, the adjusted underlying result is a deficit reducing over the four year period. The adjusted underlying result is a measure of financial sustainability and is an important measure as once-off capital items can often mask the operating result
- **Borrowing strategy (Section 10)** – Borrowings are forecast to reduce from \$4.90 million to \$3.28 million over the four year period. This includes new borrowings of \$2.00 million in 2017/18
- **Infrastructure strategy (Section 10)** - Capital expenditure over the four year period will total \$89.84 million at an average of \$22.46 million. Excluding the Lawn Bowls and Velodrome works, the average is \$18.40 million.

8.3 Financial performance indicators⁶⁻⁷

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

| Indicator | Measure | Notes | Forecast Actual 2014/15 | Budget 2015/16 | Strategic Resource Plan Projections | | | Trend +/- |
|-------------------------------|---|-------|-------------------------------|-------------------|--|---------|---------|--------------|
| Operating position | | | | | | | | |
| Adjusted underlying result | Adjusted underlying surplus (deficit) / Adjusted underlying revenue | 1 | (6.7%) | (6.2%) | (4.9%) | (3.8%) | (3.0%) | + |
| Liquidity | | | | | | | | |
| Working Capital | Current assets / current liabilities | 2 | 240.6% | 139.4% | 139.7% | 139.6% | 139.7% | o |
| Unrestricted cash | Unrestricted cash / current liabilities | | 127.2% | 88.7% | 95.9% | 96.1% | 96.3% | o |
| Obligations | | | | | | | | |
| Loans and borrowings | Interest bearing loans and borrowings / rate revenue | 3 | 14.7% | 11.2% | 8.1% | 9.4% | 6.4% | + |
| Loans and borrowings | Interest and principal repayments on interest bearing loans and borrowings / rate revenue | | 3.7% | 3.4% | 3.0% | 3.2% | 3.2% | + |
| Indebtedness | Non-current liabilities / own source revenue | | 10.8% | 8.2% | 6.0% | 6.9% | 4.7% | + |
| Asset renewal | Asset renewal expenses / Asset depreciation | 4 | 87.1% | 120.4% | 104.9% | 83.5% | 83.3% | - |
| Stability | | | | | | | | |
| Rates concentration | Rate revenue / adjusted underlying revenue | 5 | 59.0% | 60.3% | 62.0% | 63.0% | 63.7% | - |
| Rates effort | Rate revenue / CIV of rateable properties in the municipality | | 0.4% | 0.4% | 0.4% | 0.4% | 0.5% | o |
| Efficiency | | | | | | | | |
| Expenditure level | Total expenses/ no. of property assessments | | \$1,318 | \$1,340 | \$1,355 | \$1,377 | \$1,406 | + |
| Revenue level | Residential rate revenue / No. of residential property assessments | | \$625 | \$650 | \$678 | \$706 | \$735 | + |
| Workforce turnover | No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year | | 9.3% | 8.8% | 8.4% | 8.0% | 7.6% | + |

Key to Forecast Trend:

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

Notes to indicators

1 Adjusted underlying result – An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. Improvement in financial performance expected over the period, although continued losses means reliance on Council's cash reserves or increased debt to maintain services.

2 Working Capital – The proportion of current liabilities represented by current assets. Working capital is forecast to decrease significantly in 2015/16 year due to a run down in cash reserves to fund the capital program. The trend in later years is to remain steady at an acceptable level.

3 Debt compared to rates - Trend indicates Council's reducing reliance on debt against its annual rate revenue through redemption of long term debt.

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

5 Rates concentration - Reflects extent of reliance on rate revenues to fund all of Council's on-going services. Trend indicates Council will become more reliant on rate revenue compared to all other revenue sources.

8.4 Non-financial resources¹¹

In addition to the financial resources to be consumed over the planning period, Council will also consume non-financial resources, in particular human resources. A summary of Council's anticipated human resources requirements for the 2015/16 year is shown below and further detail is included in Section 4.3.1 of this budget. A statement of Human Resources is included in Appendix A.

| Indicator | Forecast Actual | Budget | Strategic Resource Plan Projections | | |
|-------------------------|--------------------|---------|--|---------|---------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Employee costs (\$'000) | | | | | |
| - Operating | 35,367 | 34,091 | 36,655 | 37,711 | 38,892 |
| - Capital | 0 | 0 | 0 | 0 | 0 |
| Total | 35,367 | 34,091 | 36,655 | 37,711 | 38,892 |
| Employee numbers (FTE) | 567 | 569 | 570 | 573 | 575 |

Commentary – Strategic resource plan and key financial indicators

Purpose of the strategic resource plan

1. An extract of the strategic resource plan (SRP) is included in the budget report to provide the reader with information about the long term sustainability of the Council. The SRP shows how the budget for the forthcoming year fits within the long term planning framework and demonstrates the linkage with the Council Plan strategic objectives, strategies and desired outcomes. The SRP should include as a minimum, the following main sections:
 - (a) Plan development
 - (b) Financial resources
 - (c) Financial performance indicators
 - (d) Non-financial resources.

Commentary – Strategic resource plan and key financial indicators

2. The Act and Regulations require that councils prepare a SRP which is a plan of the resources required to achieve the strategic objectives. It must be prepared for at least four years and contain financial statements and statements describing the required non-financial resources, specifically, human resources.

LGV produces an annual SRP Better Practice Guide and Model which can be referenced for further information about preparation of the SRP. This can be found at: www.dtpli.vic.gov.au/local-government/publications-and-research/planning-and-reporting.

Plan development

3. This section should include an explanation of the purpose of the SRP, the manner in which it was developed (including the key assumptions it was based on) and the timeframe under which the SRP is to operate. The SRP should cover a minimum 4 year horizon and also include a discussion of the objectives and the consequences of failing to achieve the SRP.

Financial resources

4. A key component of the SRP development section will be the financial outcomes of the SRP over the chosen time horizon. To assist the reader in understanding the financial outcomes, only key indicators should be provided with detailed statements included in an appendix. These indicators could include forecast operating results, adjusted underlying results, cash and investments and expected capital works programs. Graphical representation of the information is also useful.
5. The SRP will have been extensively used in preparing the budget for the forthcoming year. Therefore it will be important that the key outcomes of the SRP be linked to the relevant sections of the Budget where it has a budget impact. This will include:
 - (a) Service delivery strategy
 - (b) Rating information
 - (c) Borrowing strategy
 - (d) Infrastructure strategy
 - (e) Financial sustainability.

Financial performance indicators

6. A range of financial indicators can be used to allow the reader to gain a better understanding of key measures such as indebtedness and liquidity which are often hidden when financial information is presented in financial statement format. The use of indicators over a four year horizon also allows trends to be assessed helping the reader to confirm the council's service delivery, infrastructure renewal, rating and debt strategies.

The financial performance indicators included in this model are the prescribed financial performance indicators contained in Part 3 of Schedule 3 of the Regulations. Results against these indicators will be reported in Council's Performance Statement included in the Annual Report.

The Act and Regulations require Councils to report actual results against these indicators, together with the other prescribed indicators contained in Schedule 3 of the Regulations, in the annual Performance Statement. After the Regulation transition period, the annual Performance Statement will report the current year results against three preceding years and the forecast results from the financial statements in the Strategic Resource Plan. For the 2015/16 Budget, during the transition period, only one preceding year of data is required.

7. Definitions for the key components of the indicators are as follows:
 - (a) Adjusted underlying result is the net surplus or deficit for the year (per Australian Accounting Standards) adjusted for non-recurrent grants used to fund capital expenditure, non-monetary asset contributions, and contributions to fund capital expenditure other than grants and non-monetary asset contributions.
 - (b) Working capital (current assets/current liabilities) is a general measure of the organisation's liquidity and its ability to meet its commitments as and when they fall due.
 - (c) Unrestricted cash means all cash and cash equivalents other than restricted cash, including cash that will be used to fund capital expenditure from the previous financial year.

Restricted cash means cash and cash equivalents, within the meaning of Accounting Standard AASB 107 Statement of Cash Flows, that are not available for use other than for a purpose for which it is restricted.
 - (d) Loans and borrowings means interest bearing loans and borrowings compared to rate revenue. The balance of interest bearing loans and borrowings is shown as a percentage of rates revenue.
 - (e) Loans and borrowings also refers to interest and principal repayments compared to rate revenue. The ratio describes Council's cash flow debt repayment capacity through the inclusion of interest

Commentary – Strategic resource plan and key financial indicators

and principal repayments on interest bearing loans and borrowings as a percentage of rate revenue.

- (f) Indebtedness compares non-current liabilities to own source revenue.
Own source revenue is defined as adjusted underlying revenue other than revenue that is not under the control of Council (including government grants).
- (g) Asset renewal is calculated as asset renewal expenditure as a percentage of depreciation.
- (h) Rates concentration is measured as rate revenue compared to adjusted underlying revenue.
Adjusted underlying revenue is defined as total income excluding non-recurrent grants used to fund capital expenditure, non-monetary asset contributions, and contributions to fund capital expenditure from sources other than grants and non-monetary contributions.
- (i) Rates effort, which is intended to examine the community's capacity to pay, presents rate revenue as a percentage of the capital improved value of rateable properties in the municipality.
- (j) Expenditure level is measured as total expenditure per the number of property assessments.
- (k) Revenue level is the residential rate revenue divided by the number of residential property assessments.
Rate revenue is defined as revenue from general rates, municipal charges, special rates, special charges, service rates and service charges.
- (l) Workforce turnover measures the number of resignations and terminations compared to the average number of staff for the financial year.

Preparation of a strategic resource plan

- 8. The SRP is a separate document to the annual budget and sets the future financial direction of the Council. Longer term 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 the SRP.
- 9. The most common technique used in the commercial sector is the 'Four Way Budgeting Methodology'. This methodology involves the linking of the Financial Statements (Income Statement, Balance Sheet, Cash Flow Statement and Capital Works Statement) to produce forecast financial statements based on assumptions about future movements in key revenues, expenses, assets and liabilities. Through the use of an integrated model, a 'four way budget' can be developed to facilitate a more strategic planning approach to long term financial planning. This model would include 'what if' analysis capabilities.
- 10. The Act requires the SRP to take into account services and initiatives contained in any plan adopted by council so far as they commit financial and non-financial resources and as it relates to the period covered by the SRP. It should also incorporate the estimated impact of planned changes in accounting policies that will have a budgeting and financial reporting impact, whether due to a voluntary change by Council to improve financial reporting, or a change in Australian Accounting Standards. Long term financial planning should also consider known or likely changes in budget items over the planning period.

Non-financial resources

- 11. This section should include details of the non-financial resources to be consumed as part of the SRP in achieving the Council Plan. The Regulations specifically require the inclusion of a Statement of Human Resources in the SRP and the Budget. The SRP is required to include projections for four years.
This model budget guide provides details of the human resources that will be required for the current budget year in summary form described in both monetary terms and numbers in this section, and in the Statement of Human Resources in Appendix A.
Examples of other non-financial resources that could be included are:
 - (a) Management of physical assets
 - (b) Information systems and processes.

9. Rating information¹

This section contains information on Council's past and foreshadowed rating levels along with Council's rating structure and the impact of changes in property valuations. This section should be read in conjunction with Council's Rating Strategy which is available on Council's website.

9.1 Rating context²

In developing the Strategic Resource Plan (referred to in Section 8.), rates and charges were identified as an important source of revenue, accounting for 56.8% of the total revenue received by Council annually. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process. The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the Victorian community.

However, it has also been necessary to balance the importance of rate revenue as a funding source with community sensitivity to increases, particularly recent changes in property valuations and subsequently rates for some properties in the municipality. To ensure that deliberations about future rate increases have been made on an informed basis, comparisons of historical rate increases were made between Council and other similar sized councils. The following table shows a comparison of the last five years and the average rates per capita for the 2014/15 year.

| Year | Victorian City Council | Average Large Council |
|-----------------------------------|------------------------------|-----------------------------|
| 2010/11 | 4.5% | 5.0% |
| 2011/12 | 4.0% | 4.8% |
| 2012/13 | 4.5% | 4.8% |
| 2013/14 | 4.5% | 5.2% |
| 2014/15 | 5.0% | 5.7% |
| Average increase | 4.5% | 5.1% |
| Average per capita 2014/15 | \$516 | \$576 |

Source: Council's Strategic Resource Plan 2015/16 to 2018/19

The table indicates that over the past five years Council's general rate increases have been 0.6% lower than the average of other comparative councils and the average rate per capita was \$60 lower than the average of comparative councils in 2014/15.

9.2 Current year rates and charges³

It is predicted that the 2015/16 operating position will be significantly impacted by wages growth and reductions in government funding. It will therefore be necessary to achieve future revenue growth while containing costs in order to achieve an almost breakeven operating position by 2018/19 as set out in the Strategic Resource Plan. The \$9.00 million contribution from operations toward capital investment for the 2015/16 year is also much less than the desired level of \$14.50 million and therefore, unless it can be increased, it will be difficult to maintain robust capital works programs in the future.

In order to achieve these objectives while maintaining service levels and a strong capital expenditure program, the general rate will increase by a modest 3.9%, the municipal charge by 4.8%, the kerbside collection charge by 3.9% and the recycling charge by 5.3%. This will raise total rates and charges for 2015/16 of \$43.46 million, including \$0.43 million generated from supplementary rates. Council's municipal and recycling charges have increased by more than the general rate due to an increase in administrative costs (municipal charge) and renegotiation of Council's collection services contract (recycling).

The following table sets out future proposed increases in rates and charges and the total rates to be raised, based on the forecast financial position of Council as at 30 June 2015.

| Year | General Rate Increase % | Municipal Charge Increase % | Garbage Charge Increase % | Recycling Charge Increase % | Total Rates Raised \$'000 |
|---------|-------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| 2014/15 | 5.00 | 5.00 | 4.80 | 5.00 | 41,195 |
| 2015/16 | 3.90 | 4.80 | 3.90 | 5.30 | 43,457 |
| 2016/17 | 3.50 | 3.50 | 3.50 | 3.50 | 46,273 |
| 2017/18 | 3.50 | 3.50 | 3.50 | 3.50 | 48,725 |
| 2018/19 | 3.50 | 3.50 | 3.50 | 3.50 | 51,263 |

9.3 Rating structure⁴⁻⁷

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

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

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

Council makes a further distinction within the property value component of rates based on the purpose for which the property is used, that is, whether the property is used for residential or commercial purposes. This distinction is based on the concept that business should pay a fair and equitable contribution to rates, taking into account the benefits those commercial properties derive from the local community.

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

The existing rating structure comprises two differential rates (residential and commercial), and a rate concession for recreational land. These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Act. Under the Cultural and Recreational Lands Act 1963, provision is made for a Council to levy the rate for recreational lands at "such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands". The commercial rate is set at 175% of the residential rate and the rate concession for recreational land is set at 50% of the commercial rate. Council also levies a municipal charge, a kerbside collection charge and a recycling charge as allowed under the Act.

The following table summarises the rates to be determined for the 2014/15 year. A more detailed analysis of the rates to be raised is contained in Appendix B 'Statutory Disclosures'.

| Rate type | How applied | 2014/15 | 2015/16 | Total Raised \$000's | Change |
|----------------------------|--------------------|----------|----------|----------------------|--------|
| Residential rates | Cents in \$ of CIV | 0.246871 | 0.256499 | 23,153 | 3.9% |
| Commercial rates | Cents in \$ of CIV | 0.432172 | 0.449027 | 4,216 | 3.9% |
| Industrial rates | Cents in \$ of CIV | 0.432172 | 0.449027 | 3,654 | 3.9% |
| Recreational rates | Cents in \$ of CIV | 0.216086 | 0.224513 | 15 | 3.9% |
| Municipal charge | \$ per property | \$105 | \$110 | 6,282 | 4.8% |
| Kerbside collection charge | \$ per property | \$77 | \$80 | 4,569 | 3.9% |
| Recycling charge | \$ per property | \$19 | \$20 | 1,142 | 5.3% |

Council has adopted a formal *Rating Strategy* that contains expanded information on Council's rating structure and the reasons behind its choices in applying the rating mechanisms it has used.

9.4 General revaluation of properties⁸⁻⁹

[Note: This Section 9.4 contains additional information that can be disclosed in the budget year following a general revaluation of properties taking place.]

During the 2014/15 year, a revaluation of all properties within the municipality was carried out and will apply from 1 January 2015 for the 2015/16 year. The outcome of the general revaluation has been a significant change in property valuations throughout the municipality. Overall, property valuations across the municipal district have increased by 37%. Of this increase, residential properties have increased by 43%, commercial properties by 6% and industrial properties by 5%.

The following table summarises the valuation changes between the 2012 and 2014 general revaluations for residential properties by suburb, together with the rating changes between the 2014/15 and 2015/16 years based on a 3.9% average rate increase and the valuation movements listed.

| Suburb | Valuation Increase (Decrease) | Rates Increase (Decrease) |
|----------------------------|-------------------------------|---------------------------|
| Alphonse | 30% | 3% |
| Bundorn | 39% | 16% |
| Fairley | 36% | 6% |
| Kingsville | 58% | 15% |
| Northville | 42% | 8% |
| Victory | 45% | 8% |
| Restville | 39% | 7% |
| Thornley | 57% | 14% |
| Average residential | 43% | 13% |
| Average business | 5% | (7)% |

In deliberating over the setting of the differential rate structure for the 2015/16 year, Council has been mindful of the greater increase in residential property valuations compared to those in the business sector. If no changes were made to the rate differential, the change in property values would result in an overall increase of 13% in residential rates and a 7% reduction in business rates for the 2015/16 year.

In view of the outcomes of the general revaluation of all properties within the Council's municipal district during the 2014/15 year, Council has chosen not to make any changes to the existing rate differential. In aggregate, total rates and charges will increase by 3.9% compared to 2014/15. This will be achieved by reducing the rate in the dollar to offset the 37% increase in property valuations across the municipal district following the general revaluation.

Commentary – Rating information

Purpose of rating information

- The purpose of the rating information section is to provide the reader with a summary of how the rating structure has been established and how the quantum of rate change (increase or decrease) has been determined. The amount of the increase in rates and charges is a key outcome for the majority of stakeholders and therefore this section is as much political as it is financial in its analysis of the rate change and its impact. The information should summarise key elements of the council's rating approach and include as a minimum, the following main sections:
 - Rating context
 - Current year rate increase
 - Rating structure.

Information provided in this section is not intended to be treated as a formal 'Rating Strategy' but rather a summary of the council's rating approach. The information however should be drawn from the council's

Commentary – Rating information

adopted Rating Strategy where applicable.

Rating context

2. This section sets out the longer term philosophy and framework within which the current year rate charge is set. It is important for the reader to see that the budgeted rate increase is part of the Long Term Financial Plan, which enables the Council Plan objectives to be achieved, while remaining financially sustainable. This section should highlight key contextual information regarding the council's rating approach. This section can be presented in three ways: looking forward, looking backward or a combination of both, depending on the message to be conveyed to the reader. The inclusion of comparative rating benchmarks of other like councils and/or neighbouring councils can also assist in the preparation of this section. The benchmarks can include both the change in the quantum of general rates to be raised and the rate (rate in the \$ of property value).

Current year rates and charges

3. This section quantifies the amount of the change in rates and charges for the forthcoming year, and any significant factors which have had an influence. It should state how any increases will be applied in the current year, for example the funding of an accelerated roads program. This section should also attempt to put the changes in context with past and future changes in rates and charges, and reference these to decisions made in preparing the Strategic Resource Plan. In discussing the changes in the rates and charges, it is important to provide information about each rating element as each can be impacted by different pricing drivers and move independently of each other. For example the municipal charge is based on a recovering a portion of council's administrative costs whereas the garbage charge is based on recovering the net cost of delivering the service.

The Minister for Local Government issued a letter to all Mayors and Chief Executive Officers on 14 January 2015 in which she confirmed the Government's intention to cap rates from 2016/17. While the cap won't apply to the 2015/16 financial year, the Minister states "this should not be seen as an opportunity to raise rates above inflation prior to the implementation of the rates cap".

Rating structure

4. This section sets out the structure of the rate, including the basis upon which it will be levied – Site Value (SV), Capital Improved Value (CIV) or Net Annual Value (NAV), whether there is a rating differential and details of other charges such as municipal or recycling charges that will be levied. The rate should be broken down into its component parts (note each rating category in the municipality) and each quantified in financial terms per unit of base and change between years.

Note that the difference between the sum of the table in Section 9.3 and the Total Rates raised in Section 9.2 is supplementary rates.

5. The Regulations also require certain information about the rates and charges to be raised. An example of this and other statutory disclosures is shown in Appendix B.
6. Information on the rating structure presented in the budget report should be drawn from the Council's Rating Strategy. In considering the contents of the Rating Strategy, reference can be made to *Revenue and Rating Strategy Better Practice Guide*, issued in 2014 by LGV and found at www.dtpli.vic.gov.au/local-government/publications-and-research/planning-and-reporting. In addition, the Victorian Auditor-General issued a performance audit report on *Rating Practices in Local Government* in February 2013 which includes information relevant to rating strategies.
7. LGV published *The Ministerial Guidelines for Differential Rating* in April 2013. This followed a 2012 amendment to the *Local Government Act 1989* empowering the Minister for Local Government to set guidelines for the application of differential rates and to prevent councils from applying differential rates that are inconsistent with those guidelines. Councils should consider their application of differential rates and associated disclosures in the budget report in light of the guidelines. The Ministerial Guidelines and Explanatory Note can be found at: www.dtpli.vic.gov.au/local-government/publications-and-research/planning-and-reporting

Alternate disclosure for general revaluation of properties

8. It is a requirement of the *Valuations of Land Act 1960*, that all rateable properties within a municipality be revalued every two years. At the time of each general revaluation it will be necessary to determine the effects of any movements in property values on the total rate to be raised and accordingly the rate per each dollar of Capital Improved Value (CIV). The outcome of the general revaluation and its impact on property values, property rates and the rate (rate in the \$ of property valuation) should be outlined in the

Commentary – Rating information

rating strategy in the revaluation year and a summary provided in this section.

9. An example of such additional disclosure in a general revaluation year is shown in Section 9.4 'General Revaluation of Properties'. This Guide recommends that the disclosures in Section 9.4 be included in the budget year following a general revaluation of properties taking place.

10. Summary of other strategies¹

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

10.1 Borrowings²⁻⁵

In developing the Strategic Resource Plan (SRP) (see Section 8), borrowings was identified as an important funding source for capital works programs. In the past, Council has borrowed strongly to finance large infrastructure projects and since then has been in a phase of debt reduction. This has resulted in a reduction in debt servicing costs, but has meant that cash and investment reserves have been used as an alternate funding source to maintain robust capital works programs. With Council reserves now forecast to be \$23.48 million at 30 June 2015, followed by a significant reduction in 2015/16 to complete current infrastructure works in progress, it has been necessary to reconsider the issue of borrowings.

The SRP includes the results of an analysis of Council's debt position against both State averages and large council averages over a number of different indicators. It also shows the results of the 'obligations' indicators that are part of the prescribed financial reporting indicators. The outcome of the analysis highlighted that a debt of \$8.00 million could be comfortably accommodated. Council has set a target goal of reaching \$4.00 million by 2015/16 to allow spare debt capacity for future major projects.

For the 2015/16 year, Council has decided not take out any new borrowings to fund the capital works program and therefore, after making loan repayments of \$1.47 million, will reduce its total borrowings to \$4.89 million as at 30 June 2016. However, 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 2015.

| Year | New Borrowings \$'000 | Principal Paid \$'000 | Interest Paid \$'000 | Balance 30 June \$'000 |
|---------|--------------------------|--------------------------|-------------------------|---------------------------|
| 2014/15 | 0 | 1,161 | 380 | 6,048 |
| 2015/16 | 0 | 1,161 | 312 | 4,887 |
| 2016/17 | 0 | 1,161 | 247 | 3,726 |
| 2017/18 | 2,000 | 1,161 | 410 | 4,565 |
| 2018/19 | 0 | 1,290 | 340 | 3,275 |

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

| | 2014/15 \$ | 2015/16 \$ |
|---|---------------|---------------|
| Total amount borrowed as at 30 June of the prior year | 7,209,000 | 6,048,000 |
| Total amount to be borrowed | 0 | 0 |
| Total amount projected to be redeemed | (1,161,000) | (1,161,000) |
| Total amount proposed to be borrowed as at 30 June | 6,048,000 | 4,887,000 |

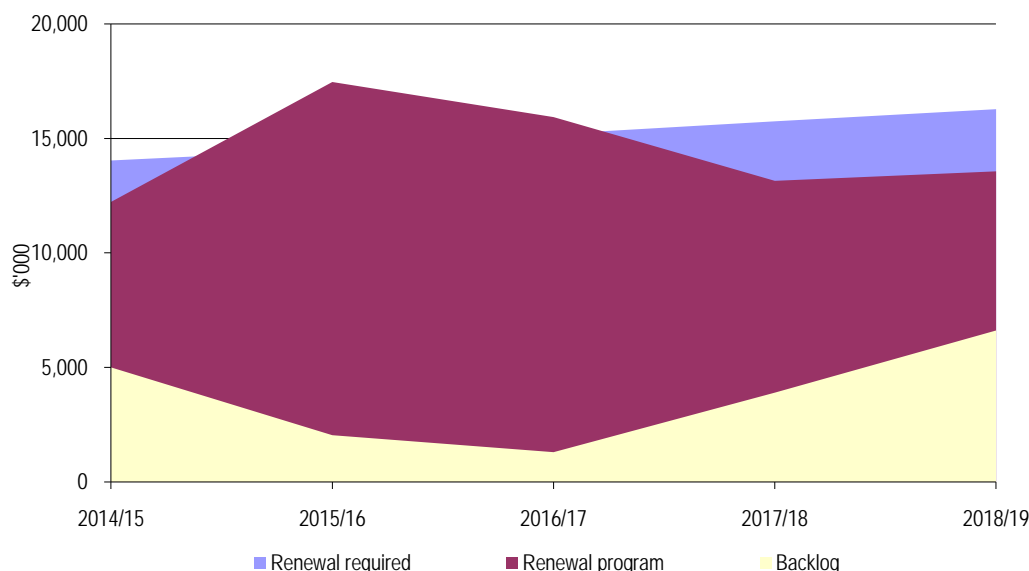
10.2 Infrastructure⁶⁻¹³

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

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

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

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



At present, Council is similar to most municipalities in that it is presently unable to fully fund asset renewal requirements identified in the Infrastructure Strategy. While the Infrastructure Strategy is endeavouring to provide a sufficient level of annual funding to meet ongoing asset renewal needs, the above graph indicates that in later years the required asset renewal is not being addressed creating an asset renewal gap and increasing the level of backlog. Backlog is the renewal works that Council has not been able to fund over the past years and is equivalent to the accumulated asset renewal gap. In the above graph the backlog at the beginning of the five year period was \$5.00 million and \$6.61 million at the end of the period.

In updating the Infrastructure Strategy for the 2015/16 year, the following influences have had a significant impact:

- Reduction in the amount of cash and investment reserves to fund future capital expenditure programs
- Environmental issues at the Victoria Park Lake resulting in the bringing forward of future planned expenditure
- Availability of significant Federal funding for upgrade of roads
- Decision by the Victorian State Government to award Council with construction of a Velodrome and Lawn Bowls Centre within its municipality

- The enactment of the *Road Management Act 2004* removing the defence of non-feasance on major assets such as roads
- New building regulations requiring all Child Care Centres to immediately upgrade to ensure compliance.

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

| Summary of funding sources | | | | | |
|----------------------------|-----------------------|--------|---------------|--------------|------------|
| Year | Total Capital Program | Grants | Contributions | Council Cash | Borrowings |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2014/15 | 22,617 | 2,903 | 0 | 19,714 | 0 |
| 2015/16 | 30,717 | 6,277 | 0 | 24,440 | 0 |
| 2016/17 | 23,242 | 9,407 | 0 | 13,835 | 0 |
| 2017/18 | 18,530 | 1,694 | 0 | 14,836 | 2,000 |
| 2018/19 | 17,349 | 1,367 | 0 | 15,982 | 0 |

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

10.3 Service delivery¹⁴⁻¹⁷

The key objectives in Council's Strategic Resource Plan (referred to in Section 8.) which directly impact the future service delivery strategy are to maintain existing service levels and to achieve a breakeven operating result within five to six years. The Rating Information (see Section 9.) also refers to modest rate increases into the future approximating CPI plus 1%. With these key objectives as a basis, a number of internal and external influences have been identified through discussions with management which will have a significant impact on the scope and level of services to be provided over the next four years.

The general influences affecting all operating revenue and expenditure include the following:

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--------------------------------|---------|---------|---------|---------|
| | % | % | % | % |
| Consumer Price Index | 2.5 | 2.5 | 2.5 | 2.5 |
| Average Weekly Earnings | 4.5 | 4.5 | 4.5 | 4.5 |
| Engineering Construction Index | 3.2 | 3.2 | 3.2 | 3.2 |
| Non-Residential Building Index | 3.5 | 3.5 | 3.5 | 3.5 |
| Rate increases | 3.9 | 3.5 | 3.5 | 3.5 |
| Property growth | 1.0 | 1.0 | 1.0 | 0.6 |
| Wages growth | 4.5 | 3.5 | 3.5 | 3.5 |
| Government funding | 2.0 | 2.0 | 2.0 | 2.0 |
| Statutory fees | 2.0 | 2.0 | 2.0 | 2.0 |
| Investment return | 5.5 | 5.0 | 4.5 | 4.5 |

As well as the general influences, there are also a number of specific influences which relate directly to service areas or activities. The most significant changes in these areas are summarised below.

Transfer Station

Waste tipping fees for inert waste are expected to rise further as the State Government has increased the levy payable upon disposal of waste at landfill. Following increases of \$44 per tonne since 2008/09, the fee will rise a further \$5.30 per tonne (10%) in 2015/16. The financial impact will be to increase tipping fee costs at the Transfer Station from \$0.36 million in 2014/15 to \$0.46 million in 2015/16. The pricing structure currently in place for Transfer Station users will be adjusted to absorb all future cost increases.

Residential Garbage Collection

Waste tipping charges associated with the disposal of residential garbage and also growth in the number of tenements (1,000 pa over the five year period) are expected to result in an increase of \$0.03 million per annum excluding CPI. The increased landfill levy will also increase the cost of residential garbage disposal by \$0.18 million in the 2015/16 financial year.

Kerbside Collection

The contract for collection of recyclable waste expires on 1 July 2016. It is expected that the cost of this service will increase from \$1.20 million to \$1.40 million following re-tender in 2015/16. Future increases have been set at CPI.

Aged and Disability Services

Government funding for aged and disability services is expected to increase by approximately \$0.14 million from 2014/15. This includes General Home Care, Personal Care, Respite Care and Meals.

Valuation Services

The Council is required to revalue all properties within the municipality every two years. The last general revaluation was carried out as at 1 January 2014 effective for the 2014/15 year and the next revaluation will be undertaken as at 1 January 2016. An allowance of \$0.08 million has been made every two years commencing in 2016/17 to meet the additional cost of resources to complete the revaluation process.

Animal Control

The contract for the provision of animal control services has ended and is currently being renegotiated. It is expected that the cost of this service will rise from \$0.36 million to \$0.40 million per annum. This will be offset by predicted increases in registration fees of 5% above CPI or \$0.02 million per annum in 2015/16 and 2016/17.

Statutory Planning

The statutory planning unit has been growing significantly over the past three years as the level of property development activity has increased. It is expected that the 2014/15 budget will be insufficient to meet all the needs of the Unit and accordingly an additional \$0.05 million has been allowed from 2015/16 onwards for external support on appeals.

The service delivery outcomes measured in financial terms are shown in the following table.

| Year | Surplus (Deficit) for the year \$'000 | Adjusted Underlying Surplus (Deficit) \$'000 | Net Service (Cost) \$'000 |
|---------|--|--|------------------------------------|
| 2014/15 | (1,922) | (4,676) | (39,369) |
| 2015/16 | 1,045 | (4,453) | (41,967) |
| 2016/17 | 5,398 | (3,630) | (43,233) |
| 2017/18 | (1,754) | (2,948) | (44,451) |
| 2018/19 | (1,570) | (2,397) | (46,151) |

Service levels have been maintained throughout the four year period with operating surpluses forecast in years 2015/16 and 2016/17 as a result of significant capital grant revenue being received to fund the annual capital works program. Years 2017/18 to 2018/19 forecast reducing operating deficits with a view to almost breaking even by 2018/19. Excluding the effects of items such as capital contributions, the adjusted underlying result is a reducing deficit over the four year period. The net

cost of the services provided to the community increases from \$41.97 million to \$46.15 million over the four year period.

Commentary – Summary of other strategies

Purpose of summary of other strategies

1. The purpose of this section is to provide the reader with a summary of the other strategies that have been developed in order to prepare the SRP. It should include as a minimum, the following main sections (there may be others that councils wish to add and tailor for their circumstances):
 - (a) Borrowings
 - (b) Infrastructure
 - (c) Service delivery.

Borrowings

2. The purpose of the borrowing strategy section is to provide the reader with a longer term view of the borrowing requirements of Council and the level of borrowings that is sustainable. It should also outline the budgeted borrowing movements for the forthcoming year including both new borrowings and repayment of existing borrowings. It is important for the reader to see that any change in borrowing levels is part of the Strategic Resource Plan, which aims to achieve the Council Plan objectives while remaining financially sustainable. This section should set out Council's policy on borrowings, including whether Council aims to be debt free by a certain date, or whether its policy is to fund particular projects through borrowings, so that costs are met by users or beneficiaries of the project. This section can be presented in three ways: looking forward, looking backward or a combination of both, depending on the message to be conveyed to the reader.

3. In considering its borrowing strategy, councils must be mindful of the principles of sound financial management set out in Section 136 of the Act. These principles state that councils must:
 - manage financial risks prudently, having regard to economic circumstances
 - pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden
 - ensure that decisions are made and actions are taken having regard to their financial effects on future generations
 - ensure full, accurate and timely disclosure of financial information relating to the council.

The Victorian Auditor General considers indebtedness as one of its financial sustainability indicators for councils, calculated as non-current liabilities / own-sourced revenue. A calculation < 40% results in a low risk rating, 40-60% equates to a medium risk, and >60% is considered a high risk.

Councils intending to undertake additional borrowings need to give regard to their own particular circumstances and the requirements of the Act, including compliance with the principles of sound financial management. Councils would also be well served by giving consideration to measures such as the financial sustainability indicators and prudential ratios.

4. A summary of the movements in borrowings (new borrowings, loan principal to be repaid, loan interest to be repaid, loan balance at end of period) should be included in the forthcoming year and at least four years future. The purpose of disclosure is to show in financial terms the long term strategy for borrowings and how the forthcoming borrowing program fits within that framework. This should be linked to the investment section of the cash flow statement that forms part of the Strategic Resource Plan.
5. Regulation 10(1)(g) to (i) require the disclosure of certain information pertaining to borrowings including the total amount borrowed as at 30 June of the financial year compared with the previous financial year, the total amount to be borrowed for the year (other than borrowings to refinance existing loans) compared with the previous financial year, and the total amount projected to be redeemed during the financial year compared with the previous financial year. In the case of a revised budget, disclosure is required of any additional amount to be borrowed compared with the budget or the most recent revised budget as applicable.

Infrastructure

6. The purpose of the infrastructure strategy section is to provide the reader with a longer term view of the capital requirements of the council and the level of capital works that is sustainable.
7. This section should include an explanation of the purpose of the strategy, the manner in which it was developed and the timeframe under which the strategy is to operate. As a minimum the strategy should show a five year horizon but a 10 year horizon is encouraged. It should also include a discussion of the objectives and the consequences of failing to achieve the strategy.

Commentary – Summary of other strategies

8. This section should also contain an overview of the process used by council to develop the capital works program in the forthcoming year and for future years. The LGV guidance document issued in 2006 - the 'Local Government Asset Investment Guidelines' - provides an appropriate framework and can be found at: www.dtpli.vic.gov.au/local-government/publications-and-research/infrastructure-land-and-asset-management. These guidelines are aimed at assisting councils to appropriately evaluate the key aspects of capital expenditure opportunities, prepare business cases and to prioritise them for consideration by the council and inclusion in capital work programs.
9. The Municipal Association of Victoria (MAV) introduced the 'Step Program' which encourages councils to develop asset management plans for all assets it owns or controls. The purpose of the program is to identify the future capital expenditure or asset renewal requirements for each asset to ensure they reach their planned useful lives. Asset management plans will also assist in determining the backlog (if any) for each asset, and is therefore an integral part to developing a long term infrastructure strategy.
10. This section should set out the key matters which have influenced the setting of the budgeted capital works program for the forthcoming year, including matters impacting on funding sources such as the availability of external grants and contributions, or the state of cash and investment reserves. It will also include matters which have impacted on the capital works projects to be carried out such as incomplete projects from the current year, significant overruns and savings, or unforeseen events such as collapsed drains or new building regulation requirements.
11. A summary of the value of the capital works program for the forthcoming year and future years (at least four) should be included. Its purpose is to show in financial terms the long-term strategy for capital works and how the forthcoming capital works program fits within that framework. This section should link directly to Section 6. Analysis of Capital Budget.
12. This section should also set out the funding sources, including cash and investments established by council for the future replacement of assets. This should be linked to the investment section of the cash flow statement that forms part of the Strategic Resource Plan.
13. Councils have traditionally maintained equity reserves to represent and monitor cash set aside for the future replacement of assets and other purposes as a method of longer term planning. By earmarking cash and investments for a future purpose and reflecting this action in their annual budgets councils have been reluctant to use these funds for other purposes. With the introduction of longer term planning models such as three-way budgeting, which allows future requirements to be documented and planned financially, the need for these equity reserves has diminished. As councils become more adept at using long term financial planning techniques the need for the maintenance of reserves will be reduced to cash assets set aside for statutory purposes only.

Service delivery

14. The purpose of the service delivery infrastructure strategy section is to provide the reader with a longer term view of the operational requirements of the council, and the scope and level of services that are financially sustainable.
15. This section should include an explanation of the purpose of the strategy, the manner in which it was developed and the timeframe under which the strategy is to operate. As a minimum the strategy should aim for a four year horizon. It should also include a discussion of the objectives and the consequences of failing to achieve the strategy.
16. It should set out the key influences (both internal and external), which will impact on the setting of the operational budget over the next four years. Consideration should be given to both global influences such as CPI, and more specific influences at the service or activity level.
17. It should also set out in summary form the financial outcomes of the service delivery strategy. Both the net surplus/(deficit), adjusted underlying result and net service cost should be considered.

Appendices

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

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

The contents of the appendices are summarised below:

| Appendix | Nature of information | Page |
|----------|---------------------------|------|
| A | Financial statements | 87 |
| B | Rates and charges | 94 |
| C | Capital works program | 100 |
| D | Fees and charges schedule | 109 |

Appendix A

Financial statements¹⁻⁴

This appendix presents information in regard to the Financial Statements and Statement of Human Resources. The budget information for the years 2015/16 to 2018/19 has been extracted from the Strategic Resource Plan.

The appendix includes the following budgeted information:

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

Commentary – Financial statements

Purpose of Financial statements

1. Section 127 of the Act requires that the Budget contain financial statements in the form and containing the matters required by the Regulations. The financial statements include a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Statement of Capital Works.
2. Regulation 9 of the Regulations requires that the financial statements must be in the form set out in the Local Government Model Financial Report.

The financial statements in this Model Budget align with the draft Local Government Model Financial Report at the date of publication. Budget preparers should carefully review the form of the financial statements in the Local Government Model Financial Report issued by DELWP to ensure the correct format is applied.

Although not specifically required by the Act or Regulations, the statements shown in Appendix A also include projections for the three years following the budget year and should be extracted from the Strategic Resource Plan to show the reader future financial trends. Each year, LGV issue the Strategic Resource Plan Better Practice Guide' to provide guidance on the disclosures required by the Act and Regulations. This can be found at: www.dtpli.vic.gov.au/local-government/publications-and-research/planning-and-reporting

3. The audited Financial Statements included in the Annual Report must also be prepared in accordance with current accounting standards and the Local Government Model Financial Report, and therefore the budgeted and actual financial statements are directly comparable. Care must be taken in preparation of the Financial Statements to ensure the terminology used for line items in the budget is consistent with the line items in the financial statements at the end of the financial year as both must be prepared in accordance with accounting standards.
4. Regulation 10(1)(c) requires that the budget must contain a statement of human resources, defined as meaning a statement which shows all Council staff expenditure and the number of full time equivalent Council staff. As with the financial statements, although not specifically required by the Act or Regulations, the statement of human resources included in Appendix A also includes projections for the three years following the budget year, consistent with the disclosures required in the Strategic Resource Plan.

Comprehensive Income Statement

For the four years ending 30 June
2019

| | Forecast Actual | Budget | Strategic Resource Plan Projections | | |
|---|--------------------|-------------------|--|-------------------|-------------------|
| | 2014/15 \$'000 | 2015/16 \$'000 | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 |
| Income | | | | | |
| Rates and charges | 41,195 | 43,457 | 46,273 | 48,725 | 51,263 |
| Statutory fees and fines | 2,445 | 2,690 | 2,818 | 2,785 | 2,834 |
| User fees | 7,198 | 7,680 | 7,828 | 8,004 | 8,184 |
| Grants - Operating | 14,523 | 13,617 | 13,604 | 13,746 | 13,987 |
| Grants - Capital | 2,903 | 6,277 | 9,407 | 1,694 | 1,367 |
| Contributions - monetary | 661 | 51 | 471 | 370 | 350 |
| Contributions - non-monetary assets | 0 | 0 | 0 | 0 | 0 |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 823 | 539 | 479 | 488 | 497 |
| Fair value adjustments for investment property | 0 | 0 | 0 | 0 | 0 |
| Share of net profits/(losses) of associates and joint ventures | 0 | 0 | 0 | 0 | 0 |
| Other income | 2,823 | 3,263 | 2,734 | 2,782 | 2,830 |
| Total income | 72,571 | 77,574 | 83,614 | 78,594 | 81,312 |
| Expenses | | | | | |
| Employee costs | 31,541 | 34,091 | 35,367 | 36,655 | 37,711 |
| Materials and services | 22,937 | 22,107 | 21,847 | 21,999 | 22,810 |
| Bad and doubtful debts | 314 | 340 | 348 | 356 | 364 |
| Depreciation and amortisation | 14,034 | 14,500 | 15,187 | 15,744 | 16,274 |
| Borrowing costs | 380 | 312 | 247 | 410 | 340 |
| Other expenses | 5,287 | 5,179 | 5,220 | 5,184 | 5,383 |
| Total expenses | 74,493 | 76,529 | 78,216 | 80,348 | 82,882 |
| Surplus/(deficit) for the year | (1,922) | 1,045 | 5,398 | (1,754) | (1,570) |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to surplus or deficit in future periods | | | | | |
| Net asset revaluation increment /(decrement) | 0 | 0 | 0 | 0 | 0 |
| Share of other comprehensive income of associates and joint ventures | 0 | 0 | 0 | 0 | 0 |
| Items that may be reclassified to surplus or deficit in future periods (detail as appropriate) | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive result | (1,922) | 1,045 | 5,398 | (1,754) | (1,570) |

Balance Sheet

For the four years ending 30 June
2019

| | Forecast Actual | Budget | Strategic Resource Plan Projections | | |
|--|--------------------|----------------|--|----------------|----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 23,476 | 12,207 | 12,428 | 12,776 | 13,028 |
| Trade and other receivables | 5,272 | 5,367 | 5,467 | 5,567 | 5,667 |
| Other financial assets | 6 | 6 | 6 | 6 | 6 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Non-current assets classified as held for sale | 0 | 0 | 0 | 0 | 0 |
| Other assets | 1,440 | 200 | 200 | 200 | 200 |
| Total current assets | 30,194 | 17,780 | 18,101 | 18,549 | 18,901 |
| Non-current assets | | | | | |
| Trade and other receivables | 206 | 12 | 12 | 12 | 12 |
| Investments in associates and joint ventures | 0 | 0 | 0 | 0 | 0 |
| Property, infrastructure, plant & equipment | 501,795 | 514,527 | 518,681 | 517,558 | 514,586 |
| Investment property | 0 | 0 | 0 | 0 | 0 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Total non-current assets | 502,001 | 514,539 | 518,693 | 517,570 | 514,598 |
| Total assets | 532,195 | 532,319 | 536,794 | 536,119 | 533,499 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 5,880 | 5,880 | 5,880 | 5,880 | 5,880 |
| Trust funds and deposits | 0 | 0 | 0 | 0 | 0 |
| Provisions | 5,510 | 5,714 | 5,917 | 6,121 | 6,326 |
| Interest-bearing loans and borrowings | 1,161 | 1,161 | 1,161 | 1,290 | 1,322 |
| Total current liabilities | 12,551 | 12,755 | 12,958 | 13,291 | 13,528 |
| Non-current liabilities | | | | | |
| Provisions | 972 | 1,008 | 1,043 | 1,079 | 1,114 |
| Interest-bearing loans and borrowings | 4,887 | 3,726 | 2,565 | 3,275 | 1,953 |
| Total non-current liabilities | 5,859 | 4,734 | 3,608 | 4,354 | 3,067 |
| Total liabilities | 18,410 | 17,489 | 16,566 | 17,645 | 16,595 |
| Net assets | 513,785 | 514,830 | 520,228 | 518,474 | 516,904 |
| Equity | | | | | |
| Accumulated surplus | 398,518 | 407,910 | 413,228 | 411,392 | 409,742 |
| Reserves | 115,267 | 106,920 | 107,000 | 107,082 | 107,162 |
| Total equity | 513,785 | 514,830 | 520,228 | 518,474 | 516,904 |

Statement of Changes in Equity

For the four years ending 30 June
2019

| | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|-----------------|----------------------------------|----------------------------------|-----------------------------|
| 2016 | | | | |
| Balance at beginning of the financial year | 513,785 | 398,518 | 102,118 | 13,149 |
| Surplus/(deficit) for the year | 1,045 | 1,045 | - | - |
| Net asset revaluation increment/(decrement) | - | - | - | - |
| Transfer to other reserves | - | (2,001) | - | 2,001 |
| Transfer from other reserves | - | 10,348 | - | (10,348) |
| Balance at end of the financial year | 514,830 | 407,910 | 102,118 | 4,802 |
| 2017 | | | | |
| Balance at beginning of the financial year | 514,830 | 407,910 | 102,118 | 4,802 |
| Surplus/(deficit) for the year | 5,398 | 5,398 | - | - |
| Net asset revaluation increment/(decrement) | - | - | - | - |
| Transfer to other reserves | - | (1,510) | - | 1,510 |
| Transfer from other reserves | - | 1,430 | - | (1,430) |
| Balance at end of the financial year | 520,228 | 413,228 | 102,118 | 4,882 |
| 2018 | | | | |
| Balance at beginning of the financial year | 520,228 | 413,228 | 102,118 | 4,882 |
| Surplus/(deficit) for the year | (1,754) | (1,754) | - | - |
| Net asset revaluation increment/(decrement) | - | - | - | - |
| Transfer to other reserves | - | (1,450) | - | 1,452 |
| Transfer from other reserves | - | 1,370 | - | (1,370) |
| Balance at end of the financial year | 518,474 | 411,392 | 102,118 | 4,964 |
| 2019 | | | | |
| Balance at beginning of the financial year | 518,474 | 411,392 | 102,118 | 4,964 |
| Surplus/(deficit) for the year | (1,570) | (1,570) | - | - |
| Net asset revaluation increment/(decrement) | - | - | - | - |
| Transfer to other reserves | - | (1,410) | - | 1,410 |
| Transfer from other reserves | - | 1,330 | - | (1,330) |
| Balance at end of the financial year | 516,904 | 409,742 | 102,118 | 5,044 |

Statement of Cash Flows

For the four years ending 30 June 2019

| | Forecast Actual | Budget | Strategic Resource Plan Projections | | |
|---|--------------------|------------|--|------------|------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | Inflows | Inflows | Inflows | Inflows | Inflows |
| | (Outflows) | (Outflows) | (Outflows) | (Outflows) | (Outflows) |
| Cash flows from operating activities | | | | | |
| Rates and charges | 41,410 | 43,357 | 46,173 | 48,625 | 51,163 |
| Statutory fees and fines | 2,195 | 2,690 | 2,818 | 2,785 | 2,834 |
| User fees | 7,849 | 7,680 | 7,828 | 8,004 | 8,184 |
| Grants - operating | 13,313 | 13,617 | 13,604 | 13,746 | 13,987 |
| Grants - capital | 2,903 | 6,277 | 9,407 | 1,694 | 1,367 |
| Contributions - monetary | 661 | 51 | 471 | 370 | 350 |
| Interest received | 2,044 | 1,820 | 1,264 | 1,278 | 1,292 |
| Dividends received | 0 | 0 | 0 | 0 | 0 |
| Trust funds and deposits taken | 50 | 0 | 0 | 0 | 0 |
| Other receipts | 2,511 | 1,443 | 1,469 | 1,503 | 1,538 |
| Net GST refund / payment | 0 | 0 | 0 | 0 | 0 |
| Employee costs | (31,185) | (33,841) | (35,117) | (36,405) | (37,461) |
| Materials and services | (24,043) | (22,106) | (21,848) | (21,999) | (22,810) |
| Trust funds and deposits repaid | 0 | 0 | 0 | 0 | 0 |
| Other payments | (5,786) | (5,529) | (5,577) | (5,549) | (5,757) |
| Net cash provided by/(used in) operating activities | 11,922 | 15,459 | 20,492 | 14,052 | 14,687 |
| Cash flows from investing activities | | | | | |
| Payments for property, infrastructure, plant and equipment | (21,007) | (29,195) | (20,881) | (16,169) | (14,859) |
| Proceeds from sale of property, infrastructure, plant and equipment | 1,664 | 3,741 | 2,018 | 2,036 | 2,054 |
| Payments for investments | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sale of investments | 0 | 0 | 0 | 0 | 0 |
| Loan and advances made | 0 | 0 | 0 | 0 | 0 |
| Payments of loans and advances | 10 | 199 | 0 | 0 | 0 |
| Net cash provided by/ (used in) investing activities | (19,333) | (25,255) | (18,863) | (14,133) | (12,805) |
| Cash flows from financing activities | | | | | |
| Finance costs | (380) | (312) | (247) | (410) | (340) |
| Proceeds from borrowings | 0 | 0 | 0 | 2,000 | 0 |
| Repayment of borrowings | (1,161) | (1,161) | (1,161) | (1,161) | (1,290) |
| Net cash provided by/(used in) financing activities | (1,541) | (1,473) | (1,408) | 429 | (1,630) |
| Net increase/(decrease) in cash & cash equivalents | (8,952) | (11,269) | 221 | 348 | 252 |
| Cash and cash equivalents at the beginning of the financial year | 32,428 | 23,476 | 12,207 | 12,428 | 12,776 |
| Cash and cash equivalents at the end of the financial year | 23,476 | 12,207 | 12,428 | 12,776 | 13,028 |

Statement of Capital Works

For the four years ending 30 June 2019

| | Forecast Actual 2014/15 \$'000 | Budget 2015/16 \$'000 | Strategic Resource Plan Projections | | |
|--|---|-----------------------------|--|-------------------|-------------------|
| | | | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 |
| Property | | | | | |
| Land | 0 | 0 | 0 | 0 | 0 |
| Land improvements | 0 | 0 | 0 | 0 | 0 |
| Total land | 0 | 0 | 0 | 0 | 0 |
| Buildings | 10,678 | 13,368 | 10,114 | 8,064 | 7,550 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 |
| Building improvements | 75 | 117 | 89 | 71 | 66 |
| Leasehold improvements | 0 | 0 | 0 | 0 | 0 |
| Total buildings | 10,753 | 13,485 | 10,203 | 8,135 | 7,616 |
| Total property | 10,753 | 13,485 | 10,203 | 8,135 | 7,616 |
| Plant and equipment | | | | | |
| Heritage plant and equipment | 0 | 0 | 0 | 0 | 0 |
| Plant, machinery and equipment | 2,093 | 3,179 | 2,406 | 1,917 | 1,796 |
| Fixtures, fittings and furniture | 0 | 0 | 0 | 0 | 0 |
| Computers and telecommunications | 1,687 | 2,112 | 1,598 | 1,274 | 1,193 |
| Library books | 318 | 500 | 378 | 302 | 282 |
| Total plant and equipment | 4,098 | 5,791 | 4,382 | 3,493 | 3,271 |
| Infrastructure | | | | | |
| Roads | 3,598 | 5,367 | 4,061 | 3,239 | 3,031 |
| Bridges | 6 | 10 | 8 | 6 | 6 |
| Footpaths and cycleways | 577 | 681 | 515 | 411 | 385 |
| Drainage | 1,301 | 1,885 | 1,426 | 1,137 | 1,065 |
| Recreational, leisure and community facilities | 405 | 629 | 476 | 379 | 355 |
| Waste management | 0 | 0 | 0 | 0 | 0 |
| Parks, open space and streetscapes | 1,686 | 2,614 | 1,978 | 1,577 | 1,476 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 |
| Off street car parks | 88 | 115 | 87 | 69 | 65 |
| Other infrastructure | 105 | 140 | 106 | 84 | 79 |
| Total infrastructure | 7,766 | 11,441 | 8,657 | 6,902 | 6,462 |
| Total capital works expenditure | 22,617 | 30,717 | 23,242 | 18,530 | 17,349 |
| Represented by: | | | | | |
| New asset expenditure | 6,850 | 9,176 | 5,767 | 3,296 | 2,791 |
| Asset renewal expenditure | 12,225 | 17,454 | 15,928 | 13,145 | 13,560 |
| Asset expansion expenditure | 2,190 | 3,455 | 702 | 857 | 268 |
| Asset upgrade expenditure | 1,352 | 632 | 845 | 1,232 | 730 |
| Total capital works expenditure | 22,617 | 30,717 | 23,242 | 18,530 | 17,349 |

Statement of Human Resources

For the four years ending 30 June
2019

| | Forecast Actual | Budget | Strategic Resource Plan Projections | | |
|--------------------------------|--------------------|-------------------|--|-------------------|-------------------|
| | 2014/15 \$'000 | 2015/16 \$'000 | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 |
| Staff expenditure | | | | | |
| Employee costs - operating | 31,541 | 34,091 | 35,367 | 36,655 | 37,711 |
| Employee costs - capital | 0 | 0 | 0 | 0 | 0 |
| Total staff expenditure | 31,541 | 34,091 | 35,367 | 36,655 | 37,711 |
| | EFT | EFT | EFT | EFT | EFT |
| Staff numbers | | | | | |
| Employees | 567.4 | 568.3 | 570.2 | 573.4 | 575 |
| Total staff numbers | 567.4 | 568.3 | 570.2 | 573.4 | 575 |

Appendix B

Rates and charges¹⁻⁷

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

Commentary – Rates and charges

Purpose of rates and charges section

1. The Regulations require certain information to be disclosed within the budget (and revised budget) and some of these disclosures relating to rates and charges are made in this Appendix. Preparers of budgets should refer to the Compliance Checklist earlier in this Guide in order to review the requirements of the Act and Regulations.

Rates and charges

2. Section 127 of the Act requires the budget to contain the information the council is required to declare under Section 158(1) of the Act. This section requires the disclosure of the amount which the council intends to raise by general rates, municipal charges, service rates and service charges and whether the general rates will be raised by the application of a uniform rate, differential rates (under Section 161 and 161(2) or urban farm rates, farm rates or residential use rates (under Section 161A and 161(2)). Regulation 10(2)(a)-(r) set out an extensive list of information required to be disclosed in the budget in regards to rates and charges, including:
 - (a) The rate in the dollar to be levied for each type or class of land
 - (b) The percentage change in the rate in the dollar in relation to each class or type of land to be levied compared with the previous financial year
 - (c) The estimated amount to be raised by general rates in relation to each class or type of land compared with the previous financial year
 - (d) The estimated amount to be raised by general rates compared with the previous financial year
 - (e) The number of assessments for each type or class of land compared with the previous financial year
 - (f) The number of assessments compared with the previous financial year
 - (g) The basis of valuation to be used under Section 157 of the Act
 - (h) The estimated value of each type or class of land compared with the previous financial year
 - (i) The estimated total value of land rated under Section 158 of the Act compared with the previous financial year
 - (j) The municipal charge under Section 159 of the Act compared with the previous financial year,
 - (k) The percentage change in the municipal charge compared with the previous financial year
 - (l) The estimated amount to be raised by municipal charges compared with the previous financial year
 - (m) The rate or unit amount to be levied for each type of service rate or charge under Section 162 of the Act compared with the previous financial year
 - (n) The percentage change for each type of service rate or charge compared with the previous financial year
 - (o) The estimated amount to be raised by each type of service rate or charge compared with the previous year
 - (p) The estimated total amount to be raised by service rates and charges compared with the previous financial year
 - (q) The estimated total amount to be raised by all rates and charges compared with the previous financial year
 - (r) Any significant changes that may affect the estimated amounts to be raised.
3. The Regulations now require the rates information above to be disclosed in relation to 'each type or class of land', regardless of whether the Council has levied a differential rate for those classes of land. The disclosures in this Guide illustrate this requirement by showing rates information for the major types and classes of land for Victorian City Council of residential, commercial and industrial land (Victorian City Council having no farm or other land), even though Victorian City Council has only declared differential rates for residential and commercial land (ie. no separate differential rate for industrial land but industrial land is shown as 'a type or class of land').

Recreational Land

4. Section 4 of the *Cultural and Recreational Land Act 1963* requires the rates for recreational lands shall be levied "such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands".

Commentary – Rates and charges

Rates for Recreational lands need to be assessed case by case using the above guidance and this may mean that Council has different discounts for different recreational lands subject to the assessment outcome.

Differential rates

5. Section 127 of the Act requires the budget to contain the information the council is required to declare under Section 161 and 161A where it intends to declare a differential rate. That subsequent section requires the disclosure of the objectives of the differential rate and must include the following:
 - (i) A definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate in relation to those types or classes of land
 - (ii) An identification of the types or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in the council's municipal district), planning scheme zoning of the land, the types of buildings situated on it and any other criteria relevant to the rate
 - (iii) If there has been a change in the valuation system, any provision for relief from a rate for certain land to ease the transition for that land
 - (iv) Specify the characteristics of the land which are the criteria for declaring the differential rate.
6. In addition to the above, new requirements relating to differential rates were introduced as part of the Local Government Legislation Amendment (Miscellaneous) Act 2012. These provide that (Section 161):
 - (2A) Council must have regard to any Ministerial Guidelines before declaring a differential rate
 - (2B) The Minister may make guidelines for or with respect to the objectives of differential rating and suitable uses of differential rating powers, and the types or classes of land appropriate for differential rating
 - (4) On recommendation of the Minister, the Governor in Council may by Order in Council prohibit any council from making a declaration of a differential rate in respect of a type or class or land, if the Minister considers that the declaration would be inconsistent with any guidelines made under subsection (2B)
7. The Ministerial Guidelines for Differential Rating (the Guidelines) were published in April 2013. The intent of the Guidelines is to reduce complexity and the inconsistent application of differential rates across local governments in Victoria.

The Guidelines have been designed to provide clarity and consistency for councils in their decision making about the setting and use of differential rates:

- the Minister's expectations for how they can be applied
- the determination requirements in considering differential rate objectives, and
- the consideration of how and when differential rates are likely to be a useful tool to achieve those objectives.

A copy of the Guidelines can be accessed through the website of DELWP. (<http://www.dtpli.vic.gov.au/local-government/publications-and-research/planning-and-reporting>)

Rates and charges

1. Rates and charges²⁻⁷

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

| Type or class of land | 2014/15 cents/\$CIV | 2015/16 cents/\$CIV | Change |
|--|------------------------|------------------------|-------------|
| General rate for rateable residential properties | 0.246871 | 0.256499 | 3.9% |
| General rate for rateable commercial properties | 0.432172 | 0.449027 | 3.9% |
| General rate for rateable industrial properties | 0.432172 | 0.449027 | 3.9% |
| Rate concession for rateable recreational properties | 0.216086 | 0.224513 | 3.9% |

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

| Type or class of land | 2014/15 \$ | 2015/16 \$ | Change |
|---|-------------------|-------------------|-------------|
| Residential | 22,026,450 | 23,153,272 | 5.1% |
| Commercial | 4,107,917 | 4,216,419 | 2.7% |
| Industrial | 3,560,258 | 3,654,295 | 2.7% |
| Recreational | 14,401 | 14,869 | 3.3% |
| Total amount to be raised by general rates | 29,709,026 | 31,038,855 | 4.5% |

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

| Type or class of land | 2014/15 Number | 2015/16 Number | Change |
|------------------------------------|-------------------|-------------------|--------------|
| Residential | 51,909 | 52,584 | 1.3% |
| Commercial | 2,496 | 2,428 | -2.7% |
| Industrial | 2,086 | 2,086 | - |
| Cultural and Recreational | 10 | 10 | - |
| Total number of assessments | 56,501 | 57,108 | 1.1% |

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

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

| Type or class of land | 2014/15 \$ | 2015/16 \$ | Change |
|----------------------------|-----------------------|-----------------------|--------------|
| Residential | 8,922,249,818 | 9,026,652,050 | 1.2% |
| Commercial | 950,527,144 | 939,012,373 | -1.2% |
| Industrial | 823,805,800 | 813,825,227 | -1.2% |
| Cultural and Recreational | 6,664,238 | 6,623,000 | -0.6% |
| Total value of land | 10,703,247,000 | 10,786,112,650 | 0.8% |

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

| Type of Charge | Per Rateable Property 2014/15 \$ | Per Rateable Property 2015/16 \$ | Change |
|----------------|--|--|--------|
| Municipal | 105 | 110 | 4.8% |

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

| Type of Charge | 2014/15 \$ | 2015/16 \$ | Change |
|----------------|---------------|---------------|--------|
| Municipal | 5,931,135 | 6,281,880 | 5.9% |

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

| Type of Charge | Per Rateable Property 2014/15 \$ | Per Rateable Property 2015/16 \$ | Change |
|---------------------|--|--|--------|
| Kerbside collection | 77 | 80 | 3.9% |
| Recycling | 19 | 20 | 5.3% |
| Total | 96 | 100 | 4.2% |

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

| Type of Charge | 2014/15 \$ | 2015/16 \$ | Change |
|---------------------|---------------|---------------|--------|
| Kerbside collection | 4,349,499 | 4,568,640 | 5.0% |
| Recycling | 1,006,911 | 1,142,160 | 13.4% |
| Total | 5,356,410 | 5,710,800 | 6.6% |

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

| | 2014/15 \$ | 2015/16 \$ | Change |
|-----------------------------------|---------------|---------------|--------|
| General rates | 29,709,026 | 31,038,855 | 4.5% |
| Municipal charge | 5,931,135 | 6,281,880 | 5.9% |
| Kerbside collection and Recycling | 5,356,410 | 5,710,800 | 6.6% |
| Rates and charges | 40,996,571 | 43,031,535 | 5.0% |

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

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

- The making of supplementary valuations (2015/16: estimated \$425,723, 2014/15: \$198,727)
- The variation of returned levels of value (e.g. valuation appeals)
- Changes in use of land such that rateable land becomes non-rateable land and vice versa
- Changes in use of land such that residential land becomes business land and vice versa.

2. Differential rates⁵⁻⁷

2.1 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 0.256499% (0.256499 cents in the dollar of CIV) for all rateable residential properties
- A general rate of 0.449027% (0.449027 cents in the dollar of CIV) for all rateable commercial properties.

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

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

2.2 Commercial land

Commercial land is any land which is:

- Occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services or
- Unoccupied but zoned commercial or industrial under the City of Victoria Planning Scheme.

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost 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.

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 for 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 it is 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 commercial land. The vacant land affected by this rate is that which is zoned commercial and/or industrial under the City of Victoria Planning Scheme. The classification of land which is improved will be determined by the occupation of that land, and have reference to the planning scheme zoning.

The types of buildings on the land within this differential rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2015/16 financial year.

2.3 Residential land

Residential land is any land, which is:

- Occupied for the principal purpose of physically accommodating persons or
- Unoccupied but zoned residential under the City of Victoria Planning Scheme and which is not commercial land.

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost 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.

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 for 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 where it is 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 residential land. The vacant land affected by this rate is that which is zoned residential under the Victorian Local Council Planning Scheme. The classification of land which is improved will be determined by the occupation of that land, and have reference to the planning scheme zoning.

The types of buildings on the land within this differential rate are all buildings already on the land or which will be constructed prior to the expiry of the 2015/16 financial year.

Appendix C

Capital works program¹⁻²

This appendix presents a listing of the capital works projects that will be undertaken for the 2015/16 year.

The capital works projects are grouped by class and include the following:

- New works for 2015/16
- Works carried forward from the 2014/15 year.

Commentary – Capital works program

Purpose of capital works program

1. Regulation 10 (a) and (b) require that the budget contain a detailed list of capital works expenditure in relation to non-current assets by class according to the Local Government Model Financial Report, classified separately as to asset expenditure type (ie. renewal, new, upgrade and expansion). The budget must also contain a summary of funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings. The disclosures in Appendix C reflect these requirements.

Disclosure

2. Although not mandated by the Regulations, it is suggested that the disclosures in Appendix C should show separately:
 - (a) New works
 - (b) Works carried forward from the prior year
 - (c) Total works to be funded in the current year.

Separating the works carried forward from the prior year provides greater transparency in showing the readers what part of the total works program relates to projects that have previously been budgeted but not yet completed.

Capital works program

For the year ending 30 June 2016

1. New works

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|--|------------------------|-------------------------|-------------------|-------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | | New \$'000 | Renewal \$'000 | Upgrade \$'000 | Expansion \$'000 | Grants \$'000 | Contributions \$'000 | Council Cash \$'000 | Borrowings \$'000 |
| PROPERTY | | | | | | | | | |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | | | | | | | | | |
| Community facilities: Victorian Community Facility | 1,200 | 1,200 | 0 | 0 | 0 | 68 | 0 | 1,132 | 0 |
| Sports facilities: Velodrome / State Bowls Centre | 4,000 | 4,000 | 0 | 0 | 0 | 4,000 | 0 | 0 | 0 |
| Victorian library concept plan | 90 | 90 | 0 | 0 | 0 | 10 | 0 | 80 | 0 |
| Community facilities | 1,127 | 0 | 1,127 | 0 | 0 | 0 | 0 | 1,127 | 0 |
| Municipal offices | 529 | 0 | 529 | 0 | 0 | 0 | 0 | 529 | 0 |
| Sports facilities | 166 | 0 | 166 | 0 | 0 | 30 | 0 | 136 | 0 |
| Pavilions | 320 | 0 | 320 | 0 | 0 | 0 | 0 | 320 | 0 |
| Other buildings | 882 | 0 | 882 | 0 | 0 | 0 | 0 | 882 | 0 |
| Total Buildings | 8,314 | 5,290 | 3,024 | 0 | 0 | 4,108 | 0 | 4,206 | 0 |
| Building Improvements | | | | | | | | | |
| Municipal offices: Depot lift | 117 | 117 | 0 | 0 | 0 | 0 | 0 | 117 | 0 |
| Total Building Improvements | 117 | 117 | 0 | 0 | 0 | 0 | 0 | 117 | 0 |
| Leasehold Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PROPERTY | 8,431 | 5,407 | 3,024 | 0 | 0 | 4,108 | 0 | 4,323 | 0 |

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|--|---------------------------|-------------------------|---------|---------|---------------|-----------------|-------------------|-----------------|----------------|
| | | New | Renewal | Upgrade | Expansi on | Grants | Contribu tions | Council Cash | Borrowi ngs |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| PLANT AND EQUIPMENT | | | | | | | | | |
| Plant, Machinery and Equipment | | | | | | | | | |
| Motor vehicles and plant | 3,021 | 0 | 3,021 | 0 | 0 | 435 | 0 | 2,586 | 0 |
| Total Plant, Machinery and Equipment | 3,021 | 0 | 3,021 | 0 | 0 | 435 | 0 | 2,586 | 0 |
| Fixtures, Fittings and Furniture | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Computers and Telecommunications | | | | | | | | | |
| Information technology: Asset system | 414 | 414 | 0 | 0 | 0 | 0 | 0 | 414 | 0 |
| Information technology: PCs and servers | 550 | 550 | 0 | 0 | 0 | 0 | 0 | 550 | 0 |
| Information technology: WAN infrastructure | 150 | 150 | 0 | 0 | 0 | 0 | 0 | 150 | 0 |
| Information technology | 201 | 0 | 201 | 0 | 0 | 0 | 0 | 201 | 0 |
| Total Computers and Telecommunications | 1,315 | 1,114 | 201 | 0 | 0 | 0 | 0 | 1,315 | 0 |
| Heritage Plant and Equipment | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Library books | | | | | | | | | |
| Books: Product purchases | 500 | 500 | 0 | 0 | 0 | 0 | 0 | 500 | 0 |
| Total library books | 500 | 500 | 0 | 0 | 0 | 0 | 0 | 500 | 0 |
| TOTAL PLANT AND EQUIPMENT | 4,836 | 1,614 | 3,222 | 0 | 0 | 435 | 0 | 4,401 | 0 |
| INFRASTRUCTURE | | | | | | | | | |
| Roads | | | | | | | | | |
| Local road: Northfield Plaza | 60 | 60 | 0 | 0 | 0 | 0 | 0 | 60 | 0 |
| Carpark: Northfield Leisure Centre | 55 | 55 | 0 | 0 | 0 | 0 | 0 | 55 | 0 |
| Traffic devices: Bestings to James | 80 | 80 | 0 | 0 | 0 | 0 | 0 | 80 | 0 |
| Local roads | 1,116 | 0 | 1,116 | 0 | 0 | 0 | 0 | 1,116 | 0 |
| Program works | 797 | 0 | 797 | 0 | 0 | 0 | 0 | 797 | 0 |
| Declared main roads | 368 | 0 | 368 | 0 | 0 | 0 | 0 | 368 | 0 |
| Traffic devices | 506 | 0 | 506 | 0 | 0 | 0 | 0 | 506 | 0 |

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|--------------------------------------|------------------------|-------------------------|---------|---------|-----------|-----------------|---------------|--------------|------------|
| | | New | Renewal | Upgrade | Expansion | Grants | Contributions | Council Cash | Borrowings |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Street lighting | 20 | 0 | 20 | 0 | 0 | 0 | 0 | 20 | 0 |
| Traffic signals | 75 | 0 | 75 | 0 | 0 | 0 | 0 | 75 | 0 |
| Integrated transport plan | 220 | 0 | 220 | 0 | 0 | 0 | 0 | 220 | 0 |
| Roads to recovery | 808 | 0 | 808 | 0 | 0 | 808 | 0 | 0 | 0 |
| Pedestrian safety | 85 | 0 | 85 | 0 | 0 | 0 | 0 | 85 | 0 |
| Parking | 80 | 0 | 80 | 0 | 0 | 0 | 0 | 80 | 0 |
| Traffic investigations | 70 | 0 | 70 | 0 | 0 | 0 | 0 | 70 | 0 |
| Local road: Benjamin to High | 200 | 0 | 0 | 100 | 100 | 0 | 0 | 200 | 0 |
| Local road: Pinders to Archfield | 300 | 0 | 0 | 150 | 150 | 0 | 0 | 300 | 0 |
| Local road: David to Portsmouth | 110 | 0 | 0 | 55 | 55 | 0 | 0 | 110 | 0 |
| Total Roads | 4,950 | 195 | 4,145 | 305 | 305 | 808 | 0 | 4,142 | 0 |
| Bridges | | | | | | | | | |
| Bridges and culverts | 10 | 0 | 10 | 0 | 0 | 0 | 0 | 10 | 0 |
| Total Bridges | 10 | 0 | 10 | 0 | 0 | 0 | 0 | 10 | 0 |
| Footpaths and Cycleways | | | | | | | | | |
| Footpath: James to High | 25 | 25 | 0 | 0 | 0 | 0 | 0 | 25 | 0 |
| Footpath: Lanham to Elm | 15 | 15 | 0 | 0 | 0 | 0 | 0 | 15 | 0 |
| Footpath: Watt to Clapam | 20 | 20 | 0 | 0 | 0 | 0 | 0 | 20 | 0 |
| Footpath: Wembley to Jet | 20 | 20 | 0 | 0 | 0 | 0 | 0 | 20 | 0 |
| Footpaths | 173 | 0 | 173 | 0 | 0 | 0 | 0 | 173 | 0 |
| Bike paths | 94 | 0 | 94 | 0 | 0 | 0 | 0 | 94 | 0 |
| Total Footpaths and Cycleways | 347 | 80 | 267 | 0 | 0 | 0 | 0 | 347 | 0 |
| Drainage | | | | | | | | | |
| Storm water trap: Muddy Creek | 40 | 40 | 0 | 0 | 0 | 0 | 0 | 40 | 0 |
| Drains - roads | 570 | 0 | 570 | 0 | 0 | 0 | 0 | 570 | 0 |
| Retarding basins | 500 | 0 | 500 | 0 | 0 | 430 | 0 | 70 | 0 |
| Waterways | 20 | 0 | 20 | 0 | 0 | 0 | 0 | 20 | 0 |
| Water quality | 220 | 0 | 220 | 0 | 0 | 0 | 0 | 220 | 0 |
| Road drain: Burke stage 1 and 2 | 300 | 0 | 0 | 150 | 150 | 0 | 0 | 300 | 0 |
| Total Drainage | 1,650 | 40 | 1,310 | 150 | 150 | 430 | 0 | 1,220 | 0 |

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|---|------------------------|-------------------------|-------------------|-------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | | New \$'000 | Renewal \$'000 | Upgrade \$'000 | Expansion \$'000 | Grants \$'000 | Contributions \$'000 | Council Cash \$'000 | Borrowings \$'000 |
| Recreational, Leisure & Community Facilities | | | | | | | | | |
| Playing surfaces: Training lights | 91 | 91 | 0 | 0 | 0 | 0 | 0 | 91 | 0 |
| Playground equipment: Victoria Park | 170 | 170 | 0 | 0 | 0 | 0 | 0 | 170 | 0 |
| Irrigation systems: Victoria Park | 358 | 358 | 0 | 0 | 0 | 0 | 0 | 358 | 0 |
| Total Recreation, Leisure and Comm Facilities | 619 | 619 | 0 | 0 | 0 | 0 | 0 | 619 | 0 |
| Waste Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks, Open Space and Streetscapes | | | | | | | | | |
| Parks | 2,083 | 0 | 2,083 | 0 | 0 | 0 | 0 | 2,083 | 0 |
| Streetscapes | 25 | 0 | 25 | 0 | 0 | 0 | 0 | 25 | 0 |
| Trees | 380 | 0 | 380 | 0 | 0 | 0 | 0 | 380 | 0 |
| Other open space | 76 | 0 | 76 | 0 | 0 | 0 | 0 | 76 | 0 |
| Total Parks, Open Space and Streetscapes | 2,564 | 0 | 2,564 | 0 | 0 | 0 | 0 | 2,564 | 0 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off Street Car Parks | | | | | | | | | |
| Car parks | 80 | 0 | 80 | 0 | 0 | 0 | 0 | 80 | 0 |
| Total Off Street Car Parks | 80 | 0 | 80 | 0 | 0 | 0 | 0 | 80 | 0 |
| Other Infrastructure | | | | | | | | | |
| Public art: Municipal square | 105 | 105 | 0 | 0 | 0 | 35 | 0 | 70 | 0 |
| Total Other Infrastructure | 105 | 105 | 0 | 0 | 0 | 35 | 0 | 70 | 0 |
| TOTAL INFRASTRUCTURE | 10,325 | 1,039 | 8,376 | 455 | 455 | 1,273 | 0 | 9,052 | 0 |
| TOTAL NEW CAPITAL WORKS 2015/16 | 23,592 | 8,060 | 14,622 | 455 | 455 | 5,816 | 0 | 17,776 | 0 |

2. Works carried forward from the 2014/15 year

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|---|------------------------|-------------------------|-------------------|-------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | | New \$'000 | Renewal \$'000 | Upgrade \$'000 | Expansion \$'000 | Grants \$'000 | Contributions \$'000 | Council Cash \$'000 | Borrowings \$'000 |
| PROPERTY | | | | | | | | | |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | | | | | | | | | |
| Municipal Offices: Civic Precinct | 752 | 752 | 0 | 0 | 0 | 0 | 0 | 752 | 0 |
| Community facilities | 300 | 0 | 300 | 0 | 0 | 20 | 0 | 280 | 0 |
| Municipal offices | 490 | 0 | 490 | 0 | 0 | 150 | 0 | 340 | 0 |
| Sports facilities | 215 | 0 | 215 | 0 | 0 | 0 | 0 | 215 | 0 |
| Other buildings | 297 | 0 | 297 | 0 | 0 | 0 | 0 | 297 | 0 |
| Community facilities: Newlands Centre | 3,000 | 0 | 0 | 0 | 3,000 | 0 | 0 | 3,000 | 0 |
| Total Buildings | 5,054 | 752 | 1,302 | 0 | 3,000 | 170 | 0 | 4,884 | 0 |
| Building Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Leasehold Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PROPERTY | 5,054 | 752 | 1,302 | 0 | 3,000 | 170 | 0 | 4,884 | 0 |
| PLANT AND EQUIPMENT | | | | | | | | | |
| Plant, Machinery and Equipment | | | | | | | | | |
| Motor vehicles and plant | 158 | 0 | 158 | 0 | 0 | 0 | 0 | 158 | 0 |
| Total Plant, Machinery and Equipment | 158 | 0 | 158 | 0 | 0 | 0 | 0 | 158 | 0 |
| Fixtures, Fittings and Furniture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|---|------------------------|-------------------------|-------------------|-------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | | New \$'000 | Renewal \$'000 | Upgrade \$'000 | Expansion \$'000 | Grants \$'000 | Contributions \$'000 | Council Cash \$'000 | Borrowings \$'000 |
| Computers and Telecommunications | | | | | | | | | |
| Information technology: PCs and servers | 319 | 319 | 0 | 0 | 0 | 0 | 0 | 319 | 0 |
| Information technology | 478 | 0 | 478 | 0 | 0 | 0 | 0 | 478 | 0 |
| Total Computers and Telecommunications | 797 | 319 | 478 | 0 | 0 | 0 | 0 | 797 | 0 |
| Heritage Plant and Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Library books | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PLANT AND EQUIPMENT | 955 | 319 | 636 | 0 | 0 | 0 | 0 | 955 | 0 |
| INFRASTRUCTURE | | | | | | | | | |
| Roads | | | | | | | | | |
| Local roads | 151 | 0 | 151 | 0 | 0 | 0 | 0 | 151 | 0 |
| Traffic devices | 60 | 0 | 60 | 0 | 0 | 0 | 0 | 60 | 0 |
| Integrated transport plan | 77 | 0 | 77 | 0 | 0 | 0 | 0 | 77 | 0 |
| Local road: Johnson to Bates | 129 | 0 | 0 | 129 | 0 | 0 | 0 | 129 | 0 |
| Total Roads | 417 | 0 | 288 | 129 | 0 | 0 | 0 | 417 | 0 |
| Bridges | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Footpaths and Cycleways | | | | | | | | | |
| Footpaths | 63 | 0 | 63 | 0 | 0 | 0 | 0 | 63 | 0 |
| Bike paths | 271 | 0 | 271 | 0 | 0 | 161 | 0 | 110 | 0 |
| Total Footpaths and Cycleways | 334 | 0 | 334 | 0 | 0 | 161 | 0 | 173 | 0 |
| Drainage | | | | | | | | | |
| Drains - roads | 37 | 0 | 37 | 0 | 0 | 0 | 0 | 37 | 0 |
| Waterways | 150 | 0 | 150 | 0 | 0 | 130 | 0 | 20 | 0 |
| Road drain: Grange final stage | 48 | 0 | 0 | 48 | 0 | 0 | 0 | 48 | 0 |
| Total Drainage | 235 | 0 | 187 | 48 | 0 | 130 | 0 | 105 | 0 |

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|---|------------------------|-------------------------|-------------------|-------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | | New \$'000 | Renewal \$'000 | Upgrade \$'000 | Expansion \$'000 | Grants \$'000 | Contributions \$'000 | Council Cash \$'000 | Borrowings \$'000 |
| Recreational, Leisure & Community Facilities | | | | | | | | | |
| Playing surfaces: Training lights | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 10 | 0 |
| Total Recreation, Leisure and Comm Facilities | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 10 | 0 |
| Waste Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks, Open Space and Streetscapes | | | | | | | | | |
| Parks | 50 | 0 | 50 | 0 | 0 | 0 | 0 | 50 | 0 |
| Total Parks, Open Space and Streetscapes | 50 | 0 | 50 | 0 | 0 | 0 | 0 | 50 | 0 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off Street Car Parks | | | | | | | | | |
| Car parks | 35 | 0 | 35 | 0 | 0 | 0 | 0 | 35 | 0 |
| Total Off Street Car Parks | 35 | 0 | 35 | 0 | 0 | 0 | 0 | 35 | 0 |
| Other Infrastructure | | | | | | | | | |
| Public art: Northfield shopping centre | 35 | 35 | 0 | 0 | 0 | 0 | 0 | 35 | 0 |
| Total Other Infrastructure | 35 | 35 | 0 | 0 | 0 | 0 | 0 | 35 | 0 |
| TOTAL INFRASTRUCTURE | 1,116 | 45 | 894 | 177 | 0 | 291 | 0 | 825 | 0 |
| TOTAL C/FWD CAPITAL WORKS 2014/15 | 7,125 | 1,116 | 2,832 | 177 | 3,000 | 461 | 0 | 6,664 | 0 |

3. Summary

| Capital Works Area | Project Cost \$'000 | Asset expenditure types | | | | Funding sources | | | |
|---------------------|------------------------|-------------------------|-------------------|-------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | | New \$'000 | Renewal \$'000 | Upgrade \$'000 | Expansion \$'000 | Grants \$'000 | Contributions \$'000 | Council Cash \$'000 | Borrowings \$'000 |
| PROPERTY | 13,485 | 6,159 | 4,326 | 0 | 3,000 | 4,278 | 0 | 9,207 | 0 |
| PLANT AND EQUIPMENT | 5,791 | 1,933 | 3,858 | 0 | 0 | 435 | 0 | 5,356 | 0 |
| INFRASTRUCTURE | 11,441 | 1,084 | 9,270 | 632 | 455 | 1,564 | 0 | 9,877 | 0 |
| TOTAL | 30,717 | 9,176 | 17,454 | 632 | 3,455 | 6,277 | 0 | 24,440 | 0 |

Appendix D

Fees and charges schedule¹

This appendix presents the fees and charges of a statutory and non-statutory nature which will be charged in respect to various goods and services provided during the 2015/16 year.

Commentary – Fees and charges schedule

Disclosure

1. The disclosure of fees and charges to be levied for various goods and services provided during the year is optional and is not required by legislation. However, it is common practice for councils to include such a schedule in the budget report.

End of Victorian City Council Budget Report

Glossary

| Term | Definition |
|--|---|
| Act | Local Government Act 1989 |
| Accounting Standards | Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and have the force of law for Corporations law entities under s 296 of the <i>Corporations Act 2001</i> . They must also be applied to all other general purpose financial reports of reporting entities in the public and private sectors. |
| Adjusted underlying revenue | <p>The adjusted underlying revenue means total income other than non-recurrent grants used to fund capital expenditure, non-monetary asset contributions, and contributions to fund capital expenditure from sources other than grants and non-monetary contributions.</p> <p>Local Government (Planning and Reporting) Regulations 2014 - Schedule 3</p> |
| Adjusted underlying surplus (or deficit) | <p>The adjusted underlying surplus (or deficit) means adjusted underlying revenue less total expenditure. It is a measure of financial sustainability of the Council which can be masked in the net surplus (or deficit) by capital-related items.</p> <p>Local Government (Planning and Reporting) Regulations 2014 - Schedule 3</p> |
| Annual budget | Plan under Section 127 of the Act setting out the services to be provided and initiatives to be undertaken over the next 12 months and the funding and other resources required. |
| Annual report | The annual report prepared by Council under sections 131, 132 and 133 of the Act. The annual report to the community contains a report of operations and audited financial and performance statements. |
| Annual reporting requirements | Annual reporting requirements include the financial reporting requirements of the Act, Accounting Standards and other mandatory professional reporting requirements. |
| Asset expansion expenditure | <p>Expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to existing beneficiaries</p> <p>Local Government (Planning and Reporting) Regulations 2014 – Regulation 5</p> |
| Asset renewal expenditure | <p>Expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability.</p> <p>Local Government (Planning and Reporting) Regulations 2014 – Regulation 5</p> |
| Asset upgrade expenditure | <p>Expenditure that:</p> <ul style="list-style-type: none"> (a) enhances an existing asset to provide a higher level of service; or (b) increases the life of the asset beyond its original life. <p>Local Government (Planning and Reporting) Regulations 2014 – Regulation 5</p> |

Glossary

| Term | Definition |
|--------------------------------|--|
| 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. |
| Balance sheet | <p>The 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.</p> <p>The balance sheet should be prepared in accordance with the requirements of AASB 101 - Presentation of Financial Statements and the Local Government Model Financial Report.</p> |
| Comprehensive income statement | The comprehensive income statement shows the expected operating result in the forthcoming year compared to the forecast actual result in the current year. The income statement should be prepared in accordance with the requirements of AASB101 Presentation of Financial Statements and the Local Government Model Financial Report. |
| Financial Statements | <p>Section(s) 126(2)(a), 127(2)(a) and / or 131(1)(b) of the Act require the following documents to include financial statements:</p> <ul style="list-style-type: none"> -Strategic resource plan -Budget -Annual report <p>The financial statements to be included in the Budget include:</p> <ul style="list-style-type: none"> - Comprehensive Income Statement - Balance Sheet - Statement of Changes in Equity - Statement of Cash Flows - Statement of Capital Works <p>The financial statements must be in the form set out in the Local Government Model Financial Report.</p> |
| Statement of capital works | <p>The statement of capital works shows the expected internal and external funding for capital works expenditure and the total proposed capital works expenditure for the forthcoming year with a comparison with forecast actual for the current year. The statement of capital works should be prepared in accordance with Regulation 9.</p> <p>Local Government (Planning and Reporting) Regulations 2014 – Regulation 9</p> |
| Statement of cash flows | The statement of cash flows 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. The cash flow statement should be prepared in accordance with the requirements of AASB 107 Statement of Cash Flows and the Local Government Model Financial Report. |
| Statement of changes in equity | The statement of changes in equity shows the expected movement in Accumulated Surplus and reserves for the year. The statement of changes in equity should be prepared in accordance with the requirements of AASB 101 - Presentation of Financial Statements and the Local Government Model Financial Report. |

Glossary

| Term | Definition |
|---|---|
| Budget preparation requirement | <p>Under the Act, a Council is required to prepare and adopt an annual budget by 30 June each year.</p> <p>The Local Government Amendment (Performance Reporting and Accountability) Bill 2013 amends the date the budget must be adopted to 30 June each year – refer section 11(1) of the Bill. This amends section 130 (3) of the Act</p> |
| 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 works program | A detailed list of capital works expenditure that will be undertaken during the 2015/16 financial year. Regulation 10 requires that the budget contains a detailed list of capital works expenditure and sets out how that information is to be disclosed by reference to asset categories, asset expenditure type and funding sources. |
| Carry forward capital works | Carry forward capital works are those that are incomplete in the current budget year and will be completed in the following budget year. |
| Council Plan | Means a Council Plan prepared by the Council under Section 125 of the Local Government Act 1989. This document sets out the strategic objectives of the Council and strategies for achieving the objectives as part of the overall strategic planning framework required by the Act. |
| Department of Environment, Land, Water and Planning (DELWP) | <p>Local Government Victoria is part of the Department of Environment, Land, Water and Planning (DELWP).</p> <p>It was previously part of the former:</p> <ul style="list-style-type: none"> • Department of Transport, Planning and Local Infrastructure (DTPLI). • Department of Planning and Community Development (DPCD). • Department of Victorian Communities (DVC) |
| Discretionary reserves | Discretionary reserves are funds earmarked by Council for various purposes. Councils can by resolution change the purpose of these reserves. |
| External influences in the preparation of a budget | Matters arising from third party actions over which Council has little or no control e.g. 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. |

Glossary

| Term | Definition |
|---|--|
| Four way budgeting methodology (<i>Strategic resource plan</i>) | The linking of the income statement, balance sheet, cash flow statement and capital works statement to produce forecast financial statements based on assumptions about future movements in key revenues, expenses, assets and liabilities. |
| Infrastructure | Non-current property, plant and equipment excluding land |
| Infrastructure strategy | An infrastructure strategy is the process by which 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 influences in the preparation of a budget | Matters arising from Council actions over which there is some element of control (e.g. 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 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. |
| Legislative framework | The Act, Regulations and other laws and statutes which set a Council's governance, planning and reporting requirements. |
| Local Government Model Financial Report | Local Government Model Financial Report published by the Department from time to time including on the Department's Internet website. |
| Local Government (Planning and Reporting) Regulations 2014 | Regulations, made under Section 243 of the Act prescribe: (a) The content and preparation of the financial statements of a Council (b) The performance indicators and measures to be included in a budget, revised budget and annual report of a Council (c) The information to be included in a Council Plan, Strategic Resource Plan, budget, revised budget and annual report (d) Other matters required to be prescribed under Parts 6 and 7 of the Act. |
| New asset expenditure | Expenditure that creates a new asset that provides a service that does not currently exist. Local Government (Planning and Reporting) Regulations 2014 – Regulation 5 |
| Non-financial resources | Means the resources other than financial resources required to deliver the services and initiatives in the budget. SRP Better Practice Guide - Glossary |
| Non-recurrent grant | Means a grant obtained on the condition that it be expended in a |

Glossary

| Term | Definition |
|--|--|
| | specified manner and is not expected to be received again during the period covered by a Council's Strategic Resource Plan. |
| | SRP Better Practice Guide - Glossary |
| Operating activities | Operating activities means those activities that relate to the provision of goods and services. |
| Operating expenditure | 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. |
| Operating performance (<i>Impact of current year on 2014/15 budget</i>) | 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. |
| 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. |
| Own-source revenue | Means adjusted underlying revenue other than revenue that is not under the control of Council (including government grants). |
| | Local Government (Planning and Reporting) Regulations 2014 – Regulation 5 |
| Performance statement | Means a statement including the results of the prescribed service outcome indicators, financial performance indicators and sustainable capacity indicators for the financial year and included in the annual report |
| | SRP Better Practice Guide - Glossary |
| Rate structure (<i>Rating information</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 total income generated through rates and charges is allocated across properties in the municipality. Decisions regarding the quantum of rate levels and increases from year to year are made as part of Council's long term financial planning processes and with consideration of Council's other sources of income and the planned expenditure on services and works to be undertaken for its community. |
| Recurrent grant | A grant other than a non-recurrent grant. |
| Regulations | Local Government (Planning and Reporting) Regulations 2014. |
| Restricted cash | Cash and cash equivalents, within the meaning of the AAS, that are not available for use other than a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year. |

Glossary

| Term | Definition |
|---|--|
| Revised budget | The revised budget prepared by a Council under Section 128 of the Act. 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 operates 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. |
| Services, Initiatives and Major Initiatives | <p>Section 127 of the Act requires a budget to contain a description of the services 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.</p> <p>The budget must also include major initiatives, being initiatives identified by the Council as priorities to be undertaken during the financial year.</p> <p>The services delivered by Council means assistance, support, advice and other actions undertaken by a council for the benefit of the local community.</p> <p>Initiatives means actions that are once-off in nature and/or lead to improvements in service.</p> <p>Major initiatives means significant initiatives that will directly contribute to the achievement of the council plan during the current year and have a major focus in the budget.</p> |
| Statement of Capital Works | <p>Means a statement which shows all capital expenditure of a council in relation to non-current assets and asset expenditure type prepared in accordance with the model statement of capital works in the Local Government Model Financial Report. Refer also Commentary Financial Statements Appendix A.</p> <p>SRP Better Practice Guide - Glossary</p> |
| Statement of Human Resources | <p>Means a statement which shows all Council staff expenditure and the number of full time equivalent Council staff. Refer also Commentary Financial Statements Appendix A.</p> <p>SRP Better Practice Guide - Glossary</p> |
| Strategic Resource Plan | Means the Strategic Resource Plan prepared by a Council under Section 126 of the Act. Refer also to Section 8 of this Model Budget. |
| Statutory reserves | Statutory reserves are funds set aside for specified statutory purposes in accordance with various legislative requirements. These reserves are not available for other purposes. |
| Community Plan/Vision | 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) | Section 125(2)(d) of the Act requires that a Council must prepare and approve a Council Plan that must include a strategic resource plan |

Glossary

| Term | Definition |
|-----------------------------|--|
| | <p>containing the matters specified in Section 126.</p> <p>Section 126 of the Act states that.</p> <ul style="list-style-type: none"> the strategic resource plan is a plan of the resources required to achieve the council plan strategic objectives the strategic resource plan must include the financial statements describing the financial resources in respect of at least the next four financial years the strategic resource plan must include statements describing the non-financial resources including human resources in respect of at least the next four financial years the strategic resource plan must take into account services and initiatives contained in any plan adopted by council and if the council proposes to adopt a plan to provide services or take initiatives, the resources required must be consistent with the strategic resource plan council must review their strategic resource plan during the preparation of the council plan council must adopt the strategic resource plan not later than 30 June each year and a copy must be available for public inspection at the council office and internet website. <p>In preparing the strategic resource plan, councils should comply with the principles of sound financial management (Section 136) as prescribed in the Act being to:</p> <ul style="list-style-type: none"> prudently manage financial risks relating to debt, assets and liabilities provide reasonable stability in the level of rate burden consider the financial effects of council decisions on future generations provide full, accurate and timely disclosure of financial information. <p>In addition to Section 126 of the Act, parts 2 and 3 of the Regulations also prescribe further details in relation to the preparation of a strategic resource plan.</p> |
| Unrestricted cash | Unrestricted cash represents all cash and cash equivalents other than restricted cash |
| Valuations of Land Act 1960 | <p>The Valuations of Land Act 1960 requires a Council to revalue all rateable properties every two years.</p> <p>Valuations of Land Act 1960 – Section 11</p> |

Index

| Section | Section Ref | Comm Ref | Page No. |
|---|-------------|----------|----------|
| Introduction to this guide | | | |
| Background | | | 4 |
| Revision of the Guide | | | 4 |
| Structure of the Guide | | | 5 |
| Context of budget within the strategic planning framework | | | 5 |
| Consistency with annual reporting requirements | | | 6 |
| What is Victorian City Council? | | | 6 |
| Use of the Guide | | | 7 |
| Working party membership | | | 8 |
| Compliance Checklist | | | 9 |
| Budget Report 2015/2016 | | | 11 |
| Mayor's introduction | | 1 | 13 |
| <i>Commentary – Mayor's introduction</i> | | | 13 |
| <i>Purpose</i> | | | 13 |
| Chief Executive Officer's summary | | 1 | 14 |
| Rates | 1 | | 14 |
| Operating result | 2 | | 14 |
| Services | 3 | | 15 |
| Cash and investments | 4 | | 15 |
| Capital works | 5 | | 16 |
| Financial position | 6 | | 17 |
| Financial sustainability | 7 | | 17 |
| Strategic objectives | 8 | | 18 |
| Council expenditure allocations | 9 | | 18 |
| <i>Commentary – Chief Executive Officer's summary</i> | | | 19 |
| <i>Purpose</i> | | | 19 |
| Budget processes | | 1-6 | 20 |
| <i>Commentary – Budget processes</i> | | | 21 |
| <i>Purpose</i> | | | 21 |
| <i>Community engagement</i> | | | 24 |
| <i>Timing of budget processes</i> | | | 24 |
| <i>Revised budget</i> | | | 24 |
| <i>Conflict of interest</i> | | | 24 |
| 1 Linkage to the Council Plan | 1. | 1 | 25 |
| Planning and accountability framework | 1.1 | 2 | 25 |
| Our purpose | 1.2 | 3 | 25 |
| Strategic objectives | 1.3 | 4 | 26 |
| <i>Commentary – Linkage to the Council Plan</i> | | | 27 |
| <i>Purpose</i> | | | 27 |
| <i>Planning and accountability framework</i> | | | 27 |
| <i>Our purpose</i> | | | 27 |
| <i>Strategic objectives</i> | | | 27 |
| 2 Services, initiatives and service performance indicators | 2. | 1 | 28 |
| Strategic Objective 1: Advocacy and leadership | 2.1 | 2-10 | 29 |
| Strategic Objective 2: Community and economic development | 2.2 | 2-10 | 30 |
| Strategic Objective 3: Community participation | 2.3 | 2-10 | 33 |
| Strategic Objective 4: Resource management | 2.4 | 2-10 | 33 |
| Strategic Objective 5: Quality service | 2.5 | 2-10 | 35 |
| Strategic Objective 6: Urban development and environment | 2.6 | 2-10 | 35 |

Index

| Section | Section Ref | Comm Ref | Page No. |
|--|-------------|----------|----------|
| 2 Services, initiatives and service performance indicators | | | |
| Performance statement | 2.7 | 6-10 | 39 |
| Reconciliation with budgeted operating result | 2.8 | 11 | 39 |
| <i>Commentary – Services, initiatives and service performance indicators</i> | | | 39 |
| <i>Purpose</i> | | | 39 |
| <i>Services, initiatives and major initiatives</i> | | | 39 |
| <i>Service performance indicators</i> | | | 40 |
| <i>Reconciliation with budgeted operating result</i> | | | 41 |
| 3 Budget influences | 3. | 1 | 42 |
| Snapshot of Victorian City Council | 3.1 | 2 | 42 |
| External influences | 3.2 | 3-6 | 43 |
| Internal influences | 3.3 | 7-8 | 44 |
| Budget principles | 3.4 | 9 | 44 |
| Long term strategies | 3.5 | | 44 |
| <i>Commentary – Budget influences</i> | | | 44 |
| <i>Purpose</i> | | | 44 |
| <i>Snapshot of Victorian City Council</i> | | | 45 |
| <i>External influences</i> | | | 45 |
| <i>Internal influences</i> | | | 46 |
| <i>Budget principles</i> | | | 46 |
| 4 Analysis of operating budget | 4. | 1-2 | 47 |
| Budgeted income statement | 4.1 | 3-10 | 47 |
| Adjusted underlying deficit | 4.1.1 | | 47 |
| Income | 4.2 | 4-6,9 | 47 |
| Rates and charges | 4.2.1 | | 48 |
| Statutory fees and fines | 4.2.2 | | 48 |
| User fees | 4.2.3 | | 49 |
| Contributions - cash | 4.2.4 | | 49 |
| Grants - operating | 4.2.5 | | 49 |
| Grants - capital | 4.2.6 | | 50 |
| Net gain on sale of assets | 4.2.7 | | 50 |
| Other income | 4.2.8 | | 50 |
| Expenses | 4.3 | 7-10 | 51 |
| Employee costs | 4.3.1 | | 52 |
| Materials and services | 4.3.2 | | 53 |
| Bad and doubtful debts | 4.3.3 | | 53 |
| Depreciation and amortisation | 4.3.4 | | 53 |
| Finance costs | 4.3.5 | | 53 |
| Other expenses | 4.3.6 | | 53 |
| <i>Commentary – Analysis of operating budget</i> | | | 54 |
| <i>Purpose</i> | | | 54 |
| <i>Consistency with annual reporting requirements</i> | | | 54 |
| <i>Adjusted underlying result</i> | | | 54 |
| <i>Income</i> | | | 55 |
| <i>Expenses</i> | | | 55 |
| <i>Unusual income and expenses</i> | | | 55 |
| 5 Analysis of budgeted cash position | 5. | 1-2 | 56 |
| Budgeted cash flow statement | 5.1 | 3-9 | 56 |
| Operating activities | 5.1.1 | | 57 |
| Investing activities | 5.1.2 | | 57 |
| Financing activities | 5.1.3 | | 57 |

Index

| Section | Section Ref | Comm Ref | Page No. |
|--|-------------|----------|----------|
| 5 Analysis of budgeted cash position cont | | | |
| Cash and cash equivalents at end of the year | 5.1.4 | | 57 |
| Restricted and unrestricted cash and investments | 5.2 | 10-14 | 57 |
| Statutory reserves | 5.2.1 | | 57 |
| Cash held to fund carry forward capital works | 5.2.2 | | 58 |
| Unrestricted cash and investments | 5.2.3 | | 58 |
| Discretionary reserves | 5.2.4 | | 58 |
| Unrestricted cash adjusted for discretionary reserves | 5.2.5 | | 58 |
| <i>Commentary – Analysis of cash position</i> | | | 58 |
| <i>Purpose</i> | | | 58 |
| <i>Preparation of cash flow statement</i> | | | 58 |
| <i>Analysis of operating activities</i> | | | 59 |
| <i>Analysis of investing activities</i> | | | 59 |
| <i>Analysis of financing activities</i> | | | 59 |
| <i>Analysis of cash and cash equivalents at end of the year</i> | | | 59 |
| <i>Reconciliation of operating result and net cash flows</i> | | | 59 |
| <i>Restricted and unrestricted cash and investments</i> | | | 59 |
| 6 Analysis of capital budget | 6. | 1-3 | 60 |
| Capital works expenditure | 6.1 | 4-6 | 60 |
| Carried forward works | 6.1.1 | | 62 |
| Property | 6.1.2 | | 62 |
| Plant and equipment | 6.1.3 | | 62 |
| Infrastructure | 6.1.4 | | 62 |
| Asset renewal, new assets, upgrade and expansion | 6.1.5 | | 62 |
| Funding sources | 6.2 | 7-8 | 63 |
| Carried forward works | 6.2.1 | | 64 |
| Grants | 6.2.2 | | 64 |
| Council cash - operations | 6.2.3 | | 64 |
| Council cash - proceeds from sale of assets | 6.2.4 | | 64 |
| Council cash - reserve cash and investments | 6.2.5 | | 64 |
| Council cash - unrestricted cash and investments | 6.2.6 | | 64 |
| <i>Commentary – Analysis of capital budget</i> | | | 64 |
| <i>Purpose</i> | | | 64 |
| <i>Capital works</i> | | | 65 |
| <i>Funding sources</i> | | | 65 |
| 7 Analysis of budgeted financial position | 7. | 1-2 | 66 |
| Budgeted balance sheet | 7.1 | 3-8 | 66 |
| Current assets and non-current assets | 7.1.1 | | 66 |
| Current liabilities and non-current liabilities | 7.1.2 | | 67 |
| Working capital | 7.1.3 | | 67 |
| Equity | 7.1.4 | | 67 |
| Key assumptions | 7.2 | 9 | 68 |
| <i>Commentary – Analysis of balance sheet</i> | | | 68 |
| <i>Purpose</i> | | | 68 |
| <i>Preparation of balance sheet</i> | | | 68 |
| <i>Analysis of current and non-current assets</i> | | | 68 |
| <i>Analysis of current and non-current liabilities</i> | | | 69 |
| <i>Analysis of working capital</i> | | | 69 |
| <i>Analysis of equity</i> | | | 69 |
| <i>Key assumptions</i> | | | 69 |
| <i>Accounting changes impacting on budgeted financial position</i> | | | 69 |

Index

| Section | Section Ref | Comm Ref | Page No. |
|---|-------------|----------|----------|
| 8 Strategic resource plan and financial performance indicators | 8. | 1-2 | 70 |
| Plan development | 8.1 | 3,8-10 | 70 |
| Financial resources | 8.2 | 4-5 | 70 |
| Key financial indicators | 8.3 | 6-7 | 72 |
| Non-financial resources | 8.4 | 11 | 73 |
| <i>Commentary – Strategic resource plan</i> | | | 73 |
| <i>Purpose</i> | | | 73 |
| <i>Plan development</i> | | | 74 |
| <i>Financial resources</i> | | | 74 |
| <i>Financial performance indicators</i> | | | 74 |
| <i>Preparation of a strategic resource plan</i> | | | 75 |
| <i>Non-financial resources</i> | | | 75 |
| 9 Rating information | 9. | 1 | 76 |
| Rating context | 9.1 | 2 | 76 |
| Current year rate increase | 9.2 | 3 | 76 |
| Rating structure | 9.3 | 4-7 | 77 |
| General revaluation of properties | 9.4 | 8-9 | 78 |
| <i>Commentary – Rating Information</i> | | | 78 |
| <i>Purpose</i> | | | 78 |
| <i>Rating context</i> | | | 79 |
| <i>Current year rate increase</i> | | | 79 |
| <i>Rating structure</i> | | | 79 |
| <i>Alternate disclosure for general revaluation of properties</i> | | | 79 |
| 10 Summary of other strategies | 10. | 1 | 80 |
| Borrowings | 10.1 | 2-5 | 80 |
| Infrastructure | 10.2 | 6-13 | 81 |
| Service delivery | 10.3 | 14-17 | 82 |
| <i>Commentary – Summary of other strategies</i> | | | 84 |
| <i>Purpose</i> | | | 84 |
| <i>Borrowings</i> | | | 84 |
| <i>Infrastructure</i> | | | 84 |
| <i>Service delivery</i> | | | 85 |
| Appendices | | | 86 |
| A. Financial statements | | 1 | 87 |
| <i>Commentary – Financial statements</i> | | | 87 |
| <i>Purpose</i> | | | 87 |
| Comprehensive income statement | | | 88 |
| Balance sheet | | | 89 |
| Statement of changes in equity | | | 90 |
| Statement of cash flows | | | 91 |
| Statement of capital works | | | 92 |
| Statement of human resources | | | 93 |
| B. Rates and charges | | 1-7 | 94 |
| <i>Commentary – Statutory disclosures</i> | | | 94 |
| <i>Purpose</i> | | | 94 |
| <i>Rates and charges</i> | | | 94 |
| <i>Recreational land</i> | | | 94 |
| <i>Differential rates</i> | | | 95 |
| Rates and charges | | | 96 |

Index

| Section | Section Ref | Comm Ref | Page No. |
|--|-------------|----------|----------|
| Rates and charges | 1 | 2-7 | 96 |
| Proposed rate for each type of rate to be levied | 1.1 | | 96 |
| Estimated amount to be raised by each type | 1.2 | | 96 |
| Number of assessments for each type of rate compared to previous year | 1.3 | | 96 |
| Basis of valuation to be used is the capital improved value | 1.4 | | 96 |
| Estimated total value of land by type or class to be levied compared to the previous year | 1.5 | | 96 |
| Municipal charge compared to the previous year | 1.6 | | 97 |
| Estimated total amount to be raised by municipal charges compared to the previous year | 1.7 | | 97 |
| Rate or unit amount to be levied for each charge | 1.8 | | 97 |
| Estimated amounts to be raised for each type of service rate or charge compared to the previous year | 1.9 | | 97 |
| Estimated total amount to be raised by all rates and charges compared to the previous year | 1.10 | | 97 |
| Possible effect on total amount raised by rates and charges | 1.11 | | 97 |
| Differential rates | 2 | 5-7 | 98 |
| Rates to be levied | 2.1 | | 98 |
| Commercial land | 2.2 | | 98 |
| Residential land | 2.3 | | 98 |
| C. Capital works program | | 1-2 | 100 |
| <i>Commentary – Capital works program</i> | | | 100 |
| <i>Purpose</i> | | | 100 |
| <i>Disclosure</i> | | | 100 |
| New works | 1 | | 101 |
| Works carried forward from 2014/15 | 2 | | 105 |
| Summary | 3 | | 108 |
| D. Fees and charges schedule | | 1 | 109 |
| <i>Commentary – Fees and charges schedule</i> | | | 109 |
| <i>Disclosure</i> | | | 109 |
| Glossary | | | 111 |