

2014/2015 BUDGET AND STRATEGIC RESOURCE PLAN 2014-2018 FOR ADOPTION

GENERAL MANAGER

Planning and Governance

For Decision

PURPOSE

The purpose of this report is to present the 2014/2015 budget and Strategic Resource Plan (SRP) 2014-2018 for Council's consideration.

DECLARATION OF INTEREST

No officer declared an interest under the *Local Government Act 1989* in the preparation of this report.

STRATEGIC FRAMEWORK

This report is consistent with Latrobe 2026: The Community Vision for Latrobe Valley and the Latrobe City Council Plan 2013-2017.

Latrobe 2026: The Community Vision for Latrobe Valley

Strategic Objectives – Governance

In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community committed to enriching local decision making

Latrobe City Council Plan 2013 - 2017

Theme and Objectives

Efficient, effective and accountable governance.

To achieve the highest standards of financial probity and meet all statutory obligations

To provide open, transparent and accountable governance

Work to minimise rate increases for our community.

Effectively manage Council debt to minimise long term cost.

Strategic Directions

Regularly report Council decisions and performance to the community.

Establish and maintain rigorous Council policies that comply with legislation and respond to community expectation.

Increase community awareness and satisfaction with Council's services and facilities.

Continuously improve financial management and reporting.

Ensure Latrobe City Council's infrastructure and assets are maintained and managed sustainably.

Strategy & Plans – 10 Year Financial & Resources Plan

Legislation – Local Government Act 1989

Section 126 (3) of the Local Government Act 1989, states that "A Council must adopt the Strategic Resource Plan not later than 30 June each year."

Section 127 (1) of the Local Government Act 1989, states that "A Council must prepare a budget for each financial year."

Section 130 (3) of the Act states that "The Council must adopt the budget by 31 August each year."

Section 130 (4) of the Act states that "The Council must submit a copy of the budget to the Minister by 31 August each year."

BACKGROUND

On 19 May 2014, Council resolved to give notice of preparation of the proposed 2014/2015 budget and Strategic Resource Plan (SRP) 2014-2018, including proposed rates and charges for the year, and invited submissions on the budget in accordance with Section 129 of the Local Government Act 1989.

Public notice of the preparation of the 2014/2015 budget and SRP was subsequently advertised in the Latrobe Valley Express on 22 May 2014, 26 May 2014 and 5 June 2014, advising that both documents were available for inspection at Council's service centres and on Council's website.

The closing date for submissions was Wednesday, 18 June 2014. Eight written submissions were received in relation to the draft 2014/2015 budget, no submissions were received in relation to the SRP. All those who made submissions were provided with the opportunity to speak to Council at the Special Council Meeting held on 23 June 2014. Subsequently six submitters took the opportunity to speak to their submissions. The Latrobe Valley Hockey Association also presented to Council even though not making a written submission.

The draft 2014/2015 budget and SRP 2014-2018 have been prepared utilising financially prudent principles and measures, and clearly articulate the resources required to deliver the 2013-2017 Council Plan.

ISSUES

The budget has been drafted to provide for delivery of actions within the Council Plan 2013-2017 and the continued provision of the large range of services and programs.

The draft 2014/2015 budget proposes a 3.9% increase in general rates and charges. The proposed rates maintain the farm differential rate at 75% of the general rate. This provides for the continued delivery of services at current levels, whilst incorporating the proposed capital works program of \$49.290 million.

The budget includes proposed new borrowings of \$3.35 million being \$0.85 million to fund stage one of the Moe Rail Precinct Revitalisation and \$2.50 million to fund the Heavy Industrial Park infrastructure renewal project.

Following the release of the Federal Government budget in May 2014 it is acknowledged that federal assistance grants will not be indexed for future years including 2014/15. It is anticipated that this will result in a reduction of funding in excess of \$200K however this figure is yet to be confirmed. Once confirmation is received it will be necessary to reflect the budget impact as part of the mid-year budget review.

This report forms part of the statutory process for the adoption of the 2014/2015 budget and Strategic Resource Plan 2014-2018.

FINANCIAL, RISK AND RESOURCES IMPLICATIONS

Risk has been considered as part of this report and it is considered to be consistent with the Risk Management Plan 2011-2014.

Non-compliance with financial framework or legislative requirements is identified as a risk. The adoption of this report at 30 June ensures Council meets the requirements of the *Local Government Act 1989*.

There are no financial implications associated with the preparation of this report.

INTERNAL/EXTERNAL CONSULTATION

Engagement Method Used:

Copies of the draft budget and SRP have been available for inspection at Council offices and on the Council web site since 20 May 2014, ensuring a minimum of 28 days were available for submissions to be received.

Meetings were undertaken with user groups in relation to capital works projects that were identified as being subject to the sale of assets that are deemed surplus to Council requirements. These included Churchill Bowls Club, Traralgon Olympians Soccer Club and Moe Tennis Club. Pegasus Soccer Club declined the opportunity to meet to discuss this matter.

Details of Community Consultation / Results of Engagement:

Following public consultation eight written submissions were received in relation to the draft budget and no submissions were received in relation to the SRP. Council considered these submissions together with the presentation from the Latrobe Valley Hockey Association at a Special Council Meeting held on 23 June 2014.

The following table includes a summary and comment on each of the submissions received.

Submission received from	Comments/Issues	Officer Comments	Change to Budget Y/N
Latrobe City Farm Ratepayers Association	Retention of the farm rate differential	Farm rate differential has remained unchanged from 2013/2014 budget to 2014/2015 budget.	N
Churchill Bowls Club	Support for the project to be included in the funded capital projects list	The opportunity to develop a lawn bowling facility to accommodate the Churchill Bowls Club is recognised in the Southern Towns Outdoor Recreation Plan. As per the resolution of	N

Submission received from	Comments/Issues	Officer Comments	Change to Budget Y/N
		<p>Council on 3 March 2014, a funding submission for \$100,000 has been made to the 2015/16 Sport & Recreation Victoria's Community Facility Funding Program – Minor Facilities for the construction of a synthetic bowling green at Gaskin Park.</p> <p>The additional \$300,000 to complete the project has been allocated in the draft 2014/15 Latrobe City Council capital budget, however, is subject to asset sales and the funding application being successful.</p>	
Traralgon Olympians Soccer Club	Support for the project to be included in the funded capital projects list	<p>Construction of a change pavilion is recognised in the Traralgon Outdoor Recreation Plan and Soccer Facilities Plan.</p> <p>This project was successful in attracting \$70,000 of approved funding through the 2014/15 Sport & Recreation Victoria's Community Facility Funding Program. The additional \$380,000 to complete the project has been allocated in the draft 2014/15 Latrobe City Council capital budget, however, is subject to asset sales.</p>	N
Boolarra Memorial Park Committee of Management	Seeking allocation of \$7K to undertake community consultation process in order to produce a masterplan for Boolarra Memorial Park Multi-Purpose	The Small Town Minor Capital Works Annual Grant of \$10,000 is currently available to Boolarra Memorial Park Committee of Management in the draft 2014/15 budget. Council's	N

Submission received from	Comments/Issues	Officer Comments	Change to Budget Y/N
	complex	Community Development Team have been advised of the Committee's interest in utilising the grant for this purpose and have indicated that this is within the grants scope.	
Moe & District Netball Association	Support for the redevelopment of the Moe Netball Courts	<p>The redevelopment of the Moe Netball Courts is recognised in the Moe Newborough Outdoor Recreation Plan.</p> <p>Total project cost is approximately \$1.1 million and was considered by Council as a potential funding submission to the 2015/16 Sport & Recreation Victoria's Community Facility Funding Program – Major Facilities. As per the resolution of Council on 28 April 2014, this project was not selected for a funding submission.</p> <p>An amount of \$20,000 has been allocated in the draft 2014/15 Capital Works program to undertake design of this project and potential funding options will need to be considered by Council as part of future budget processes.</p> <p>A further allocation of \$160K has been included in the 14/15 budget to upgrade lighting at the complex.</p>	N
Old Gipps town	Request for an increase in annual contribution from \$20K to \$50K	In accordance with the Council resolution of 19 August 2013, an additional allocation to Old Gipps town	N

Submission received from	Comments/Issues	Officer Comments	Change to Budget Y/N
		<p>was considered as part of the draft 14/15 budget process.</p> <p>The current level of funding was deemed appropriate in the context of the broader 2014/15 budget.</p>	
Dalkeith Heights Retirement Village	Request to consider differential rate for Retirement Villages	<p>Council considered the introduction of a differential rate for retirement villages as part of the 14/15 budget process.</p> <p>It was considered that it would be contrary to the requirement of an equitable imposition of rates and charges across all ratepayers to implement a differential rate for retirement villages given the current level of infrastructure and the ongoing reliance on Council services. It is also considered that the introduction of a differential rate would result in an inequitable position for other ratepayers such as pensioners and low income residents.</p> <p>Therefore the introduction of a differential rate for retirement villages is not included in the 2014/15 Budget.</p> <p>In accordance with the Ministerial Guidelines regarding Differential Rates this issue will be considered again as part of the 15/16 budget process.</p>	N
Rural Reserves Committees of	Request for increase in funding to align with	A review of the Rural Reserves Committees of	N

Submission received from	Comments/Issues	Officer Comments	Change to Budget Y/N
Management	Council maintained reserves	<p>Management Annual Maintenance Grants was undertaken in 2013/14.</p> <p>As a result of the review an adjustment equivalent to prior years missed CPI increases has been incorporated in the annual maintenance grants within the 14/15 draft budget. This equates to an additional \$28,000 across all reserves.</p>	
LV Hockey Association (verbal submission only)	Construction of pavilion / change facilities at Churchill Synthetic Hockey field	<p>The construction of a pavilion/change rooms at Churchill Synthetic Hockey Field was recognised in the Churchill East West Link: Master Plan and Urban Design Framework, the Gippsland Hockey Facilities Plan and the Gippsland regional Sporting Facilities Plan.</p> <p>Total project cost is approximately \$1.3 million and was considered by Council as a potential funding submission to the 2015/16 Sport & Recreation Victoria's Community Facility Funding Program – Major Facilities. As per the resolution of Council on 28 April 2014, this project was not selected for a funding submission.</p> <p>Detailed design of the pavilion/ change facilities is near completion and potential future funding options will be considered as part of future budget processes.</p>	N

OPTIONS

Having considered the submissions, Council has the following options:

1. Adopt the proposed 2014/15 budget and SRP 2014-2018;
2. Amend the 2014/15 budget and SRP 2014-2018 prior to adoption; or
3. Not adopt the 2014/15 budget and SRP 2014-2018.

Any material amendment to the draft budget would require Council to undertake further community consultation and adoption at a later date. Any delay in adoption of the SRP would be non-compliant with the Local Government Act requirement to adopt by 30 June each year.

CONCLUSION

The proposed 2014/2015 budget has been prepared to provide for the ongoing delivery of services and programs as well as a significant capital works program. The increase in income from rates is proposed to be 3.90% excluding supplementary rates. Council's audit committee has endorsed the budget. Community input has been received and all submissions have been considered.

Attachments

1. 2014/15 Budget
2. Strategic Resource Plan 2014-2018

RECOMMENDATION

1. That the 2014/2015 Budget, annexed to this resolution, and having regard to submissions made under the *Local Government Act 1989*, be adopted by Council in accordance with Section 130 of the *Local Government Act 1989*.
2. That Council, in accordance with the provisions of the *Local Government Act 1989*, declares that the amount that it intends to raise by way of general rates, municipal charges and service charges for the period 1 July 2014 to 30 June 2015 is as follows:

(a) General Rates	\$44,801,228
(b) Municipal Charge	\$ 4,625,375
(c) Service Charges	\$ 9,912,540
(d) EPA Landfill Levy Charge	\$ 640,319
(e) Payments in lieu of rates	\$ 9,013,123
3. That Council;
 - (a) declares that the general rates will be raised in 2014/2015 by the application of the following differential rates calculated on the Capital Improved Value of rateable property:
 - (i) General rate of 0.00458663 cents in the dollar on lands as defined in paragraph 4.1(a).
 - (ii) Farm rate of 0.00343997 cents in the dollar

- on farm land as defined in paragraph 5.1(a).
 - (b) declares the general rates for a twelve month period commencing 1 July 2014 and that the rates be levied in respect of each portion of rateable land for which the Council has a separate valuation.
 - (c) be of the opinion that the differential rates to be levied in 2014/2015 will contribute to the equitable and efficient carrying out of its functions.
- 4. That Council specifies in relation to the General Rate for 2014/2015 the following in accordance with Section 161 of the *Local Government Act 1989*:
 - 4.1. The objectives of the general rate as:
 - (a) the types and classes of land to which the rate will apply is all other rateable land that is not defined as farm land as described in paragraph 5.1(a);
 - (b) the level of the general rate is 0.00458663 cents in the dollar on the capital improved value of land as defined;
 - (c) the reasons for the use and level of that rate are that:
 - (i) the types and classes of land to which the rate applies can be easily identified;
 - (ii) it is appropriate to have a general rate so as to fairly rate lands other than recreational and farm lands;
 - (iii) the level of the general rate is appropriate having regard to all relevant matters including the use to which the land is put and the amount to be raised by Council's Municipal Charge;
 - (iv) the level of the general rate is appropriate to ensure that the burden of the payment of rates is fairly apportioned across all rateable land within the Municipal district;
 - (v) which objectives the Council considers are consistent with the economical and efficient carrying out of its functions, and
 - 4.2. The characteristics of the land which are the criteria for declaring the general rate are as set out in sub-paragraph 4.1(a) above.
- 5. That Council specifies in relation to the farm rate for 2014/2015 the following in accordance with Section 161 of the *Local Government Act 1989*:
 - 5.1. The objectives of the farm rate as:
 - (a) the types and classes of land to which the rate will apply is farm land as defined in Section 2 of the *Valuation of Land Act 1960*, namely, any rateable land which is not less than 2 hectares in area and which is used primarily for carrying on one or more of the following businesses or industries:
 - (i) grazing (including agistment);
 - (ii) dairying;
 - (iii) pig farming;
 - (iv) poultry farming;

- (v) fish farming;
- (vi) tree farming;
- (vii) bee keeping;
- (viii) viticulture;
- (ix) horticulture;
- (x) fruit growing;
- (xi) the growing of crops of any kind; and that is used by a business:
 - (i) that has a significant and substantial commercial purpose or character; and
 - (ii) that seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
 - (iii) that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way it is operating
- (b) the level of the farm rate is 0.00343997 cents in the dollar on the capital improved value of farm land as defined;
- (c) the reasons for the use and level of that rate are that:
 - (i) the types and classes of land to which the rate applies can be easily identified;
 - (ii) it is appropriate to have a farm rate so as to fairly rate farm land;
 - (iii) the level of the farm rate is appropriate having regard to all relevant matters including the use to which farm land is put and the amount to be raised by Council's Municipal charge;
 - (iv) the level of the farm rate is appropriate to ensure that the burden of the payment of general rates is fairly apportioned across all rateable land within the Municipal district;
- (d) the types and classes of land to which the rate will apply can be identified as farm land as defined in paragraph 5.1 (a); which objectives the Council considers are consistent with the economical and efficient carrying out of its functions.

5.2. The characteristics of the land which are the criteria for declaring the farm rate are as set out in paragraph 5.1(a) above.

6. That Council declares a Municipal charge at the annual rate of \$125.00 for rateable land in respect of which a Municipal charge may be levied to recover some of the administrative costs of the Council for a period of 12 months from 1 July 2014 to 30 June 2015.
7.
 - (a) That Council declares an annual service charge of \$295.00 per premises for the weekly collection and disposal of refuse in respect of premises to which the service is provided (whether or not the owner or occupier of such premises avails himself

or herself of the service provided) for a twelve month period from 1 July 2014 to 30 June 2015.

(b) That Council declares an annual EPA Landfill Levy charge of \$19.00 per garbage bin to cover the costs levied by the Environmental Protection Authority on the operation of landfills for the period 1 July 2014 to 30 June 2015.

(c) Where exemptions are granted, waste services will be charged for services utilised for the period 1 July 2014 to 30 June 2015 as follows:

- Garbage 120L bin \$200.00 pa
- Garbage 240L bin \$295.00 pa
- Garbage 240L bin Special \$227.00 pa
- Recycling 240L bin \$ 50.00 pa
- Organics 240L bin \$ 45.00 pa

8. Cultural and Recreational Land, in accordance with Section 4 of the Cultural and Recreational Lands Act 1963, the following amounts be specified as the amounts payable in respect of recreational lands described as:

Morwell Bowling Club	52 Hazelwood Road, Morwell	\$8,485.28
Morwell Golf Club	Fairway Drive, Morwell	\$2,568.52
Boolarra Bowling Club	22 Duke Street, Boolarra	\$759.09
Yinnar Bowling Club	Main Street, Yinnar	\$557.28
Yallourn North Bowls Club	Reserve Street, Yallourn North	\$921.91
LV Water Ski Club	Hall Road, Yallourn North	\$268.32
Traralgon Bowling Club	45-57 Gwalia Street, Traralgon	\$6,191.96
Traralgon Golf Club	Princes Street, Traralgon	\$5,974.41
Glenview Park	McNairn Road, Traralgon	\$6,010.79
Moe Racing Club	Waterloo Road, Moe	\$7,109.29
Yallourn Bowling Club	1-5 Coach Road, Newborough	\$2,522.65
Moe Golf Club	26 Thompsons Road, Newborough	\$2,981.32
Yallourn Golf Club	Golf Links Road, Moe	\$3,172.52
Moe Bowling Club	Waterloo Road, Moe	\$1,651.19
Victorian Field & Game Association	Scales Road, Flynn Creek	\$410.50
Traralgon Pony Club	20 Minniedale Road, Traralgon	\$616.90

These amounts have regard to the services provided by the Council in relation to such lands and the benefit to the community derived from such recreational lands.

9. That Council directs that copies of the information required by Section 161(3) of the *Local Government Act 1989* be made available for inspection at Council's office during office hours.
10. (1) That Council having considered submissions received in relation to the draft 2014/2015 budget, directs that the rates and

charges as declared for 2014/2015 be levied by sending notices to the persons who are liable to pay, in accordance with Section 158 of the *Local Government Act 1989*.

(2) That Council resolves that the rates and charges for 2014/2015 must be paid by the dates fixed under Section 167 of the Act, namely:

- (i) in full by 15 February 2015; or
- (ii) by equal instalments on the following dates:
 - 30 September 2014;
 - 30 November 2014;
 - 28 February 2015; and
 - 31 May 2015.

(3) That the Chief Executive Officer be directed and authorised to demand payment of and recover the rates and charges as declared in relation to the 2014/2015 Budget.

11. Rate of Interest – Section 172 of the *Local Government Act 1989*:

(1) That for the 2014/2015 financial year Council resolves to require a person to pay interest on any outstanding amounts of rates and charges:

- (a) which that person is liable to pay; and
- (b) which have not been paid by the date specified under Section 167 for their payment except where the Council has agreed to waive the whole or part of any such interest.

Interest Rates Act 1983 (Currently 11.5%).

12. That the Strategic Resource Plan 2014-2018, annexed to this resolution, and having regard to submissions made under the *Local Government Act 1989*, be adopted by Council in accordance with Section 126 of the *Local Government Act 1989*.

13. That Council authorises the Chief Executive Officer to sign and seal any loan and financial documents relating to the proposed borrowings of \$3,350,000 in the 2014/2015 budget.

Latrobe City Council

2014/2015 Draft Budget



This Budget Report has been prepared with reference to the Institute of Chartered Accountants 'Victorian City Council Model Budget 2014/2015' a best practice guide for reporting local government budgets in Victoria.

Adopted by Council XX XXXX 2014



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2014/2015 Budget Executive Summary

Executive Summary

Under the Local Government Act 1989 ("The Act"), Council is required to prepare and adopt an annual budget. The budget is required to be adopted by 31 August each year.

A high level 10 Year Financial Plan has been developed with the first four years used for the Strategic Resource Plan to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Financial Plan is financial sustainability in the medium to long term, whilst still achieving the Council's strategic objectives as specified in the Council Plan and Latrobe 2026 Vision.

The 2014/15 budget presented in this report has been developed through a rigorous process of consultation and review with Council and Council officers. It is Council's opinion that the budget is financially responsible and contributes to the achievement of all of the Council Plan objectives and strategic directions included in the 2013-2017 Council Plan.

The 2014/15 Operating Budget predicts an operating surplus of \$11.880 million, after raising rates and charges of \$69.400 million and capital income of \$15.973 million. Excluding capital funding and developer contributions, an underlying operating deficit of \$2.727 million is projected for 2014/15, the operating deficit is a result of expenditure incurred relating to government grants and other funding generated in previous financial years which was carried forward in accumulated surplus and reserves.

It should be noted that the operating budget surplus shown is a result of non cash revenue (i.e. developer contributed assets) and income generated to fund expenditure items that are not recognised in the Income Statement (i.e capital expenditure and the repayment of borrowings). On a cash basis Council budgets for a break even result therefore any cash remaining at the end of the budget period is the result of a number of factors such as government grant funds received in advance, funds required to be carried forward to complete unfinished projects and funds required to settle certain balance sheet liabilities e.g Trade and other payables, Employee Benefit provisions and Trust funds and deposits.

Council operations are expected to be impacted by unavoidable increases in employee costs, utilities and insurance premiums. It will be necessary to achieve future income growth whilst containing costs in order to achieve a positive underlying operating position by 2015/16. In order to achieve these objectives whilst maintaining service levels and a robust capital expenditure program, overall rates and charges will increase by 3.9% in 2014/15. Factored into this increase is a 3.32% rise in general rates (including payments in lieu of rates) and municipal charge, 0.50% or \$10 per service in garbage charges and .07% rise related directly to the State Government increasing the EPA Landfill Levy charged on each tonne of waste deposited to Council's landfill. For transparency reasons, those charges being collected on behalf of the State Government, which include the Landfill Levy and the Fire Services Property Levy, will be included as separate charges on each rates notice.

2014/2015 Budget Executive Summary

New borrowings of \$3.350 million are proposed to assist in funding large capital projects, specifically the Morwell Heavy Industrial Park road infrastructure construction (\$2.500 million) and the next stage of the Moe Rail Precinct Revitalisation Project (\$0.850 million). Both of these projects form part of the Capital Works budget. Loan principal repayments for the year are expected to be \$3.341 million thus leading to an overall minor increase in Council borrowings of \$0.008 million from \$19.650 million to \$19.658 million at the end of the year.

The total capital expenditure program will be \$43.230 million, of which \$7.708 million relates to projects which will be carried forward from the 2013/14 year. Any further carried forward projects will be fully funded from the 2013/14 budget. Of the \$43.230 million of capital funding required, \$24.804 million will come from Council operations, \$1.335 million from asset sales including the proposed sale of land deemed inappropriate for open space development as identified in the public open space strategy, \$3.350 million from borrowings and \$13.741 million from external grants. The capital expenditure program has been set and prioritised based on a process of consultation that has enabled Council to assess needs and develop sound business cases as appropriate.

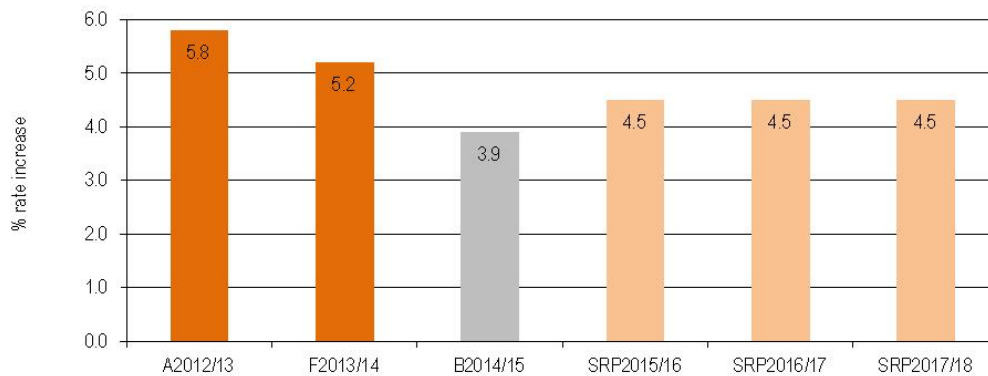
The 2014/15 budget has been prepared on the basis of constraint, Council will continue to review all services and capital infrastructure to ensure it is positioned to best meet the needs of the community into the future.

2014/2015 Budget Highlights

Highlights

Council has prepared a Budget for the 2014/15 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 activities of the Council.

1. Rates

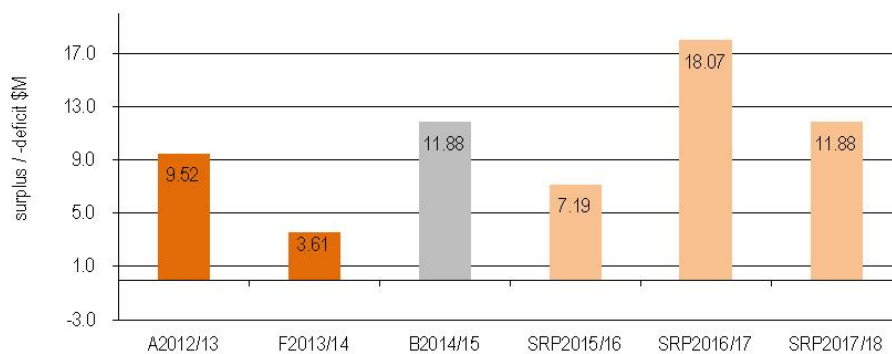


A = Actual F = Forecast B = Budget SRP = Strategic Resource Plan estimates

It is proposed that overall rates and charges increase by 3.90% for the 2014/15 year, raising total rates of \$69.400 million, including \$0.407 million generated from supplementary rates. General rates (including payments in lieu of rates) and municipal charge increase by 3.32% or \$2.207 million while increases associated with the third year of a three year program to align waste costs with full cost recovery of capital landfill costs of .50% or \$10 per service have been incorporated in the proposed garbage charge. The Landfill levy will increase by \$1.40 or 7.95% as a result of the State Government's landfill levy increasing and will need to be passed on directly to residents. In the interests of clarity the EPA levy component will again be disclosed separately from Council's garbage charge on the 2014/15 rates notice.

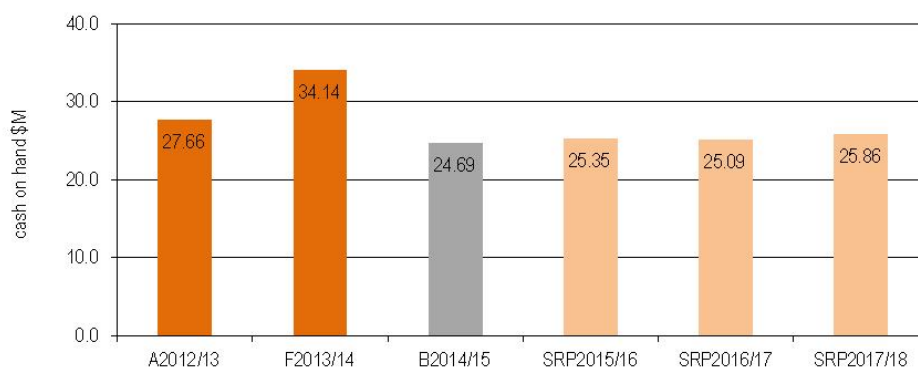
2014/2015 Budget Highlights

2. Operating result



The expected operating result for the 2014/15 year is a surplus of \$11.880 million, after capital grants and contributions, which is an increase of \$8.266 million over 2013/14. The improved operating result is mainly due to funding received in the 2012/13 year which is forecast to be expended in the 2013/14 year resulting in a lower than expected surplus in 2013/14. The adjusted underlying result, which excludes items such as non-recurrent capital grants and developer contributions is a deficit of \$2.727 million, which is an increase of \$4.385 million over 2013/14 mainly resulting from the carry forward of works which will be funded through accumulated surplus and reserves - refer to section 4 of this summary for further information. (The forecast operating result for the 2013/14 year is a surplus of \$3.615 million with an underlying result of a \$7.112 million deficit).

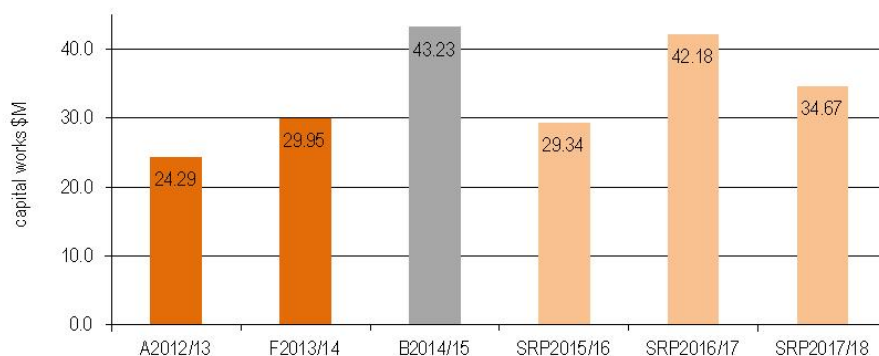
3. Cash and investments



Cash and investments are expected to decrease by \$9.452 million during the year to \$24.685 million as at 30 June 2015. This is due mainly to the carried forward component of the 2013/14 capital works program. The reduction in cash and investments is in line with Council's strategic resource plan. The cash balance remaining is predominantly associated with liabilities for employee provisions together with landfill reserves to assist in funding future landfill cell constructions (Cash and investments are forecast to be \$34.136 million as at 30 June 2014).

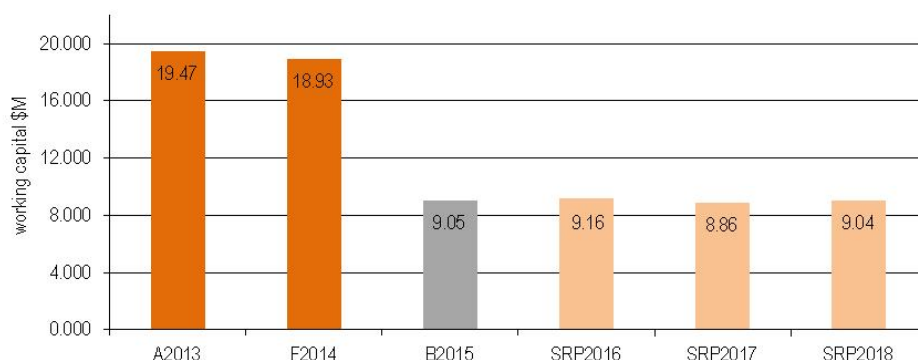
2014/2015 Budget Highlights

4. Capital works



The capital works program for the 2014/15 year is expected to be \$43.230 million of which \$7.708 million relates to projects which will be carried forward from the 2013/14 year. The carried forward component is fully funded from the 2013/14 budget. Of the \$43.980 million of capital funding required, \$24.804 million will come from Council operations, \$13.741 million from external grants and contributions, \$3.350 million from borrowings, \$1.350 million from proceeds of asset sales which includes proposed land sales deemed inappropriate for open space development as identified in the public open space strategy of \$0.700 million (plus an additional \$0.300 million within the operating capital budget - refer to appendix C) and plant & equipment sales of \$0.650 million, these asset sales have been assumed to sell at the current book value. The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. (Capital works is forecast to be \$29.955 million for the 2013/14 year).

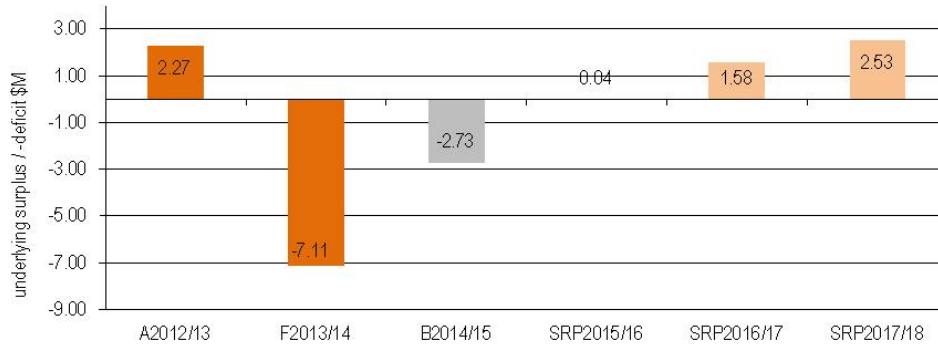
6. Financial position / Working Capital



The financial position is expected to improve with net assets (net worth) to increase by \$33.033 million to \$1,078.010 million although net current assets (working capital) will reduce by \$9.881 million to \$9.046 million as at 30 June 2015. This is mainly due to the use of cash reserves to fund the carry forward component of the capital works program. (Total equity is forecast to be \$1,044.977 million as at 30 June 2014).

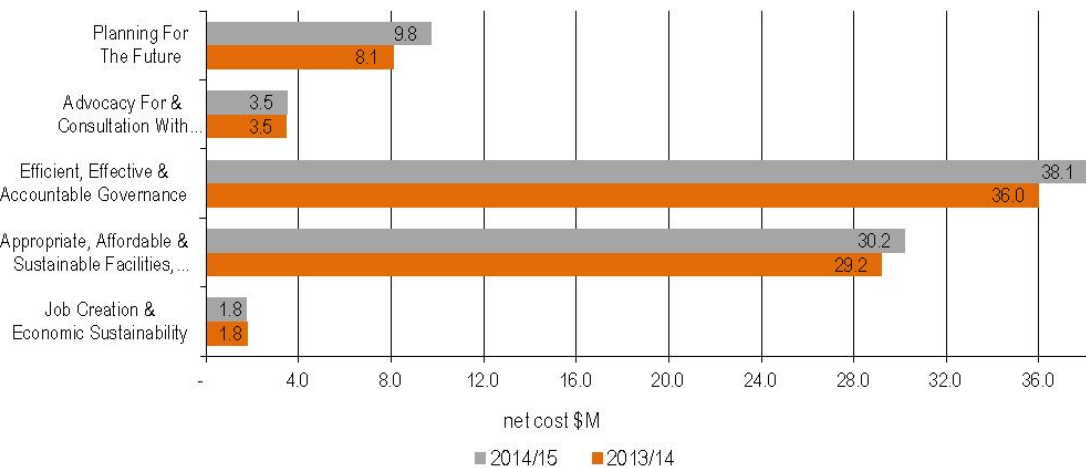
2014/2015 Budget Highlights

7. Financial sustainability



A high level Strategic Resource Plan for the years 2014/15 to 2017/18 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. While the Plan projects that Council's operating result is positive for the duration of the Strategic Resource Plan, the underlying result which is a measure of financial sustainability, shows Council achieving a positive result from 2015/16 onwards. The difference between the surplus and underlying result is mainly due to substantial capital revenue being received during this period to fund a number of major capital works projects.

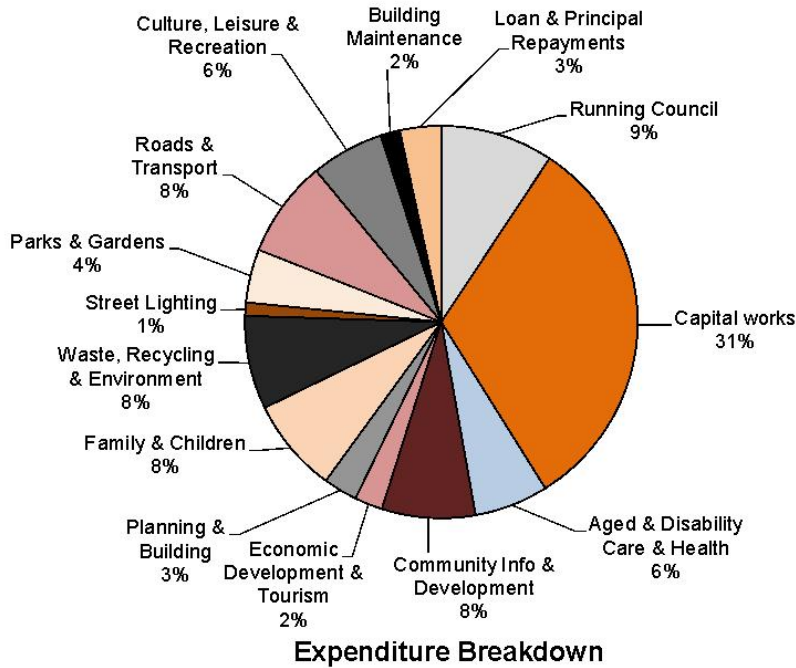
8. Strategic objectives



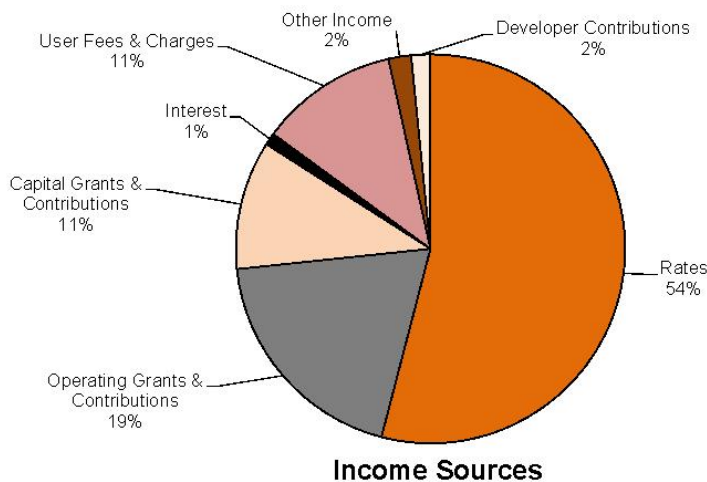
The Annual Budget includes a range of activities and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2014/15 year.

2014/2015 Budget Highlights

9. Where rates are spent



The above chart provides an indication of how Council allocates its expenditure across the main services that it delivers.



The above chart provides an indication of where Council's income sources are derived.

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.

2014/2015 Budget Budget Process

Budget processes

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

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

The 2014/15 budget, which is included in this report, is for the year 1 July 2014 to 30 June 2015 and is prepared in accordance with the Act and Regulations. The budget includes financial statements being a budgeted 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 ended 30 June 2015 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 from November through to 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.

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 31 August and a copy submitted to the Minister within 28 days after adoption. The key dates for the budget process are summarised on the following page:

2014/2015 Budget Budget Process

Budget process	Timing
1. Officers update Council's long term financial projections	Sep - Nov
2. Officers prepare operating and capital budgets	Nov - Feb
3. Council considers draft budgets at informal briefings	Mar - Apr
4. Council's Audit Committee review draft budget	May
5. Proposed budget submitted to Council for approval	May
6. Public notice advising intention to adopt budget	May
7. Budget available for public inspection and comment	May/Jun
8. Submissions period closes (28 days)	Jun
9. Submissions considered by Council/Committee	Jun
10. Budget and submissions presented to Council for adoption	Jun
11. Copy of adopted budget submitted to the Minister	Jul

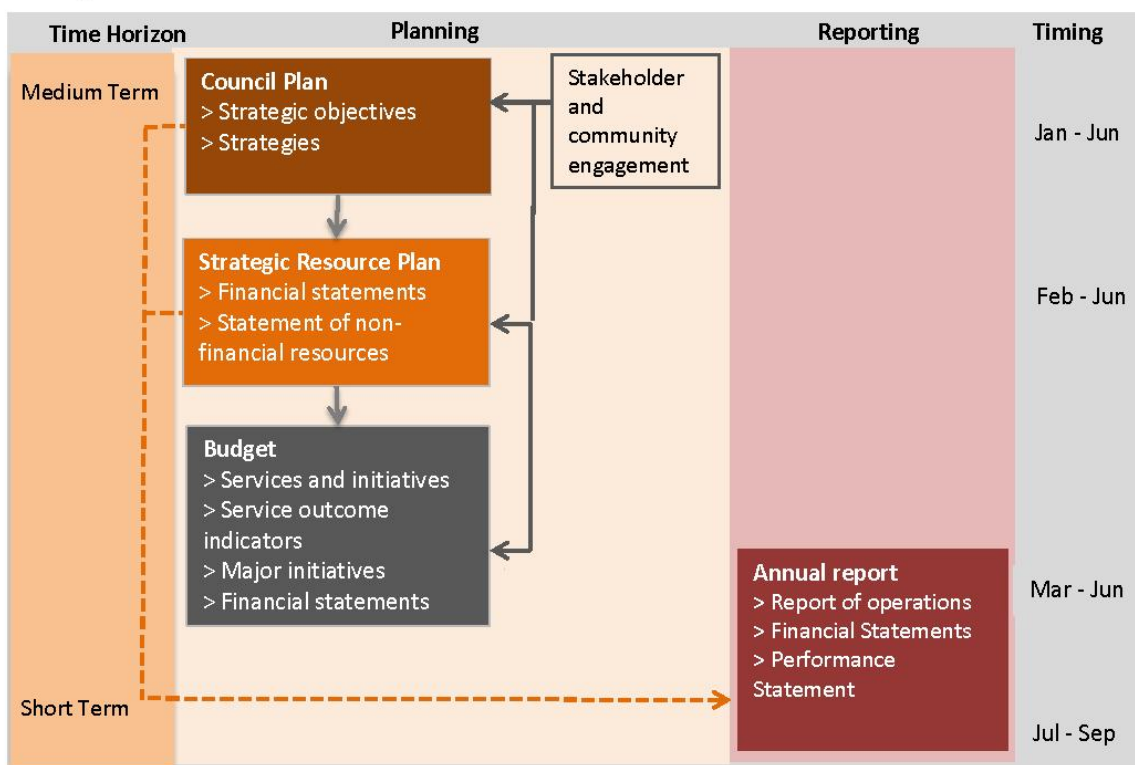
2014/2015 Budget Linkage to the Council Plan

1. Linkage to the Council Plan

This section describes how the Annual Budget links to the achievement of the Council Plan within an overall planning framework. This framework guides the Council in identifying community needs and aspirations over the long term (Latrobe 2026), medium term (Council Plan) and short term (Annual Budget) then holding itself accountable (Audited Statements).

1.1 Planning and accountability framework

The Strategic Resource Plan which is a component of the Council Plan, summarises the financial and non-financial impacts of the objectives and strategies and determines the sustainability of these objectives and strategies. The Annual Budget is then framed within the Strategic Resource Plan, taking into account the services and initiatives included in the Annual Budget 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 Transport, Planning and Local Infrastructure

In addition to the above, Council has a long term plan (Latrobe 2026) 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 and is reviewed each year in advance of the commencement of the Annual Budget process.

2014/2015 Budget Linkage to the Council Plan

1.2 Our purpose

The Community vision

“In 2026 the Latrobe Valley is a liveable and sustainable region with collaborative and inclusive community leadership.”

The community's vision for the future development of the region builds on its strength as one of Victoria's key regional economies and its position as the commercial centre of Gippsland with a focus on education, health and community services and facilities.

Other major aspirations are for a community that is both liveable and sustainable, with a continued focus on healthy lifestyles supported by high quality recreational and cultural facilities and a natural environment that is nurtured and respected.

The community has expressed its desire for a future in which people are united in a common purpose whilst respecting the diversity of their heritage and cultures. To enable the vision to become reality the community identified the need for effective and proactive leadership at all levels and expressed a willingness to connect with community leaders to enrich local decision making.

Our mission

To provide the best possible facilities, services, advocacy and leadership for Latrobe City, one of Victoria's four major regional cities.

Our values

Latrobe City Council's values describe how it is committed to achieving the Latrobe 2026 community vision through:

- Providing affordable people focused community services;
- Planning strategically and acting responsibly, in the best interests of the whole community;
- Accountability, transparency and honesty;
- Listening to and working with the community;
- Respect, fairness and equity;
- Open to and embracing new opportunities.

2014/2015 Budget Linkage to the Council Plan

1.3 Key Themes

Council delivers activities and initiatives under 51 major service categories. Each contributes to the achievement of one of the five themes and objectives as set out in the Council Plan for the 2013-17 years. The following table lists the five themes as described in the Council Plan.

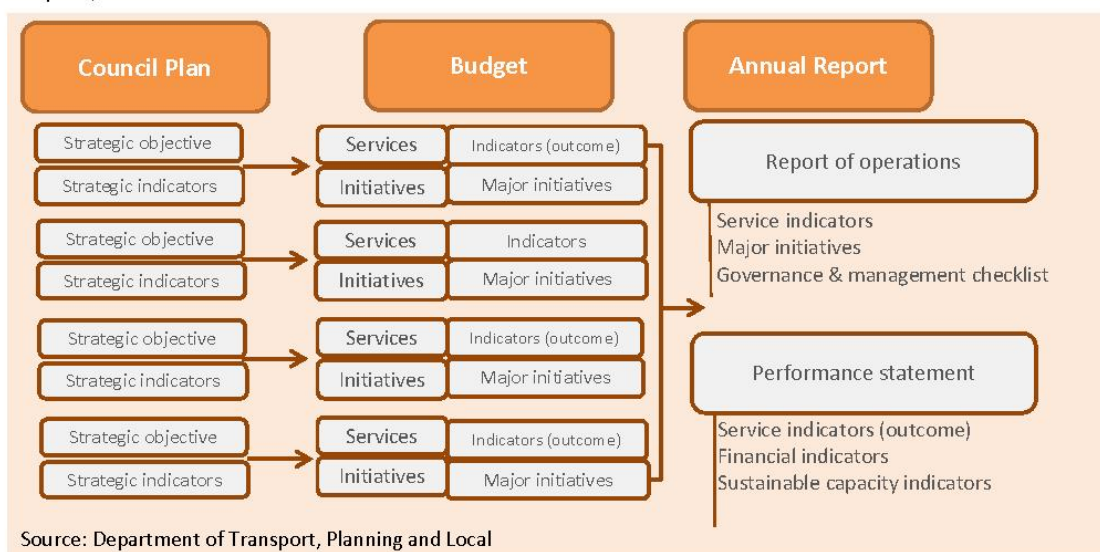
Theme	Objective
Job Creation & Economic Sustainability	<ul style="list-style-type: none"> • Actively pursue long term economic prosperity for Latrobe City, one of Victoria's four major regional cities. • Actively pursue further diversification of business and industry in the municipality. • Actively pursue and support long term job security and the creation of new employment opportunities in Latrobe City.
Appropriate, Affordable & Sustainable Facilities, Services & Recreation	<ul style="list-style-type: none"> • To promote and support a healthy, active and connected community. • To provide facilities and services that are accessible and meet the needs of our diverse community. • To enhance the visual attractiveness and liveability of Latrobe City.
Efficient, Effective & Accountable Governance	<ul style="list-style-type: none"> • To achieve the highest standards of financial probity and meet all statutory obligations. • To provide open, transparent and accountable governance. • Work to minimise rate increases for our community. • Effectively manage Council debt to minimise long term cost.
Advocacy For & Consultation With Our Community	<ul style="list-style-type: none"> • Strengthen the profile of Latrobe City as one of Victoria's four major regional cities. • Work in partnerships with all levels of governments to ensure Latrobe City is well supported, resourced and recognised as one of Victoria's four major regional cities. • To advocate for and support cooperative relationships between business, industry and the community. • To ensure effective two-way communication and consultation processes with the community.
Planning For The Future	<ul style="list-style-type: none"> • To provide a well planned, connected and liveable community. • To provide clear and concise policies and directions in all aspects of planning. • Advocate for planning changes at the state level to reflect regional needs and aspirations. • To ensure effective two-way communication and consultation processes with the community.

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

2. Activities, initiatives and service performance indicators

This section provides a description of the services and initiatives to be funded in the Budget for the 2014/15 year and how these will contribute to achieving the strategic objectives specified in the Council Plan as set out in Section 1. It also includes a number of initiatives, major initiatives and service performance indicators. The Strategic Resource Plan (SRP) is part of and prepared in conjunction with the Council Plan. The relationship between these components of the Budget and the Council Plan, along with the link to reporting in the Annual Report, is shown below.



2.1 Theme 1: Job Creation & Economic Sustainability

To achieve our objective of Job Creation and Economic Sustainability, 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

Business Area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Business Development	Provide business development advice, services and programs in accordance with the Latrobe City Council Economic Development Strategy 2011.	786 0 786
Employment Development	Promote, coordinate and providing training and employment opportunities for aboriginal people.	673 (545) 128
Latrobe Regional Airport	Maintain, develop and operate Latrobe Regional Airport in accordance with Civil Aviation Safety Authority regulations and the Latrobe Regional Airport Masterplan.	831 (551) 280
Tourism	Implement recommendations from the Tourism Product Audit and Visitor Information Centre Review.	578 (18) 560

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Initiatives (Annual Actions)

- 1) In accordance with the Economic Sustainability Strategy, continue to pursue employment generating opportunities and aerospace manufacturing at the Latrobe Regional Airport.
- 2) Commence the review of the 2009 Latrobe Regional Airport Master Plan.
- 3) In accordance with the Economic Sustainability Strategy, provide assistance to local businesses to grow and expand through referrals, the provision of statistical and site information and relevant funding opportunities.
- 4) In collaboration with community, business and government bodies develop a transition plan to identify opportunities for economic diversification, environmental improvements and the long term sustainability and resilience of Latrobe City and the surrounding region.
- 5) Prepare the Latrobe City Economic Sustainability Strategy 2015-2019 to guide the economic development service for the next five years.
- 6) Advocate for the creation of an industrial park and the Gippsland Logistics Precinct.
- 7) Actively pursue new power generation and brown coal opportunities within Latrobe City and provide business development assistance to energy related industry.
- 8) Pursue research and development in brown coal innovation for future economic growth and diversification within Latrobe City.
- 9) Progress Council's decision in respect to the provision of a performing arts and convention centre for Latrobe City to enhance Latrobe City's cultural infrastructure and programs and to attract business tourism to Latrobe City.
- 10) Deliver Year 2 Actions of the Latrobe City Events Strategy and Action Plan 2013-2017 to present an exciting and diverse events calendar that benefits our community, economy and profile of our city.
- 11) Participate in the Gippsland Local Government joint initiative, 'Creative Gippsland' to support greater recognition and promotion of arts across Gippsland.

Major Initiatives

- 12) Support the establishment of research facilities in Latrobe City to enable development of innovative technology including the forestry, wood and paper sector. (\$Nil net cost).
- 13) Complete construction of the Gippsland Heavy Industry Park road infrastructure to support existing and new industry expansion.

Service Performance Outcome Indicators

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

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

2.2 Theme 2: Appropriate, Affordable & Sustainable Facilities, Services & Recreation

To achieve our objective of Appropriate, Affordable & Sustainable Facilities, Services & Recreation, 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

Business Area	Description of services provided	Expenditure
		(Revenue) Net Cost \$'000
Aged and Disability Services	Deliver the Home and Community Care (HACC) program in accordance with Department of Health guidelines and Disability Service programs in accordance with the Department of Human Services guidelines.	6,138 <u>(5,236)</u> 902
Arts	Deliver the Annual Latrobe Regional Gallery Exhibitions program and deliver Education and Public Participation programs across all arts facilities. Deliver the Annual Performing Arts Performances program. Manage and maintain Halls and Venues across the City.	2,603 <u>(543)</u> 2,061
Civil Works Projects	Deliver Civil works projects across Latrobe City in accordance with relevant legislation and guidelines.	6,255 <u>(350)</u> 5,905
Early Childhood Health & Development	Deliver enhanced maternal and child health services in accordance with Council adopted policies.	2,306 <u>(1,201)</u> 1,105
Early Learning & Care	Deliver early Learning, Family Day Care, and Preschool services in accordance with Council adopted policies, and work with other providers to improve and integrate support services for all children in the municipality.	9,221 <u>(8,085)</u> 1,136
Events	Facilitate the attraction of new events and support existing events across Latrobe City and deliver Latrobe City Council's annual Australia Day program as per the 2013-2017 Latrobe City Events Strategy and Action Plan.	910 <u>(11)</u> 899
Infrastructure Design	Design civil works projects in consultation with the Latrobe City community.	1,228 <u>0</u> 1,228
Leisure Facilities	Maintain and operate Latrobe City leisure centres, outdoor pools and stadiums together with managing and maintaining caravan park and day visitor facilities.	6,476 <u>(4,105)</u> 2,372
Library services	Deliver Library services and programs in accordance with the Library Plan 2011-2017.	1,429 <u>(549)</u> 880
Major Projects	Deliver major infrastructure projects from the Annual Capital Works Program.	1,549 <u>0</u> 1,549

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Business Area	Description of services provided	Expenditure
		(Revenue) Net Cost \$'000
Parks, Gardens and Playgrounds	Manage and maintain parks and gardens across Latrobe City and maintain and develop playgrounds in accordance with the Latrobe City Council Playground Strategy.	4,211 (42) 4,169
Recreation and Open Space Planning	Provide Recreation and Open Space Planning advice for Latrobe City.	750 (30) 720
Recreation Liaison	Manage and maintain sporting reserves and work with community groups across Latrobe City.	1,864 (73) 1,791
Social support	Deliver the Planned Activity Group and Meals on Wheels Programs to eligible clients.	1,573 (1,291) 282
Waste Services	Deliver and manage contracts for waste services across the municipality, including kerbside collection, transfer stations, organic resource processing, hard waste services and co-mingled recycling processing in accordance with contract requirements, standards and best value principles.	5,213 (2) 5,211

Initiatives (Annual Actions)

14) Finalise the detailed design of the Morwell to Traralgon shared pathway feasibility study to improve connectivity between the two towns.

15) Implement year three actions and amendments of the Latrobe City Council Playground Improvement Implementation Plan 2011-2016 to enhance social and health outcomes and improve local neighbourhood amenity.

16) Progress Council's decision in respect to the delivery of the Gippsland Regional Aquatics Centre in Traralgon.

17) Commence implementation of the Latrobe City Public Open Space Strategy.

18) Deliver the Annual Capital Works Program.

19) Progress Council's decision in respect to the delivery of the Moe Rail Precinct Revitalisation Project.

20) Commence development of Drainage Asset Management Plan (DAMP).

21) Undertake a review of Senior Citizen's Centres to increase community utilisation rates.

22) Progress the development of the Latrobe City Tracks, Trails and Pathways Strategy.

23) Manage the annual legislative requirements of the Latrobe City Municipal Public Health and Wellbeing Plan .

24) Undertake a review of the Latrobe City Playground Strategy.

25) Develop a Latrobe City Council 2014-2018 Arts Strategy and Action Plan for Council endorsement.

26) Deliver the Events Community Grants Program to support not-for-profit community focussed groups for projects that will assist in the ongoing development of community facilities and to meet the social, recreational and cultural needs of the community.

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

- 27) Deliver Sporting Hall of Fame program in 2014.
- 28) Deliver Year 2 Actions of the Latrobe City Events Strategy and Action Plan 2013-2017 to present an exciting and diverse events calendar that benefits our community, economy and profile of Latrobe City.
- 29) Deliver and promote the Annual Latrobe Regional Gallery Exhibition program to provide a variety of local and nationally significant exhibitions.
- 30) Implement the Waste Education Plan as a key objective of the Latrobe City Council Waste Management Strategy.
- 31) Develop and deliver initiatives to improve the visual attractiveness of our towns.
- 32) Complete the development of the Catterick Crescent and Maryvale reserve Master Plans including the Traralgon Sports Stadium.
- 33) Investigate Hazelwood Pondage waterway management options and pursue resolution of appropriate lease arrangements with International Power.
- 34) Support early childhood services and schools to increase physical activity and establish active transport for students, staff & families through the BE ACTIVE Program.
- 35) Increase children services and school registrations in the achievement program to create healthier environments and promote the health and wellbeing of children and young people.
- 36) In consultation with the senior community, review the Latrobe City Council Positive Ageing Plan 2009-2012 as a guiding document that identifies the needs and aspirations of our older community members.

Major Initiatives

- 37) Finalise the detailed design of the Morwell to Traralgon shared pathway feasibility study to improve connectivity between the two towns (\$Nil net cost).

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Home and community care	Participation	Participation in HACC service (Percentage of the municipal target population that receive a HACC service)	[Number of people that received a HACC service / Municipal target population for HACC services] x100
Home and community care	Participation	Participation in HACC service by CALD people (Percentage of the municipal target population in relation to CALD people that 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
Libraries	Participation	Active library members (Percentage of the municipal population that are active library members)	[Number of active library members / municipal population] x100
Maternal and child health	Participation	Participation in MCH key ages and stages visits (Percentage of children attending the MCH key ages and stages visits)	Number of actual MCH visits / Number of expected MCH visits] x100
Maternal and child health	Participation	Participation in MCH key ages and stages visits by Aboriginal children (Percentage of Aboriginal children attending the MCH key ages and stages visits)	[Number of actual MCH visits for Aboriginal children / Number of expected MCH visits for Aboriginal children] x100
Aquatic Facilities	Utilisation	Utilisation of aquatic facilities (The number of visits to pool facilities per head of municipal population)	Number of visits to aquatic facilities / Municipal population
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

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

2.3 Theme 3: Efficient, Effective & Accountable Governance

To achieve our objective of Efficient, Effective & Accountable Governance, 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

Business Area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Building Maintenance	This unit is to deliver the cyclic maintenance program on Latrobe City Council buildings.	6,043 0 6,043
Community Information	Deliver professional customer service at all Latrobe City Council service centres and libraries in accordance with the Customer Service Plan 2012-2016.	3,517 (52) 3,465
Corporate Strategy	Administer corporate planning and reporting of Latrobe City Council.	425 0 425
Council Operations – Legal Council	Administer the operation of Council meetings. Administer legal advice and services for Latrobe City Council.	459 (41) 418
Financial Services	Administer financial management, advice and services of Latrobe City Council, administer procurement processes for goods and services within Latrobe City Council, administer payroll for Latrobe City Council staff and administer the database of properties within Latrobe City Council, including property valuation and municipal rate collection.	3,770 (263) 3,507
Health Services	Minimise the incidence of food borne illness pursuant to the Food Act. Deliver an Immunisation program in accordance with the Public Health and Wellbeing Act.	952 (420) 532
Infrastructure Maintenance	This unit is to provide maintenance services for Latrobe City's road, drainage, signage, footpath and tree networks and to Deliver cleansing services across the municipality, including footpath and street sweeping, public toilets, bus shelters, barbeques, rotundas and picnic shelters in accordance with specified standards and schedules.	14,122 (2,500) 11,622
Infrastructure Planning	Provide Traffic Management and Asset Management planning, advice and services for Latrobe City in accordance with statutory and regulatory timeframes.	2,615 (137) 2,478

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Business Area	Description of services provided	Expenditure
		(Revenue) Net Cost \$'000
Information Services	Maintain the Latrobe City Council IT network infrastructure, assets, purchasing and licences and provide an effective secure environment for storage and disaster recovery. Develop and maintain a Geographical Information System (GIS) for broad use by the organisation. Maintain corporate information and Council documentation and information applications in accordance with regulatory guidelines.	3,747 0 3,747
Local Laws	Deliver customer focussed Local Law services across the municipality in accordance with Local Law No. 2 and other relevant legislation.	2,234 (1,111) 1,123
Mayoral and Council Support	Provide support services to Councillors of Latrobe City Council and deliver civic functions and events across Latrobe City.	713 0 713
Office of the CEO	Actively participate in the Gippsland Local Government Network.	674 0 674
People & Development	To provide advice, education and support to ensure the success of the organisation through effective leadership, resourcing and people management initiatives. To deliver a variety of learning initiatives and develop the knowledge, skills and confidence of our people.	1,042 0 1,042
Property and Statutory	Administer property management, advice and services of Latrobe City Council.	614 (162) 452
Risk and Compliance	Provide Latrobe City Council with risk management support and advice, coordinate Occupational Health and Safety responsibilities and develop and implement a compliance framework. Administer Freedom of Information requests, Information Privacy requirements, maintain public registers, policies, audit activities and electoral functions for Latrobe City Council.	1,905 (1) 1,904

Initiatives (Annual Actions)

38) Support delivery of Council's Audit Programs to assist in maintaining statutory obligations and ensuring the highest standards of organisational excellence are met.

39) Review Local Law No. 3 to ensure protection of Council assets and local amenity during building works and present to Council for consideration.

40) Complete the annual review of Latrobe City Council's Procurement Policy in accordance with the requirements of the Local Government Act 1989.

41) Finalise the review of Local Law No. 2 which contributes to the peace, order and good governance of Latrobe City and present to Council for consideration.

42) Review the Council Plan 2013-2017, present to Council for consideration and submit to the Minister for Local Government within the legislated timeframe.

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

- 43) Implement processes to ensure compliance with the changed environment for the Local Government performance reporting framework.
- 44) Implement and report on annual actions for the Latrobe City Cultural Diversity Action Plan 2014-2018.
- 45) Review the suitability and accessibility of the Council meeting format and schedule to create better opportunities for interaction between Council and the community.
- 46) Undertake Strategic Risk and Insurable Risk Profiling, to review the strategic risk register and insurance program to ensure sufficient coverage for potential loss of council assets and activities.
- 47) Review the 10 Year Financial Plan in order to align with the objectives of the Council Plan 2013-2017.
- 48) Facilitate the development of the Annual Budget and present to Council for consideration.
- 49) Deliver 100% of Major initiatives for 2014/15.
- 50) Commence the review of the Building Asset Management Plan by collating building data to ensure a clear, achievable plan for future management of Council owned building assets.

Major Initiatives

- 51) Develop and implement a risk and compliance framework to guide decision making, reporting and service delivery across the organisation. (\$Nil net cost).

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
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
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
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.

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

2.4 Theme 4: Advocacy For & Consultation With Our Community

To achieve our objective of Advocacy For & Consultation With Our Community, 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

Business Area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Aboriginal Liaison	Strengthen the relationship between the local Aboriginal Community and Latrobe City Council by delivering on the Statement of Commitment.	56 0 56
Communications	Provide communications, marketing and public relations services on behalf of Latrobe City Council.	711 0 711
Community Engagement	Provide community engagement support services to Latrobe City Council.	220 0 220
Community Grants	Assist local community groups through the coordination and delivery of the annual Latrobe City community grants program.	466 0 466
Community Strengthening	Build community leadership, connectedness, inclusiveness and wellbeing by advocating on behalf of the community, and partnering with them to deliver and facilitate a range of projects, programs, strategies and action plans.	853 (30) 823
Disability Access and Inclusion	Develop and implement the Rural Access Plan and develop and implement the Disability Action Plan.	220 (134) 86
Emergency Management	Provide Emergency Management services including preparedness, planning, response and recovery.	452 (287) 166
Healthy Communities	Work in partnership with the community to address causes of chronic preventable disease by developing local solutions for healthy living, encourage healthy eating and physical activity, and reduce smoking and harmful alcohol use.	1,512 (991) 521
International Relations	Deliver International Relations services in accordance with the Latrobe City International Relations Plan.	177 (0) 177
Regional Partnerships	Provide regional leadership and facilitate a successful transition for Latrobe City to a low carbon future.	361 (71) 290

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Initiatives (Annual Actions)

- 52) Support the extension of 'Gippsland's Gateways' project through improvements to rail, road and ports, in particular proposed rail access to the Port of Hastings, the establishment of the North East freeway link and construction of West link as an alternative.
- 53) Advocate for the progression of an appropriate Tyers sewerage/wastewater management system solution
- 54) Develop Latrobe City Council's Community Engagement Plan to establish more effective and focused community consultation procedures.
- 55) Deliver Year 3 actions from the Latrobe City International Relations Plan 2011-2014 to enhance cultural and economic benefits.
- 56) Deliver the Children's Services Expo during Children's Week to promote early years services provided across Latrobe City.
- 57) Develop and implement the annual Disability Action Plan to focus on equitable access to infrastructure and services provided by Latrobe City Council.
- 58) Conduct quarterly briefing sessions with parliamentarians representing the Executive Office municipal area to provide advice, promote and advocate for local and regional priorities.
- 59) Develop a revised 'Securing our Future' publication that identifies local opportunities and challenges and supports advocacy initiatives with State and Federal Governments.
- 60) Work with Vic Roads and VicTrack for improvements to the maintenance and attractiveness of road and railway reserves, including town entrances.
- 61) Lobby Federal, State and Local Government organisations to source locally produced Australian Paper.
- 62) Council will meet with major local companies regularly to increase understanding and target support for local business and industry.

Major Initiatives

- 63) Develop a "Position Paper" to advance financial return to the community for mining and power generation activities within Latrobe City. (\$Nil net cost).

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

2.5 Theme 5: Planning For The Future

To achieve our objective of Planning For The Future, 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

Business Area	Description of services provided	Expenditure
		(Revenue) Net Cost \$'000
Building Services	Provide building advice, statutory services and enforcement action in accordance with the Building Act.	502 (130) 372
Environment Sustainability	Provide Environmental planning, advice and services to internal and external stakeholders.	3,192 (1,041) 2,151
Landfill Services	Operate and maintain the Latrobe City Hyland Highway Municipal Landfill facility in accordance with Environment Protection Authority licence conditions.	7,168 (2,526) 4,643
Statutory Planning	Provide statutory planning services, advice and enforcement action in accordance with the Latrobe Planning Scheme and Planning and Environment Act.	1,181 (186) 995
Strategic Planning	Provide strategic planning services and advice in accordance with the Latrobe Planning Scheme and Planning and Environment Act.	1,028 (5) 1,023
Urban Growth	Develop, assess and coordinate the implementation of Development Plans and Development Contribution Plans for growth areas of Latrobe City.	583 0 583

Initiatives (Annual Actions)

64) Undertake improvements to Council's statutory planning procedures and delegations to improve timely processing of planning applications.

65) Work closely with key stakeholders to progress the assessment of Development Plans and subsequent planning permits to ensure new communities are well planned and provided with necessary public infrastructure.

66) Review the current design guidelines to allow the adoption of the Infrastructure Design Manual .

67) Progress preparation of a Precinct Structure Plan for the Lake Narracan Growth Area including planning scheme amendment documentation and a revised Moe/Newborough Structure Plan

68) Participate in the delivery of the Waterhole Creek Waterway Management Plan, together with the West Gippsland Catchment Management Authority and identified stakeholders.

69) Implement actions from the Latrobe City Natural Environment Sustainability Strategy to achieve identified biodiversity and sustainability outcomes.

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

Major Initiatives

70) Finalise the Latrobe Planning Scheme review to provide a strategic vision for land use planning in Latrobe City. (\$0.090 million net cost).

71) Assess 85% of planning permit applications within 60 days as reported in the Department of Planning and Community Development Planning Permit Application Reporting System (PPARS).

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 upheld in favour of the Council)	[Number of VCAT decisions that upheld Council's decision in relation to a planning application / Number of decisions in relation to planning applications subject to review by VCAT] x100

2014/2015 Budget

Activities, Initiatives & Service Performance Indicators

2.10 Performance statement

The service performance indicators detailed in the preceding pages will be reported on within the Performance Statement which is prepared at the end of the year as required by section 132 of the Act and included in the 2014/15 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 full set of prescribed performance indicators 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.

2.11 Reconciliation with budgeted operating result

	Net Cost (Revenue) \$'000	Expenditure \$'000	Revenue \$'000
Job Creation & Economic Sustainability	1,754	2,868	1,114
Appropriate, Affordable & Sustainable Facilities, Services & Recreation	30,209	51,727	21,517
Efficient, Effective & Accountable Governance	38,144	42,830	4,686
Advocacy For & Consultation With Our Community	3,517	5,030	1,512
Planning For The Future	9,766	13,654	3,887
Total activities & initiatives	83,390	116,108	32,717
Other non-attributable	(988)		
Deficit before funding	82,402		
Funding sources:			
Rates & charges	69,400		
Capital grants	13,741		
Grants Commission	9,100		
Developer Contributions	2,041		
Total funding sources	94,282		
Surplus for the year	11,880		

2014/2015 Budget Budget Influences

3. Budget influences

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

3.1 Snapshot of Latrobe City Council

Latrobe City is made up of four major urban centres: Churchill, Moe/Newborough, Morwell and Traralgon, with smaller townships of Boolarra, Glengarry, Toongabbie, Tyers, Traralgon South, Yallourn North, and Yinnar.

Latrobe Valley is located only 70 minutes from the outskirts of Melbourne with a population of over 73,900 residents. Latrobe City boasts all of the recreational and cultural facilities of a large diverse regional centre with the added benefit of being nestled amongst some of the best tourist attractions in the state.

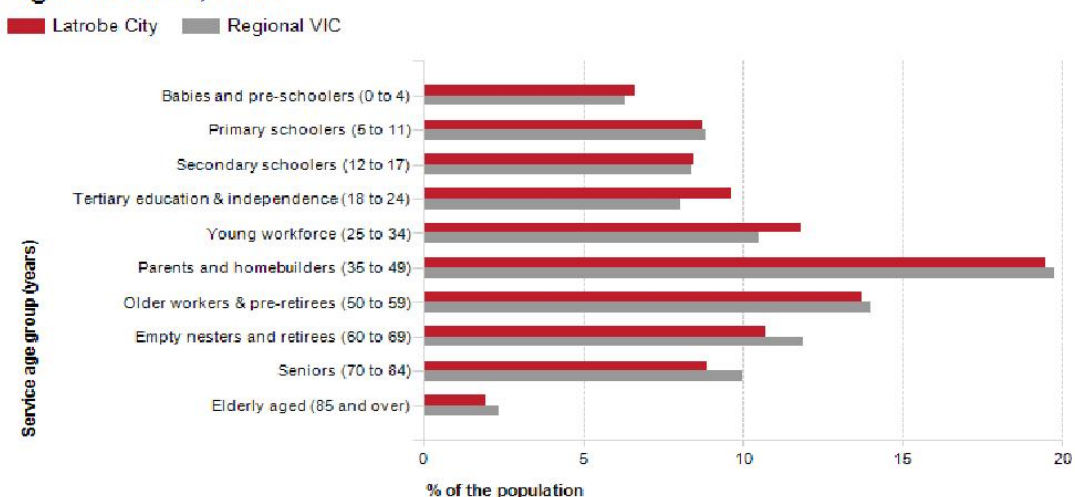
Population

The population of Latrobe City is growing at an increasing rate. It rose from 72,003 people in 2006, to 73,929 in 2012 an increase of 2.7% over 6 years. Population forecast estimates suggest population growth of around 1.4% annually which equates to an average of approximately 885 residents per annum (or 1.4% pa) (Source: March 2014 Latrobe Population & Economic Indicators).

Ageing population

Latrobe has fewer family households 25.9% than the Regional Victoria average of 27.8% and a higher proportion of lone person households of 27.8% compared to 26.8% in Regional Victoria. The age structure chart shows that the main areas where there are increases in Latrobe are in the tertiary education and independence (18-24), young workforce (25-34) and decreases in the over 50 age brackets.

Age structure, 2011



Source: Australian Bureau of Statistics, Census of Population and Housing, 2011 (Usual residence data)
Compiled and presented in profile.id by .id, the population experts.

id
the population experts

2014/2015 Budget Budget Influences

Cultural diversity

Latrobe City today is a culturally diverse and vibrant community with a proud history of innovation and visionary development highly innovative and creative; the Latrobe City has become the seedbed for many exciting projects.

Latrobe City has a significant indigenous community. Though not as large as that found in East Gippsland, Aboriginal and Torres Strait Islander people made up 1.5% (1,060) of the population in the 2011 Census. This is an increase of almost 200 residents identifying as indigenous from the 2006 Census.

There is also a growing community of non-English speaking background population. In 2011, the total population born in a NESB country was 7.9%, low compared to total Victoria, but high compared to regional Victoria (5.5%). The largest groups of NESB residents were from the Netherlands, Italy, Germany, Malta, Philippines, China, India and Sudan. (Source: Informed Decisions, Latrobe City Summary of current population and economic characteristics).

Housing

Residential property and land prices in Latrobe have historically been below the medians for regional Victoria and neighbouring municipalities. In 2011, there were approximately 32,478 dwellings in the municipality, with an average household size of 2.38.

Education

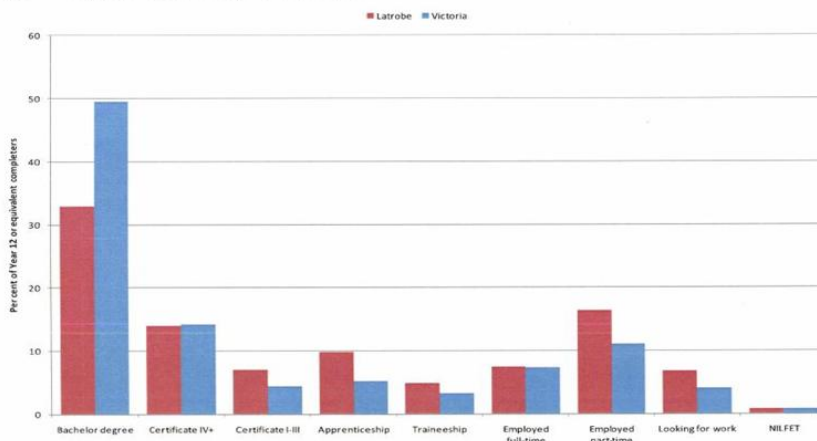
Latrobe City is home to a number of education and training facilities including 34 primary schools, 17 secondary schools, three special schools, a university and three TAFE campuses. At last count there were 11,732 residents enrolled in primary or secondary school. From 2006 to 2011 the proportion of residents who completed year 12 increased from 29.2% to 34.2%. In 2011, 39.4% of residents had a post-compulsory qualification through either the TAFE, university or other training providers. GippsTAFE has 13,397 enrolments and Federation University Australia, 3,642 in 2012.

Occupation

Compared to the three other regional cities in Victoria, between 2002 and 2012, Latrobe City experienced the highest total growth (an increase of 36.54%) in the number of jobs over the ten year period, from 28,275 jobs in 2002 to 38,607 jobs in 2012. Over the same period, the number of jobs in Greater Bendigo increased by 28.12%, Greater Geelong increased by 24.19% and Ballarat increased by 30.73%.

2014/2015 Budget Budget Influences

Figure 1 Destinations of 2011 Year 12 or equivalent completers, Latrobe LGA and Victoria



Notes: 1. Completers who deferred a place at university or TAFE/VET have been allocated to their labour market destinations.
2. NILFET is 'not in the labour force, education or training'.

The On Track Survey 2011: Latrobe LGA Report

3

3.2 External influences

In preparing the 2014/15 budget, a number of external influences have been taken into consideration, as they are likely to impact significantly on the services delivered by Council in the budget period. These include:

- Wage rate rise agreements of 4.00% p.a. included in the current Enterprise Bargaining Agreement which is due to be renewed during 2014/15. Thereafter a 3.00% increase is assumed in line with CPI forecasts;
- Banding increases of approximately 0.5% p.a;
- Increase in the Superannuation Guarantee from 9.25% to 9.5%;
- Consumer Price Index (CPI) increases on goods and services of 2.7% through the year to December quarter 2013 (ABS release 22 January 2014). State-wide CPI is forecast to be 2.5% for the 2014/15 year (Victorian Budget Papers 2013/14);
- Minimal increases in government funding;
- Increases of 10% in the levy payable to the State Government upon disposal of waste into landfill. The levy on municipal waste has increased from \$7 per tonne in 2009/10 to \$29.30 per tonne in 2014/15;
- The Fire Services Property Levy will continue to be collected by Council on behalf of the State Government in line with the Fire Services Property Levy Act 2012;
- Receipt of significant capital works funding of \$7.000 million for the construction of Stage One of the Moe Rail Precinct Revitalisation project.
- Notification from Council's utility suppliers indicate annual increases greater than CPI.
- Notification from Council's insurance suppliers indicate annual increases greater than CPI.

2014/2015 Budget Budget Influences

3.3 Internal influences

As well as external influences, there were also a number of internal influences arising from the 2012/13 year which have had a significant impact on the setting of the budget for 2014/15. The most significant of these is the funds received in 2013/14 that will be required to be carried forward for both capital and operational projects of which a significant proportion is government grant funding.

3.4 Budget principles

In response to these significant 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 draft 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 or estimated at a maximum increase of 1% less than CPI;
- Service levels to be maintained at 2013/14 levels, with the exception of expansion due to demand from growth, with an aim to use less resources with an emphasis on innovation and efficiency;
- New staff proposals to be justified through a business case;
- Contract labour and consulting services only to be utilised where required to secure core service delivery.
- On a cash basis Council budgets for a break even result.

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 2014/15 to 2017/18 (section 8), Rating Information (section 9) and Other Long Term Strategies (section 10) including borrowings, infrastructure and service delivery.

2014/2015 Budget Analysis of Operating Budget

4. Analysis of operating budget

This section of the report analyses the operating budget including expected income and expenses of the Council for the 2014/15 year.

4.1 Budgeted income statement

	Ref	Forecast Actual 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
Total income	4.2	117,886	128,400	10,513
Total expenses	4.3	(114,272)	(116,520)	(2,247)
Surplus (deficit) for the year		3,614	11,880	8,266
Grants – capital non-recurrent	4.2.3	(8,680)	(12,566)	(3,886)
Developer Contributions	4.2.7	(2,046)	(2,041)	5
Underlying surplus (deficit)	4.1.1	(7,112)	(2,727)	4,385

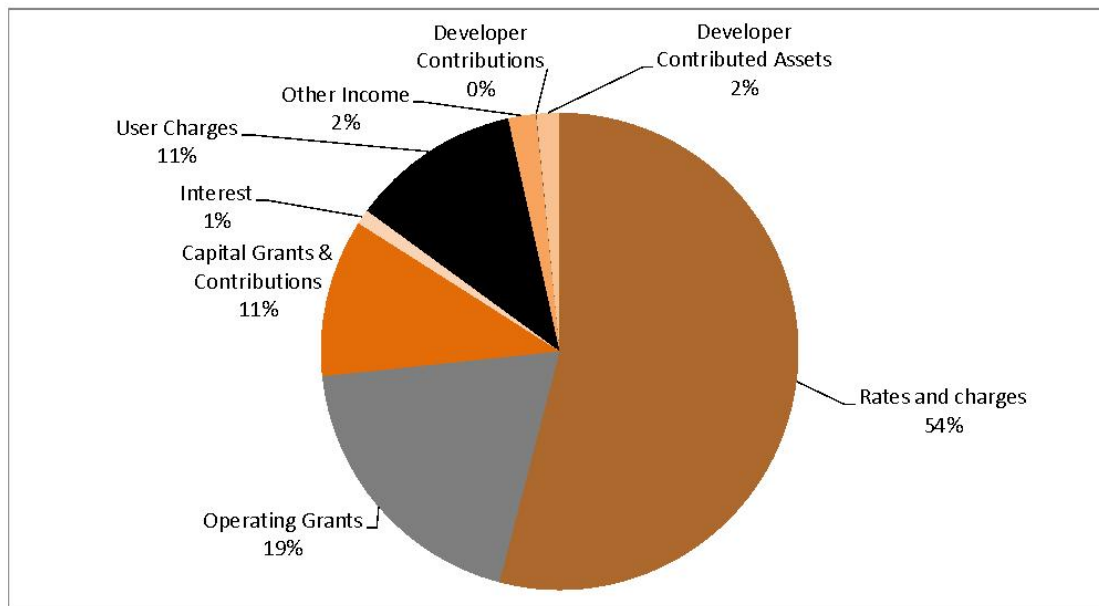
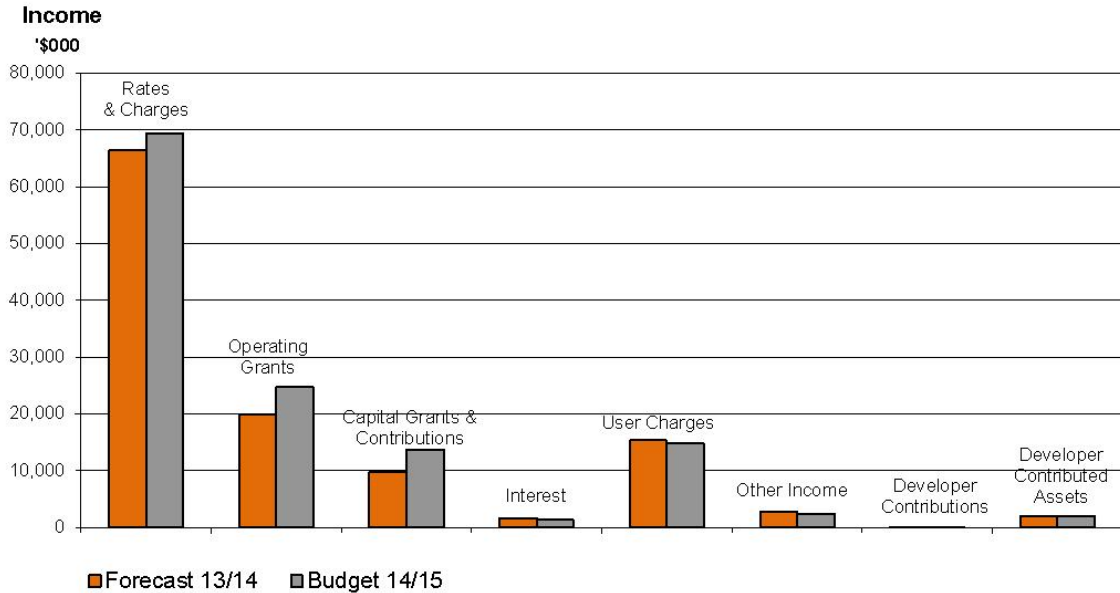
4.1.1 Underlying deficit (\$4.385 million decrease)

The underlying result is the net surplus or deficit for the year adjusted for capital contributions, contributions of non-monetary assets and other once-off adjustments. It is a measure of financial sustainability as it is not impacted by non-recurring or once-off items of income and expenses which can often mask the operating result. The underlying result for the 2014/15 year is a deficit of \$2.727 million which is a decrease of \$4.386 million over the 2013/14 year. The forecasted and budgeted underlying deficits are a result of expenditure incurred relating to government grants and other funding generated in previous financial years which was carried forward in accumulated surplus and reserves. On a cash basis Council budgets for a break even result each year.

4.2 Income

Income Types	Ref	Forecast Actual 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
Rates and charges	4.2.1	66,404	69,400	2,996
Operating Grants	4.2.2	19,879	24,756	4,877
Capital Grants & Contributions	4.2.3	9,855	13,741	3,886
Interest	4.2.4	1,596	1,300	(296)
User Charges	4.2.5	15,323	14,747	(576)
Other Income	4.2.6	2,783	2,415	(368)
Developer Contributions	4.2.7	46	41	(5)
Developer Contributed Assets	4.2.8	2,000	2,000	0
Total income		117,886	128,400	10,513

2014/2015 Budget Analysis of Operating Budget



4.2.1 Rates and charges (\$2.996 million increase)

It is proposed that General rates and charges income, excluding supplementary rates of \$0.407 million, will increase by a total of 3.9% or \$2.996 million over the total rate income for 2013/14, to \$69.400 million. Of this increase 0.50% or \$10 per service is directly attributable to the garbage charge to assist in achieving full cost recovery of capital landfill costs and 0.07% or \$0.047 million is directly attributable to the State Government imposed Landfill levy. Section 9. "Rating Information" includes a more detailed analysis of the rates and charges to be levied for 2014/15.

2014/2015 Budget Analysis of Operating Budget

4.2.2 Operating grants (\$4.877 million increase)

Operating grants and contributions 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 grants and contributions is expected to increase by 24.5% or \$4.877 million compared to 2013/14. This increase primarily relates to the Victorian Grants Commission (VGC) advanced part of the 2013/14 funding in the 2012/13 financial year thus reducing the grants amount shown for 2013/14. It has been assumed in this budget that all 2014/15 funds will be received from the VGC in that year thus showing a large favourable variation but not truly reflective of the estimated 2% increase in funding.

	Forecast 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
<i>Recurrent - Commonwealth Government</i>			
Employment Development	327	545	218
Family & Children Services	362	345	(17)
Environment Sustainability	26	26	(0)
Health	57	25	(32)
Recreation, Parks and Gardens	23	20	(3)
Libraries	13	14	0
Strategic Planning	19	10	(9)
HACC Services	29	5	(24)
<i>Recurrent - State Government</i>			
Victorian Grants Commission	5,584	11,600	6,016
HACC Services	4,172	4,363	191
Family & Children Services	4,856	3,958	(897)
Libraries	481	491	10
Community Support	313	319	6
Arts & Leisure	145	145	0
Employment Development	110	107	(3)
Local Laws	100	100	0
Regional Partnerships	91	71	(20)
Other	15	14	(1)
Total Recurrent Grants	16,724	22,158	5,433
<i>Non Recurrent - Commonwealth Government</i>			
Recreation, Parks and Gardens	71	1,015	943
Environment Sustainability	646	0	(646)
Other	6	0	(6)
<i>Non Recurrent - State Government</i>			
Healthy Communities	1,007	991	(16)
Recreation, Parks and Gardens	199	300	101
Community Support	119	280	161
Economic Development	153	6	(147)
Arts & Leisure	0	4	4
Natural Disaster Recovery	833	0	(833)
Fire Service Property Levy Implementation Grant	106	0	(106)
Other	15	2	(13)
Total Non-recurrent grants	3,155	2,598	(557)

2014/2015 Budget Analysis of Operating Budget

4.2.3 Capital grants and contributions (\$3.886 million increase)

Capital grants and contributions include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Overall the level of grants and contributions is expected to increase by \$3.886 million compared to 2013/14 mainly associated with specific funding for some large capital works projects in 2014/15. e.g. Heavy Industrial Park road infrastructure construction, Moe Rail Precinct Revitalisation Project and Latrobe Regional Airport Expansion Works. Section 6. "Analysis of Capital Budget" includes a more detailed analysis of the grants and contributions expected to be received during the 2014/15 year.

	Forecast 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
<i>Recurrent - Commonwealth Government</i>			
Roads to Recovery	1,175	1,175	0
<i>Recurrent - State Government</i>			
	0	0	0
Total Recurrent Grants	1,175	1,175	0
<i>Non Recurrent - Commonwealth Government</i>			
Buildings	1,971	5,300	3,329
Drainage	40	0	(40)
<i>Non Recurrent - State Government</i>			
Buildings	2,530	4,326	1,796
Roads	3,196	2,500	(696)
Footpaths	400	250	(150)
Playgrounds	195	120	(75)
Drainage	0	50	50
Carparks	106	0	(106)
<i>Local Contributions</i>			
Roads	243	20	(223)
Total Non-recurrent grants	8,680	12,566	3,886

4.2.4 Interest income (\$0.296 million decrease)

Interest income includes interest on investments. Interest on investments is forecast to decrease by \$0.297 million compared to 2013/14. This is mainly due to a forecast decrease in Council's available cash reserves during 2014/15 as a result of the completion of a number of major projects.

4.2.5 User charges (\$0.576 million decrease)

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, waste services, animal fees, use of leisure, entertainment and other community facilities and the provision of human services such as family day care and home care services. In setting the budget, the key principles for determining the level of user charges has been to ensure that increases do not exceed CPI increases and/or market levels. The decrease of \$0.576 million in total fees and charges expected from 2013/14 to 2014/15 is an mainly due to higher than anticipated landfill fee revenue being received during 2013/14. A detailed listing of fees and charges is set out in Appendix D hereto.

2014/2015 Budget Analysis of Operating Budget

4.2.6 Other income (\$0.368 million decrease)

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

It is projected that other income will decrease by \$0.368 million mainly due to a one off insurance claim refund received during 2013/14 together with higher than expected interest on rates revenue received during the 2013/14 year.

4.2.7 Developer contributions - cash (\$0.005 million decrease)

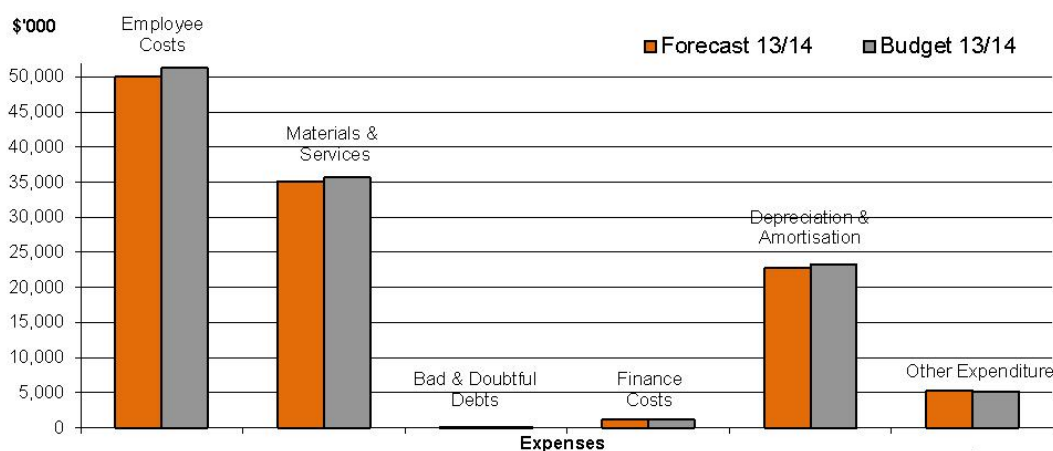
Contributions relate to monies paid by developers in regard to public open space, drainage and other infrastructure in accordance with planning permits issued for property development. The 2014/15 budget is in line with current year forecasts.

4.2.8 Developer contributed assets (no change)

It is expected that contributed assets from developers in 2014/15 will be the same as in 2013/14. This item relates to expected infrastructure assets handed over to Council from new subdivisions.

4.3 Expenses

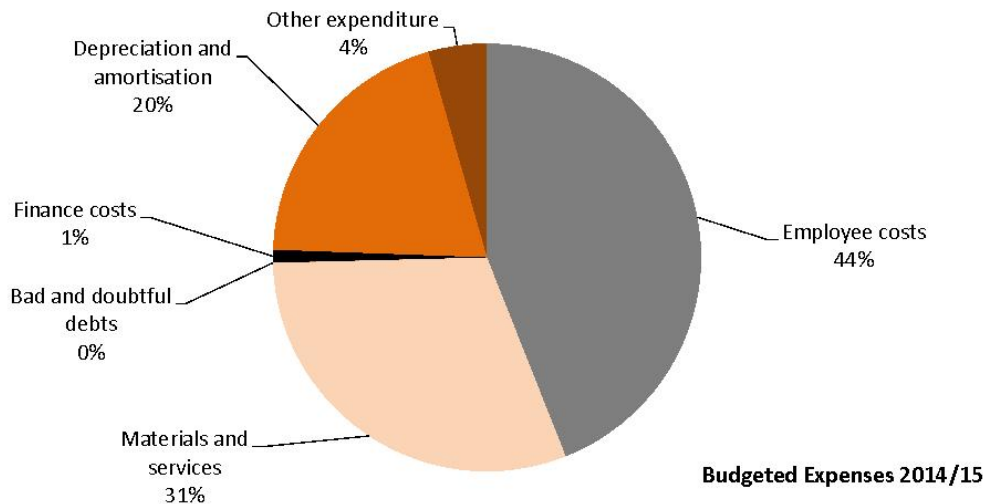
Expense Types	Ref	Forecast		Variance
		Actual 2013/14 \$'000	Budget 2014/15 \$'000	
Employee costs	4.3.1	49,978	51,262	1,284
Materials and services	4.3.2	35,082	35,659	576
Bad and doubtful debts	4.3.3	20	16	(4)
Finance costs	4.3.4	1,183	1,129	(54)
Depreciation and amortisation	4.3.5	22,740	23,300	560
Other expenditure	4.3.7	5,269	5,154	(115)
Total expenses		114,272	116,520	2,362



Source: Appendix A

Source: Appendix A

2014/2015 Budget Analysis of Operating Budget



4.3.1 Employee costs (\$1.284 million increase)

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

Employee costs are forecast to increase by 2.6% or \$1.284 million compared to 2013/14 forecast. The 2013/14 forecast incorporates realised savings compared to budget of \$0.480 million due to staff vacancies throughout the year. This increase relates primarily to increases in externally funded positions, increased resources in line with adopted strategies and plans and increases in accordance with Council's Enterprise Bargaining Agreement and annual award increases for banded staff.

A decrease in full time equivalent positions has been forecast in 2014/15. The primary decrease relates to structural changes within the organisation, these have been partially offset by an increase of funded positions within Child and Family Services and Community Health and Well-being together with additional resources contracted until 31 December 2014 in relation to the implementation of a new procurement policy.

2014/2015 Budget Analysis of Operating Budget

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

Division	Budget	Permanent	Comprises
	2014/15 \$'000	Full Time \$'000	Permanent Part Time \$'000
Office of the CEO	2,035	1,688	346
Planning & Development	5,571	4,993	579
City Infrastructure	13,681	11,704	1,978
Governance and Organisational Development	5,684	5,034	651
Community Liveability	20,637	8,437	12,201
Total	47,609	31,855	15,754
Casuals and other	3,653		
Total expenditure	51,262		

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

Division	Budget	Permanent	Comprises
	FTE	Full Time FTE	Permanent Part Time FTE
Office of the CEO	16.5	13.0	3.5
Planning & Development	53.8	47.0	6.8
City Infrastructure	163.1	134.0	29.1
Governance and Organisational Development	55.5	47.0	8.5
Community Liveability	256.0	83.0	173.0
Total	545	324.0	220.9
Casuals and other	44		
Total staff	589		

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

Division	Service Unit	Forecast	Budget	Variance
		Actual 2013/14 \$'000	2014/15 \$'000	\$'000
City Infrastructure	Infrastructure Development	2,850	3,160	311
	Recreational liveability	4,422	4,678	256
Community Liveability	Community Health & Wellbeing	6,392	6,743	351
	Community Information Services	4,084	4,331	247
Planning & Development	Arts, Events, Tourism & International Relations	1,793	1,960	167

2014/2015 Budget Analysis of Operating Budget

4.3.2 Materials and services (\$0.576 million increase)

Materials and services are forecast to increase by 1.6% or \$0.576 million compared to 2013/14. This relates mainly to an increase in expenditure within the capital works operating program which includes works that are of a capital nature but do not meet the definition of capital expenditure due to them either not being on Council owned/or controlled assets or not relating to an asset class recognised by Council. The total increase of operating capital is \$1.233 million, program details are set out in appendix C hereto. This has been partially offset by an emphasis on innovation and efficiency across the organisation.

4.3.3 Bad and doubtful debts (\$0.004 million decrease)

Bad and doubtful debts is expected to reduce by \$0.004 million for the 2013/14 financial year.

4.3.4 Finance costs (\$0.054 million decrease)

Finance costs relate to interest charged by financial institutions on borrowed funds. The budgeted decrease in these costs is due to a number of loans being fully repaid during the 2013/14 year together with lower interest rates for new borrowings.

4.3.5 Depreciation and amortisation (\$0.560 million increase)

Depreciation relates to the usage of Council's property, plant and equipment including infrastructure assets such as roads and drains. The projected increase of \$0.560 million is mainly due to the increased landfill amortisation requirements resulting from the creation of new landfill cells together with the anticipated completion of new council assets. Refer to section 6. Analysis of Capital Budget" for a more detailed analysis of Council's capital works program for the 2014/15 year.

4.3.7 Other Expenditure (\$0.115 million decrease)

Other expenditure relates to a range of unclassified items including contributions to community groups, advertising, insurances, audit costs, levies and other miscellaneous expenditure items. Other expenditure is expected to reduce by \$0.115 million for the 2014/15 financial year predominantly due to a forecast decrease in the amount of waste being delivered to the landfill, resulting in an overall reduction in the amount of landfill levy fees payable to the State Government.

2014/2015 Budget Analysis of Budgeted Cash Position

5. Analysis of budgeted cash position

This section analyses the expected cash flows from the operating, investing and financing activities of Council for the 2014/15 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.

2014/2015 Budget Analysis of Budgeted Cash Position

5.1 Budgeted cash flow statement

	Ref	Forecast Actual 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
Cash flows from operating activities	5.1.1			
<i>Receipts</i>				
Rates and charges		63,626	69,078	5,452
Grants - operating		19,879	23,403	3,524
Grants - capital		9,855	13,677	3,822
User fees and fines		15,323	14,679	(644)
Interest		1,596	1,294	(302)
Developer Contributions		46	41	(5)
Other Receipts		2,784	3,688	904
		113,109	125,860	12,751
<i>Payments</i>				
Employee costs		(56,310)	(50,473)	5,837
Materials and services		(33,146)	(31,318)	1,828
Other Payments		(11,436)	(10,806)	630
		(100,892)	(92,597)	8,295
Net cash provided by operating activities		12,217	33,263	21,046
Cash flows from investing activities	5.1.2			
Proceeds from sales of property, plant & equipment		629	1,635	1,006
Payments for property, plant & equipment		(29,955)	(43,230)	(13,275)
Proceeds from sales of other financial assets		19,500	0	(19,500)
Net cash used in investing activities		(9,826)	(41,595)	(31,769)
Cash flows from financing activities	5.1.3			
Finance costs		(1,183)	(1,129)	54
Proceeds from borrowings		8,970	3,350	(5,620)
Repayment of borrowings		(3,705)	(3,341)	364
Net cash used in financing activities		4,082	(1,120)	(5,202)
Net increase (decrease) in cash held		6,473	(9,452)	(15,925)
Cash and cash equivalents at the beginning of the year		27,663	34,136	6,473
Cash and cash equivalents at the end of the year	5.1.4	34,136	24,685	9,451

2014/2015 Budget Analysis of Budgeted Cash Position

5.1.1 Operating activities (\$21.046 million increase)

The increase in cash inflows from operating activities is due mainly to a \$5.452 million increase in rates and charges, which is due to a rate increase of 3.9% together with the assumption that majority of the 2013/14 outstanding rates will be collected during 2014/15. Both operating and capital grants have increased significantly which will assist in funding the capital works program and one off projects.

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 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
Surplus (deficit) for the year	3,614	11,880	8,266
Depreciation	22,740	23,300	560
Finance Costs	1,183	1,129	(54)
Developer contributed assets	(2,000)	(2,000)	0
Net movement in current assets and liabilities	(13,320)	(1,046)	12,275
Cash flows available from operating activities	12,217	33,263	21,047

5.1.2 Investing activities (\$31.769 million decrease)

The increase in payments for investing activities represents the planned increase in capital works expenditure disclosed in section 6 of this budget report. This increase is largely due to an increase in government grants for the 2014/15 capital program. Proceeds from sale of other financial assets is forecast to be \$19.500 million in 2013/14 which relates to the redemption of cash investments of greater than 3 months. As at the 30 June 2015 there is anticipated to be no investments with a maturity of greater than 3 months to be held.

5.1.3 Financing activities (\$5.202 million decrease)

For 2014/15 the total of loan principal repayments is \$0.364 million less than the 2013/14 year and interest payments are decreasing by \$0.054 million. New borrowings of \$3.350 million are proposed in 2014/15 to assist in funding the Morwell Heavy Industrial Park road infrastructure construction and the next stage of the Moe Rail Precinct Revitalisation Project.

5.1.4 Cash at end of the year (\$9.452 million decrease)

Total cash holdings are forecast to decrease by \$9.452 million primarily due to net capital works of \$7.708 million funded in 2013/14 but carried forward for completion in 2014/15, together with operating programs that received advance funding, but will be completed in 2014/15.

2014/2015 Budget Analysis of Budgeted Cash Position

5.2 Restricted and unrestricted cash and investments

Cash and cash equivalents held by Council are restricted in part, and not fully available for Council's operations. The budgeted cash flow statement above indicates that Council is estimating at 30 June 2014 it will have cash and investments of \$24.684 million, which has been restricted as shown in the following table.

	Ref	Forecast Actual 2014 \$'000	Budget 2015 \$'000	Variance \$'000
Total cash and investments		34,136	24,685	(9,451)
Restricted cash and investments				
- Statutory reserves	5.2.1	(1,862)	(1,903)	(41)
- Trust funds and deposits	5.2.2	(1,566)	(1,613)	(47)
Unrestricted cash and investments	5.2.4	30,708	21,169	(9,539)

Source: Appendix A

5.2.1 Statutory reserves (\$1.903 million)

These funds must be applied for specified statutory purposes in accordance with various legislative requirements. While these funds earn interest revenues for Council, the funds are not available for other purposes. During the 2014/15 year \$0.041 million is budgeted to be transferred to Statutory Reserves. Statutory reserves include funds held by Council for specific development purposes including off street parking, road works, street lighting, drainage, playgrounds and public open space and tree planting development.

5.2.2 Trust funds and deposits (\$1.613 million)

These funds include security deposits, contract retention and other sundry deposits and bonds. These must be held and refunded in accordance with various legislative and contractual requirements. Whilst these funds earn interest income for Council, they are not available for other purposes.

5.2.4 Unrestricted cash and investments (\$21.169 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. A high level of working capital is required as 60% of Council's rate income is not received until February and onwards each year. The cash balance remaining is predominantly associated with liabilities for employee provisions together with landfill reserves to assist in funding future landfill cell constructions.

2014/2015 Budget Analysis of Capital Budget

6. Analysis of capital budget

This section of the report analyses the planned capital expenditure budget for the 2014/15 year and the sources of funding for the budget.

6.1 Capital works

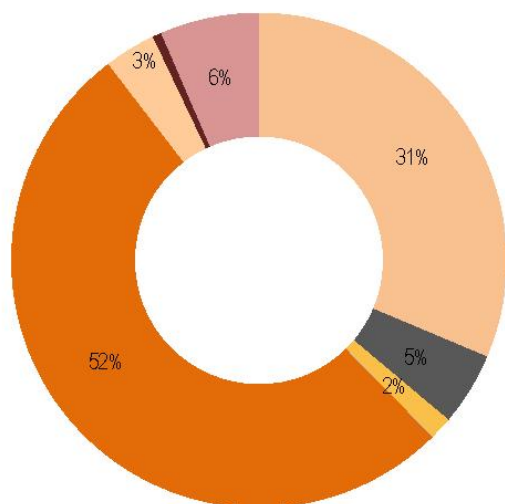
Capital Works Areas	Ref	Forecast Actual 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
Works carried forward	6.1.1			
<i>Property</i>				
Land, Buildings & Improvements		604	2,093	1,489
Total Property		604	2,093	1,489
<i>Plant & Equipment</i>				
Plant & Equipment		86	0	(86)
Furniture & Equipment		441	84	(357)
Total Plant & Equipment		527	84	(443)
<i>Infrastructure</i>				
Roads		3,763	4,392	629
Footpaths & Cycleways		765	104	(661)
Bridges & Culverts		25	0	(25)
Off Street Carparks		798	270	(528)
Drainage		0	764	764
Playgrounds		340	0	(340)
Landfill Cell Construction		167	0	(167)
Total Infrastructure		5,859	5,530	(328)
Total works carried forward		6,990	7,708	718
New works				
<i>Property</i>				
Land, Buildings & Improvements	6.1.2	5,364	11,461	6,097
Total Property		5,364	11,461	6,097
<i>Plant & Equipment</i>				
Plant & Equipment	6.1.3	2,311	2,065	(246)
Furniture & Equipment		1,034	558	(476)
Artworks		15	15	0
Total Plant & Equipment		3,360	2,638	(722)
<i>Infrastructure</i>				
Roads	6.1.4	11,287	15,550	4,263
Footpaths & Cycleways		1,162	1,390	228
Bridges & Culverts		700	500	(200)
Off Street Carparks		355	240	(115)
Drainage		322	691	369
Playgrounds		415	252	(163)
Landfill Cell Construction			2,800	2,800
Total Infrastructure		14,241	21,423	7,182
Total new works		22,965	35,522	12,557
Total capital works		29,955	43,230	13,275

2014/2015 Budget Analysis of Capital Budget

Represented by:

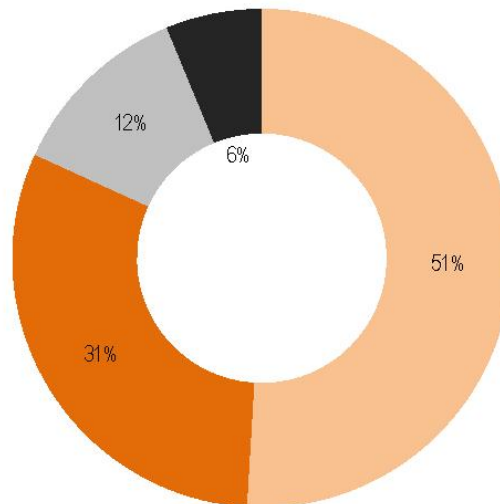
Asset renewal expenditure	6.1.5	21,269	22,023	755
New asset expenditure	6.1.5	6,453	13,339	6,886
Asset upgrade expenditure	6.1.5	2,233	5,173	2,940
Asset expansion expenditure	6.1.5	0	2,695	2,695
Total capital works		29,955	43,230	13,275

Budgeted capital works 2014/15



- Land, Buildings & Improvements
- Plant & Equipment
- Furniture & Equipment
- Artworks
- Roads/Paths/Bridges/Carparks
- Drainage
- Playgrounds
- Landfill Cell Construction

Budgeted capital works 2014/15



- Asset renewal expenditure
- New asset expenditure
- Asset upgrade expenditure
- Asset expansion expenditure

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

6.1.1 Carried forward works (\$7.708 million)

At the end of each financial year there are projects which are either incomplete or not commenced due to planning issues, weather delays, extended consultation etc. For the 2013/14 year it is forecast that \$7.708 million of capital works will be incomplete and be carried forward into the 2014/15 year. The more significant projects include Road Rehabilitation Program (\$1.138 million), Hazelwood Pondage Caravan Park Wastewater Upgrade Project (\$0.987 million), Moe Rail Precinct Revitalisation Project (\$0.895 million), Churchill ACP Pedestrian Plaza/Access Rd (\$0.846 million) and Jumbuk Road from Junction Road to Jumbuk Hall - Timber Haulage (\$0.532 million).

2014/2015 Budget Analysis of Capital Budget

6.1.2 Property (\$11.461 million)

Land, Buildings & Improvements includes community facilities, municipal offices, sports facilities, pavilions.

For the 2014/15 year, \$11.461 million will be expended, the more significant projects include Moe Rail Precinct Revitalisation Project (\$7.850 million), Latrobe Regional Airport Upgrade Works (\$1.300 million), Latrobe Leisure Maintenance Program (\$0.650 million) and the Harold Preston Reserve Traralgon Olympians Change Pavilion (\$0.450 million).

6.1.3 Plant & Equipment (\$2.638 million)

Plant and equipment includes plant, motor vehicles, machinery and equipment, office furniture & equipment, computers and telecommunications, leisure equipment and artworks.

For the 2014/15 year, \$2.638 million will be expended on the ongoing cyclical replacement of plant, fleet, IT equipment, performing arts equipment leisure equipment and office furniture & equipment, together with purchase of new artworks.

6.1.4 Infrastructure (\$21.423 million)

Infrastructure includes roads, bridges, footpaths and cycleways, drainage, playgrounds, landfill, off street car parks and other structures.

For the 2014/15 year, \$21.423 million will be expended. The more significant projects include Heavy Industrial Park road infrastructure construction (\$5.000 million), new landfill cell constructions (\$2.800 million), local roads reseals (\$4.500 million), road rehabilitation (\$4.500 million), Gravel Road Resheet Program (\$1.000 million) and Footpath replacements and expansions (\$1.000 million) and bridge and major culvert works (\$0.500 million).

6.1.5 Asset renewal (\$22.023 million), new assets (\$13.339 million), upgrade (\$5.173 million) and expansion (\$2.695 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.

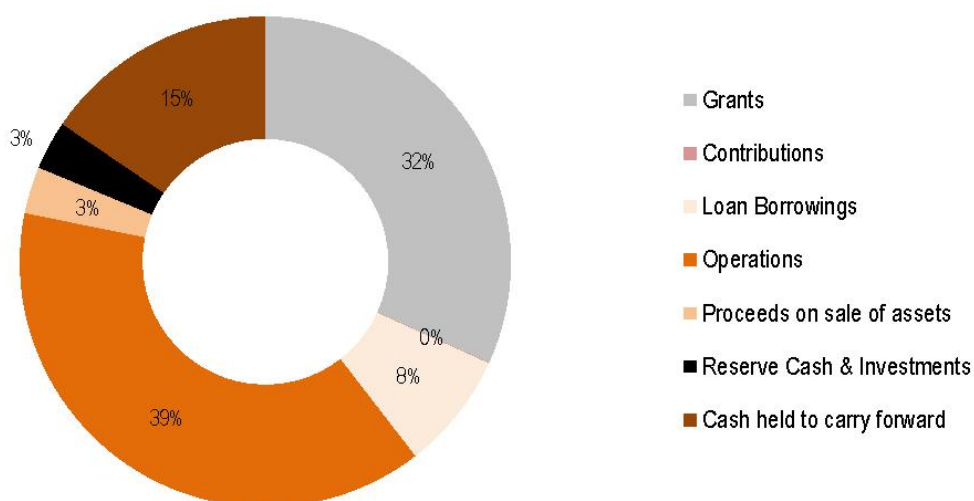
The major projects included in the above categories, which constitute expenditure on new assets are Moe Rail Precinct Revitalisation Project (\$7.850 million), new landfill cell construction (\$2.800 million) and new drainage works (\$0.451 million). The remaining capital expenditure represents renewals and expansion/upgrades of existing assets.

2014/2015 Budget Analysis of Capital Budget

6.2 Funding sources

Sources of funding	Ref	Forecast Actual 2013/14 \$'000	Budget 2014/15 \$'000	Variance \$'000
Works carried forward				
<i>Current year funding</i>				
Grants		0	1,000	1,000
Contributions		0	0	0
Cash held to carry forward		6,990	6,708	(282)
Total works carried forward	6.2.1	6,990	7,708	718
New works				
<i>Current year funding</i>				
Grants	6.2.2	9,855	12,721	2,866
Contributions	6.2.3	261	20	(241)
Loan Borrowings	6.2.4	2,000	3,350	1,350
Council cash				
- Operations	6.2.5	9,583	16,706	7,123
- Proceeds on sale of assets	6.2.6	629	1,335	706
- Reserve Cash & Investments	6.2.7	637	1,390	753
Total new works		22,965	35,522	12,556
Total funding sources		29,955	43,230	13,274

Budgeted total funding sources 2013/14



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

2014/2015 Budget Analysis of Capital Budget

6.2.1 Carried forward works (\$7.708 million)

A total of \$7.708 million of incompleting works during 2013/14 will be funded from the accumulated surplus.

6.2.2 Grants (\$12.721 million)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Significant grants are budgeted to be received for the Moe Rail Precinct Revitalisation Project (\$7.000 million), Heavy Industrial Park road infrastructure construction (\$2.500 million), Latrobe Regional Airport Upgrade Works (\$1.300 million) and Roads to Recovery program (\$1.175 million).

6.2.3 Contributions (\$0.020 million)

Capital contributions include all monies received from community sources for the purposes of funding the capital works program.

6.2.4 Loan borrowings (\$3.350 million)

New borrowings of \$3.350 million are proposed to assist in funding large capital projects, specifically the Heavy Industrial Park road infrastructure construction (\$2.500 million) and the next stage of the Moe Rail Precinct Revitalisation Project (\$0.850 million).

6.2.5 Operations (\$16.706 million)

During the year Council generates cash from its operating activities, which is used as a funding source for the capital works program. It is forecast that \$16.706 million will be generated from operations to fund the 2014/15 capital works program. Refer section 5. "Budgeted Cash Position" for more information on funds from operations.

6.2.6 Proceeds from sale of assets (\$1.335 million)

Proceeds from sale of assets includes proposed sale of land deemed inappropriate for open space development as identified in the public open space strategy of \$0.700 million (plus an additional \$0.300 million within the operating capital budget - refer to appendix C) together with plant & equipment sales of \$0.650 million, these asset sales have been assumed to sell at the current book value.

6.2.7 Reserve Cash & Investments (\$1.390 million)

The funding from reserves predominantly relates to landfill constructions works being undertaken during 2014/15 of which \$1.300 million has been funded through previous financial years.

2014/2015 Budget Analysis of Budgeted Financial Position

7. Analysis of budgeted financial position

This section of the budget report analyses the movements in assets, liabilities and equity between 2013/14 and 2014/15. It also considers a number of key performance indicators.

7.1 Budgeted balance sheet

	Ref	Forecast Actual 2014 \$'000	Budget 2015 \$'000	Variance \$'000
Current assets	7.1.1			
Cash and cash equivalents		34,136	24,685	(9,451)
Trade and other receivables		9,087	9,667	580
Prepayments		354	365	11
Non-current assets held for sale		0	0	0
Total current assets		43,577	34,717	(8,860)
Non-current assets	7.1.2			
Trade and other receivables		10	0	(10)
Property, infrastructure, plant and equipment		1,057,666	1,099,114	41,448
Other financial assets		2	2	0
Total non-current assets		1,057,678	1,099,116	41,438
Total assets		1,101,255	1,133,833	32,578
Current liabilities	7.1.3			
Trade and other payables		7,267	7,693	426
Interest bearing liabilities		3,341	3,395	54
Employee Benefits		10,976	11,470	494
Provisions		1,500	1,500	0
Other current liabilities		1,566	1,613	47
Total current liabilities		24,650	25,671	1,021
Non-current liabilities	7.1.4			
Interest bearing liabilities		16,309	16,264	(45)
Employee Benefits		1,538	1,607	69
Provisions		13,781	12,281	(1,500)
Total non-current liabilities		31,628	30,152	(1,476)
Total liabilities		56,278	55,823	(455)
Net assets		1,044,977	1,078,010	33,033
Equity	7.1.5			
Accumulated surplus		624,732	636,571	11,839
Reserves		420,245	441,439	21,194
Total equity		1,044,977	1,078,010	33,033

Source: Appendix A

2014/2015 Budget Analysis of Budgeted Financial Position

7.1.1 Current assets (\$8.860 million decrease)

The decrease in current assets is mainly due to a reduction in cash reserves associated with capital expenditure projects from 2013/14 that are expected to be completed in 2014/15. A more detailed analysis of this change is included in section 5. "Analysis of budgeted cash position".

7.1.2 Non current assets (\$41.438 million increase)

The increase in non-current assets is the net result of the capital works program, asset revaluation movements, the depreciation of non-current assets and the disposal through sale of property, plant and equipment. Long term debtors relating to loans to community organisations will reduce slightly in accordance with agreed repayment terms.

7.1.3 Current liabilities (\$1.021 million increase)

The increase in current liabilities (that is, obligations council must pay within the next year) is estimated to be \$0.426 million for suppliers and \$0.494 million for employee entitlements which are expected to increase marginally due to current increases being reflected in balances being held. Loan principal repayable in 2013/14 is \$3.341 million this will increase by \$0.054 million to \$3.395 million in 2014/15. Loan repayments remain constant over this period with increasing principal portions as the loans approach maturity. Provisions relate to landfill rehabilitation of \$1.500 million which reflects the rehabilitation work expected to be undertaken in the 2014/15 year.

7.1.4 Non current liabilities (\$1.476 million increase)

The decrease in non current liabilities (that is, obligations council must pay beyond the next year) is predominantly a result of a decrease in the provision for landfill rehabilitation resulting from the rehabilitation works scheduled in 2013/14. There are no other significant changes in non current liabilities.

7.1.5 Equity (\$33.033 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. Asset valuations are predicted to increase by 2% or \$21.153 million.
- Other reserves that are funds that Council wishes to separately identify as being set aside to meet a specific purpose in the future and to which there is no existing liability. These amounts are transferred from the Accumulated Surplus of the Council to be separately disclosed
- Accumulated surplus which is the value of all net assets less Reserves that have accumulated over time. The increase in accumulated surplus of \$11.839 million results directly from the surplus for the year together with the movement in statutory reserves.

2014/2015 Budget

Analysis of Budgeted Financial Position

7.1 6 Working capital (\$9.881 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.

Council has also committed further current assets to specific and restricted purposes, represented by reserves, which may not yet be represented as current liabilities at 30 June.

Ref	Forecast	Budget	Variance
	Actual 2014 \$'000	2015 \$'000	\$'000
Current assets	43,577	34,717	8,860
Current liabilities	24,650	25,671	(1,021)
Working capital	18,927	9,046	9,881
Restricted cash and investment current assets			
- Statutory reserves	(1,862)	(1,903)	41
- Discretionary reserves	30,708	21,169	9,539
Unrestricted working capital*	47,773	28,312	19,461

* Unrestricted working capital may also be committed to completion of carry forward capital works. Refer to table 6.2 for funding of capital works carried forward out of prior years.

7.2 Key assumptions

In preparing the Budgeted Balance Sheet for the year ended 30 June 2014 it was necessary to make a number of assumptions about key assets, liabilities and equity balances. The key assumptions are as follows:

- A total of 97% of total rates and charges raised will be collected in the 2014/15 year (2013/14: 97% 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 14 days.
- Other debtors and creditors to remain consistent with 2013/14 levels.
- Employee entitlements to be increased by Enterprise Bargaining Agreement and general banding movements only. No increase in the average rate of leave taken is expected.
- Repayment of loan principal to be \$3.341 million.
- New borrowings to be \$3.350 million.
- Total capital expenditure to be \$43.230 million.
- Employee entitlements to be increased by the Collective Agreement outcome offset by the impact of more active management of leave entitlements of staff.

2014/2015 Budget Strategic Resource Plan & Financial Performance Indicators

8. Strategic resource plan and financial Performance Indicators

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

8.1 Plan development

The Act requires a Strategic Resource Plan (SRP) to be prepared covering 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.

Council has prepared a SRP for the four years 2014/15 to 2017/18 as part of Council's 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, whilst 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 underlying operating result within two years
- Reduce the infrastructure gap
- Ensure borrowings are only used to fund new assets or lump sum funding calls by the Trustee of the Local Authorities Superannuation Fund (LASF).
- 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.

8.2 Financial resources

The following table summaries the key financial results for the next four years as set out in the SRP for years 2014/15 to 2016/17. Appendix A includes a more detailed analysis of the financial resources to be used over the four year period.

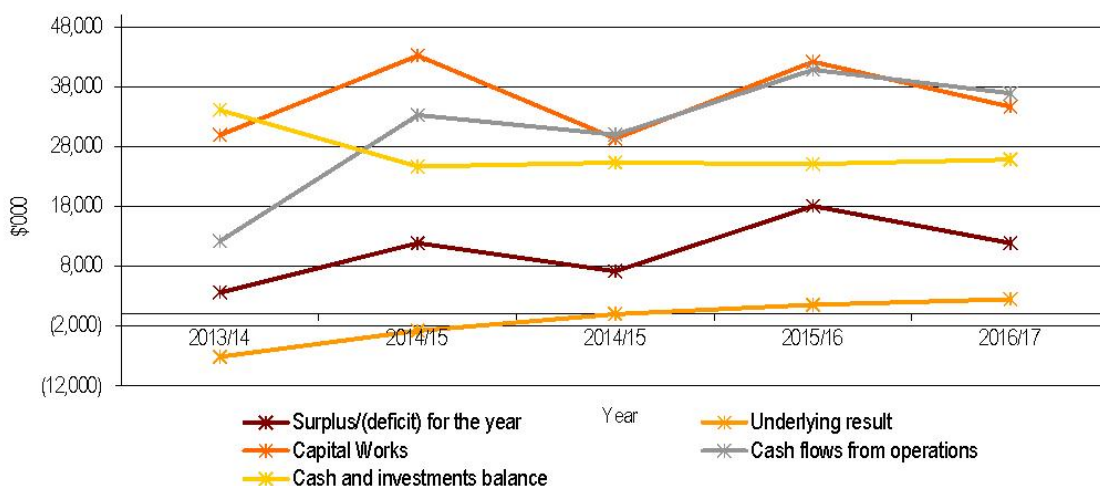
2014/2015 Budget Strategic Resource Plan & Financial Performance Indicators

	Forecast	Budget	Strategic Resource Plan		Trend	
	Actual		Projections			
	2013/14	2014/15	2014/15	2015/16	2016/17	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Surplus/(deficit) for the year	3,614	11,880	7,192	18,070	11,877	+
Adjusted underlying result	(7,112)	(2,727)	40	1,576	2,532	+
Cash and investments balance	34,136	24,685	25,350	25,090	25,855	o
Cash flows from operations	12,217	33,263	29,996	40,875	36,936	o
Capital works expenditure	29,955	43,230	29,336	42,182	34,673	o

Key to Forecast Trend:

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

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



The key outcomes of the Plan are as follows:

- **Financial sustainability (section 5)** - Cash and investments is forecast to increase marginally over the four year period from \$24.685 million to \$25.857 million, which indicates a balanced budget on a cash basis in each year.
- **Rating strategy (section 9)** – Rate increases are forecast over the four years at an average of 4.35% which incorporates increases in garbage charges to enable full cost recovery of landfill operations, which is required in order to maintain service levels and a robust capital expenditure program.
- **Service delivery strategy (section 10)** – Service levels have been maintained throughout the four year period. Despite this, operating surpluses are forecast over the four year period as a result of significant capital grant revenue being received to fund the annual capital works program. However, excluding the effects of non-operating items such as capital contributions, the underlying result sees a surplus achieved in three years of the four year period. The underlying result is a measure of financial sustainability and is an important measure as once-off items can often mask the operating result.

2014/2015 Budget Strategic Resource Plan & Financial Performance Indicators

• **Borrowing strategy (section 10)** – Borrowings are forecast to increase from \$19.659 million to \$21.355 million over the four year period. This includes new borrowings of \$3.350 million in 2014/15, \$4.000 million in 2015/16, \$4.000 million in 2016/17 and \$3.000 in 2017/18.

• **Infrastructure strategy (section 10)** - Capital expenditure over the four year period will total \$149.420 million at an average of \$37.356 million.

8.3 Financial performance indicators

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

Indicator	Measure	Notes	Forecast	Budget	Strategic Resource Plan			Trend
			Actual 2013/14	2014/15	Projections 2015/16	2016/17	2017/18	
Operating Position								
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	(6.6%)	(2.4%)	0.0%	1.3%	2.0%	+
Liquidity								
Working Capital	Current assets / current liabilities	2	176.8%	135.2%	135.3%	132.9%	132.9%	-
Unrestricted Cash	Unrestricted cash / current liabilities		124.6%	82.5%	84.1%	79.7%	81.0%	-
Obligations								
Loans & Borrowings	Interest bearing loans and borrowings / rate revenue	3	29.6%	28.3%	27.8%	28.7%	26.5%	+
Loans & Borrowings	Interest and principal repayments / rate revenue		7.4%	6.4%	6.3%	5.9%	6.3%	o
Indebtedness	Non-current liabilities / own source revenue		36.7%	34.3%	32.1%	30.6%	27.3%	+
Asset renewal	Asset renewal expenditure / depreciation	4	93.5%	94.5%	66.3%	64.8%	74.8%	-
Stability								
Rates concentration	Rate revenue / adjusted underlying revenue	5	62.0%	61.0%	62.2%	63.0%	63.6%	-
Rates effort	Rate revenue / property values (CIV)		0.7%	0.7%	0.7%	0.7%	0.7%	-

2014/2015 Budget Strategic Resource Plan & Financial Performance Indicators

Indicator	Measure	Notes	Forecast	Budget	Strategic Resource Plan			Trend +/-
			Actual 2013/14	2014/15	Projections		2017/18	
					2015/16	2016/17	2017/18	
Efficiency								
Expenditure level	Total expenditure / no. of assessments		\$3,052	\$3,112	\$3,131	\$3,208	\$3,315	+
Revenue level	Residential rate revenue / No. of residential assessments		\$1,431	\$1,484	\$1,551	\$1,620	\$1,693	+
Workforce turnover	No. of resignations & terminations / average no. of staff		11.4%	11.5%	11.5%	11.5%	11.5%	o

Key to Forecast Trend:

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

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 2014/15 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 renewals against its depreciation charge (an indication of the decline in value of its existing capital assets). A percentage greater than 100 indicates Council is maintaining its existing assets, while a percentage less than 100 means its assets are deteriorating faster than they are being renewed and future capital expenditure will be required to renew assets.

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.

2014/2015 Budget

Strategic Resource Plan & Financial Performance Indicators

8.4 Non-financial resources

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 2014/15 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		Strategic Resource Plan		
	Actual 2013/14	Budget 2014/15	Projections		
			2014/15	2015/16	2016/17
Employee costs (\$'000)					
- Operating	49,929	51,216	53,072	55,168	57,343
- Capital	49	46	0	0	0
Total	49,978	51,262	53,072	55,168	57,343
Employee numbers (FTE)	593	589	588	588	588

2014/2015 Budget Rating Information

9. Rating information

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

9.1 Rating Context

In developing the Strategic Resource Plan (referred to in Section 8), rates and charges was identified as an important source of income, accounting for approximately 56% of the total income received by Council annually. Planning for future rate increases has therefore been an important component of the Long Term Financial 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 Latrobe community.

However, it has also been necessary to balance the importance of rate income as a funding source with community sensitivity to increases, particularly given the change to bi-annual general revaluations. To ensure that deliberations about future rate increases have been made on an informed basis, comparisons were made of historical rate increases between the Council and other similar sized councils. The following table shows a comparison of the last five years and also the average rates per capita for the 2014/15 year.

Year	Latrobe City Council
2009/10	5.2%
2010/11	5.5%
2011/12	5.8%
2012/13	5.8%
2013/14	5.2%
Average increase	5.5%
Average per capita 2013/14	\$770

The table indicates that over the past five years Council's rate increases have averaged 5.5% and that the average per capita rates for 2013/14 (excluding rating Agreements) were \$770.

2014/2015 Budget Rating Information

9.2 Current year rate

The 2014/15 operating position is predicted to be significantly impacted by wages growth and reductions in government funding. It will therefore be necessary to achieve future income growth whilst containing costs in order to achieve an underlying breakeven operating position by 2015/16 as set out in the Strategic Resource Plan. The contribution from operations toward capital investment of \$17.425 million for the 2014/15 year is less than the desired level of \$18.702 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 whilst maintaining service levels and a robust capital expenditure program, overall rates and charges will increase by 3.90% in 2014/15 raising total rates of \$69.400 million, including \$0.407 million generated from supplementary rates. General rates (including Electricity Act and Rating agreement payments) and municipal charge increase by 3.93% or \$2.207M while garbage charges increase by \$10 per service which equates to 3.50% or \$0.335 million. In addition the State Government imposed Landfill levy increases by 8.0% or \$0.047 million, Council will need to unfortunately pass these increases onto residents. In the interests of clarity the EPA levy component was separated from the Garbage Charge in 2011/12 and this will again occur in 2014/15.

The following table sets out future projected rate increases and total rates to be raised, based on the forecast financial position of Council as at 30 June 2014 and the long term financial plan.

Year	General Rate Increase %	Municipal Charge Increase %	Garbage Charge Increase %	Landfill Levy Increase %	Total Rates Raised \$'000
2013/14	4.5	4.4	9.6	10.0	66,530
2014/15	3.9	4.2	3.5	8.0	69,400
2015/16	4.5	4.5	4.5	10.0	72,949
2016/17	4.5	4.5	4.5	10.0	76,676
2017/18	4.5	4.5	4.5	10.0	80,592

9.3 Rating structure

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

- Property values, 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 other administrative costs of the Council.

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

2014/2015 Budget Rating Information

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, commercial, industrial or farm purposes.

Council has previously made a decision to apply a Capital Improved Value (CIV) basis to calculating individual property rates on the grounds that it provides the most equitable distribution of rates across the municipality. There are currently no plans to change this basis.

The existing rating structure comprises two differential rates (general and farm) 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 grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. The farm rate is set at 75 % of the general rate and the rate concession for recreational land is set at 50% of the general rate. In addition, there are two recreational assessments which receive an additional rebate. These rebates are applied as a result of significant changes in the CIV valuations resulting from the rezoning of land and changes in valuation methodologies. It was considered that without applying a rebate the levied amounts would fail to take into consideration the requirement under the Cultural and Recreational Lands Act 1963 of the need for having regard to the services provided by Council in relation to such lands, and the benefit to the community derived from such recreational lands. Council re-affirmed its intention to maintain the existing rating relativities for farm rates in the 2014/15 Budget. Council also has a municipal charge, a garbage charge and the State Government Landfill Levy charges 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	2013/14	2014/15	Change
General Rates	Cents/\$ CIV	0.00442245	0.00458663	3.7%
Farm Rates	Cents/\$ CIV	0.00331684	0.00343997	3.7%
Recreational Rates	Cents/\$ CIV	NA	NA	
Municipal charge	\$/ property	\$120.00	\$125.00	4.2%
Garbage charge	\$/ property	\$285.00	\$295.00	3.5%
Landfill levy charge	\$/ property	\$17.60	\$19.00	8.0%

2014/2015 Budget Rating Information

9.4 General revaluation of properties

During the 2013/14 year, a revaluation of all properties within the municipality was carried out and will apply from 1 January 2014 for the 2014/15 year. The outcome of the general revaluation has been a minor change in total property valuations throughout the municipality. Overall, property valuations across the municipal district have increased by 0.93%. Of this increase, residential properties have increased by 0.68%, commercial properties by 0.76%, industrial properties by 1.82% and farms by 3.12%.

Council will be maintaining the existing differential rate for the farming properties and a discount for cultural recreation land for the 2014/15 year. Therefore, in aggregate, total rates and charges will increase by 3.90% excluding supplementary rates compared to 2013/14.

2014/2015 Budget Other Strategies

10. Other strategies

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

10.1 Borrowings

In developing the Strategic Resource Plan (SRP) (see Section 8.1), borrowings were identified as an important funding source for the capital works programs. In the past, Council has borrowed to finance specific infrastructure projects and significant unfunded defined benefits superannuation liability calls.

The SRP includes the results of an analysis of Council's debt position against the recommended ratios used by the Victorian State Government to assess the loan capacity of local governments. 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 \$19.659 million could be comfortably accommodated. Council's future borrowing requirements may be influenced by external government funding opportunities that require some contribution from council in order to finance major capital projects.

For the 2014/15 year, Council has decided to borrow an additional \$3.350 million to fund the Morwell Heavy Industrial Park road infrastructure construction and the Moe Rail Revitalisation Precinct project, after making loan repayments of \$3.341 million, its total borrowings will increase to \$19.659 million as at 30 June 2015. The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2014.

Year	New Borrowings \$'000	Principal Paid \$'000	Interest Paid \$'000	Balance 30 June \$'000
2013/14	8,970	3,705	1,183	19,650
2014/15	3,350	3,341	1,129	19,659
2015/16	4,000	3,395	1,201	20,264
2016/17	5,000	3,255	1,299	22,009
2017/18	3,000	3,654	1,445	21,355

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

	2013/14 \$	2014/15 \$
Total amount borrowed as at 30 June of the prior year	14,386	19,650
Total amount to be borrowed	8,970	3,350
Total amount projected to be redeemed	(3,705)	(3,341)
Total amount proposed to be borrowed as at 30 June	19,650	19,659

2014/2015 Budget Other Strategies

10.2 Infrastructure

The Council has developed an Asset management Strategy and is currently reviewing and developing various Asset Management Plans, which sets out the capital expenditure requirements of the Council for the next 10 years by class of asset and project and is a key input to the long term financial plan. It predicts infrastructure consumption, renewal needs and considers infrastructure needs to meet future community service expectations. The Strategy development process includes 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.
- Listing of all known capital projects and adopted strategies and plans, prioritised within classes on the basis of evaluation criteria.
- Transparent process for evaluating and prioritising capital projects.
- Methodology for allocating annual funding to classes of capital projects.
- Standard templates for officers to document capital project submissions.

The capital planning process is undertaken annually and used to ensure that Infrastructure Strategy represents the current capital expenditure requirements of the Council.

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. A measure of Council's performance in respect to infrastructure management is the sustainability index. This is the proportion of the total asset value consumed (equivalent to the annual depreciation charge), compared to the amount spent in preserving the asset (expenditure aimed at ensuring the asset reaches its intended useful life) on an annual basis. A value of 100% (or greater in the short term) is the desired target and the Long Term Financial Plan aims to maintain a sustainability index of 100%.

The following influence had a significant impact on the Infrastructure Strategy for the 2014/15 year:

- Continuation of significant Federal funding for upgrade of roads (Roads to Recovery funding of \$1.175 million has been assumed for 2014/15).

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

Year	Total Capital Program \$'000	Grants and Contrib's \$'000	Borrowings \$'000	Asset Sales \$'000	Statutory Reserves \$'000	Council Cash \$'000
2013/14	29,955	9,855	2,000	629	637	16,834
2014/15	43,230	13,741	3,350	1,335	0	24,804
2015/16	26,836	6,285	4,000	600	120	15,831
2016/17	44,682	15,625	5,000	600	0	23,457
2017/18	34,675	8,475	3,000	600	120	22,480

2014/2015 Budget Other Strategies

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 delivery

This section of the report considers the Council's service delivery strategy including strategy development, key influences and service delivery outcomes. A number of service delivery strategies will be developed and/or reviewed during 2014/15 year. Latrobe 2026 and the Council Plan 2013-2017 identify key service area reviews and strategy development for service areas. The Rating Information (see Section 9.) also refers to modest rate increases into the future. 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:

	2014/15	2015/16	2016/17	2017/18
	%	%	%	%
Consumer Price Index	2.5	3.0	3.0	3.0
Rate increases	3.9	4.5	4.5	4.5
Property growth	0.7	0.7	0.7	0.7
Wages growth	4.7	4.3	4.0	4.0
Government funding	2.0	2.0	2.0	2.0
Statutory fees	3.0	3.0	3.0	3.0
Investment return	4.0	4.0	4.0	4.0

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
2013/14	3,614	(7,112)
2014/15	11,880	(2,727)
2015/16	7,192	40
2016/17	18,070	1,576
2017/18	11,877	2,532

Service levels have been maintained throughout the four year period. The operating surplus forecast for 2013/14 year is primarily in line with the original budget forecast after taking into account the effect of capital income and funding that had been received in 2012/13 for programs/projects in 2013/14. Excluding the effects of non-operating income such as capital contributions, the underlying result predicts a deficit for 2014/15 and a surplus for the following three years.

2014/2015 Budget Appendices

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 whilst the budget report needs to focus on the important elements of the budget and provide appropriate analysis, the detail upon which the annual budget is based should be provided in the interests of open and transparent local government.

The contents of the appendices are summarised below:

Appendix	Nature of information	Page
A	Budgeted statements	66
B	Rates and charges	73
C	Capital works program	79
D	Fees and charges schedule	87

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Appendix A

Budgeted standard statements

This appendix presents information in regard to the Budgeted Financial Statements and Statement of Human Resources. The budget information for the years 2014/15 to 2017/18 has been extracted from the Strategic Resource Plan.

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

The appendix includes the following budgeted information:

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

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Budgeted Comprehensive Income Statement

For the four years ending 30 June 2018

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2013/14	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Income					
Rates and charges	66,404	69,400	72,949	76,676	80,592
Grants - Operating (recurrent)	16,724	22,158	22,601	23,053	23,514
Grants - Operating (non-recurrent)	3,155	2,598	1,653	1,367	1,394
Grants - Capital (recurrent)	1,175	1,175	1,175	1,175	1,175
Grants - Capital (non-recurrent)	8,680	12,566	5,110	14,450	7,300
Interest	1,596	1,300	1,300	1,300	1,300
User fees and charges	15,323	14,747	15,190	15,645	16,115
Other Income	2,783	2,415	2,405	2,477	2,551
Developer contributions	46	41	42	44	45
Developer contributed assets	2,000	2,000	2,000	2,000	2,000
Total income	117,886	128,400	124,425	138,187	135,986
Expenses					
Employee costs	49,978	51,262	53,072	55,168	57,343
Materials and services	35,082	35,659	33,644	33,239	33,790
Bad and doubtful debts	20	16	17	17	18
Finance costs	1,183	1,129	1,201	1,299	1,445
Other Expenditure	5,269	5,154	4,938	5,086	5,238
Depreciation and amortisation	22,740	23,300	24,361	25,308	26,275
Total expenses	114,272	116,520	117,233	120,117	124,109
Surplus (deficit) for the year	3,614	11,880	7,192	18,070	11,877
Other comprehensive income					
Net Asset Revaluation movement	19,130	21,153	22,013	22,595	23,428
Total comprehensive result	22,744	33,033	29,205	40,665	35,305

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Budgeted Balance Sheet

For the four years ending 30 June 2018

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	34,136	24,685	25,350	25,090	25,855
Trade and other receivables	9,087	9,667	9,426	10,361	10,301
Prepayments	354	365	376	387	398
Total current assets	43,577	34,717	35,152	35,838	36,554
Non-current assets					
Trade and other receivables	10	0	0	0	0
Property, infrastructure, plant and equipment	1,057,666	1,099,114	1,127,501	1,168,370	1,201,595
Other financial assets	2	2	2	2	2
Total non-current assets	1,057,678	1,099,116	1,127,503	1,168,372	1,201,597
Total assets	1,101,255	1,133,833	1,162,655	1,204,210	1,238,151
Current liabilities					
Trade and other payables	7,267	7,693	7,701	7,820	8,070
Interest bearing liabilities	3,341	3,395	3,255	3,654	3,464
Employee Benefits	10,976	11,470	11,871	12,289	12,717
Provisions	1,500	1,500	1,500	1,500	1,500
Trust funds and deposits	1,566	1,613	1,661	1,711	1,763
Total current liabilities	24,650	25,671	25,988	26,974	27,514
Non-current liabilities					
Interest bearing liabilities	16,309	16,264	17,009	18,355	17,891
Employee Benefits	1,538	1,607	1,663	1,722	1,782
Provisions	13,781	12,281	10,781	9,281	7,781
Total non-current liabilities	31,628	30,152	29,453	29,358	27,454
Total liabilities	56,278	55,823	55,441	56,332	54,968
Net assets	1,044,977	1,078,010	1,107,214	1,147,878	1,183,183
Equity					
Accumulated surplus	624,732	636,571	643,839	661,864	673,814
Asset revaluation reserve	418,383	439,536	461,549	484,144	507,575
Other Reserves	1,862	1,903	1,825	1,869	1,794
Total equity	1,044,977	1,078,010	1,107,214	1,147,878	1,183,183

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Budgeted Statement of Changes in Equity

For the four years ending 30 June 2018

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2015				
Balance at beginning of the financial year	1,044,977	624,732	418,383	1,862
Comprehensive result	33,033	11,880	21,153	0
Transfer to reserves	0	(41)	0	41
Transfer from reserves	0	0	0	0
Balance at end of the financial year	1,078,010	636,571	439,536	1,903
2016				
Balance at beginning of the financial year	1,078,010	636,571	439,536	1,903
Comprehensive result	29,205	7,192	22,013	0
Transfer to reserves	0	(42)	0	42
Transfer from reserves	0	120	0	(120)
Balance at end of the financial year	1,107,214	643,841	461,549	1,825
2017				
Balance at beginning of the financial year	1,107,214	643,839	461,549	1,825
Comprehensive result	40,665	18,070	22,595	0
Transfer to reserves	0	(44)	0	44
Transfer from reserves	0	0	0	0
Balance at end of the financial year	1,147,878	661,865	484,144	1,869
2018				
Balance at beginning of the financial year	1,147,878	661,864	484,144	1,869
Comprehensive result	35,305	11,877	23,428	0
Transfer to reserves	0	(45)	0	45
Transfer from reserves	0	120	0	(120)
Balance at end of the financial year	1,183,183	673,816	507,572	1,794

2014/2015 Budget Appendices

Budgeted Statement of Cash Flows

For the four years ending 30 June 2018

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2013/14		2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	63,626	69,078	73,082	76,141	80,617
Grants - operating	19,879	23,403	24,027	24,292	24,960
Grants - capital	9,855	13,677	6,296	15,516	8,478
User fees and fines	15,323	14,679	15,217	15,536	16,120
Interest	1,596	1,294	1,302	1,291	1,300
Developer Contributions	46	41	42	44	45
Other Receipts	2,784	3,688	2,728	2,465	2,558
Employee costs	(56,310)	(50,473)	(52,615)	(54,630)	(56,713)
Materials and services	(33,146)	(31,318)	(30,721)	(31,606)	(32,511)
Other Payments	(11,436)	(10,806)	(9,362)	(8,174)	(7,918)
Net cash from operating activities	12,217	33,263	29,996	40,875	36,936
Cash flows from investing activities					
Proceeds from property, plant and equipment	629	1,635	600	600	600
Proceeds from sale of investments	19,500	0	0	0	0
Payments for property, plant and equipment	(29,955)	(43,230)	(29,336)	(42,181)	(34,672)
Net cash used in investing activities	(9,826)	(41,595)	(28,736)	(41,581)	(34,072)
Cash flows from financing activities					
Finance costs	(1,183)	(1,129)	(1,201)	(1,299)	(1,445)
Proceeds from borrowings	8,970	3,350	4,000	5,000	3,000
Repayment of borrowings	(3,705)	(3,341)	(3,394)	(3,255)	(3,654)
Net cash provided by (used in) financing activities	4,082	(1,120)	(595)	446	(2,099)
Net increase/(decrease) in cash & cash equivalents	6,473	(9,452)	665	(260)	765
Cash & cash equivalents at beginning of year	27,663	34,136	24,685	25,350	25,090
Cash & cash equivalents at end of year	34,136	24,685	25,350	25,090	25,855

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Budgeted Statement of Capital Works

For the four years ending 30 June 2018

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2013/14	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Property					
Land, Buildings & Improvements	6,537	13,554	10,975	17,260	12,211
Total property	6,537	13,554	10,975	17,260	12,211
Plant and Equipment					
Plant & Equipment	2,397	2,065	2,030	2,030	2,030
Furniture & Equipment	1,020	642	510	510	1,043
Artworks	15	15	15	15	15
Total Plant and Equipment	3,432	2,722	2,555	2,555	3,088
Infrastructure					
Roads	15,050	19,942	10,912	10,916	10,900
Footpaths & Cycleways	1,927	1,494	1,450	1,350	1,300
Bridges & Culverts	725	500	850	1,050	1,800
Off Street Carparks	1,040	510	315	150	150
Drainage	322	1,455	643	7,261	3,580
Playgrounds	755	252	136	140	144
Landfill Cell Construction	167	2,800	1,500	1,500	1,500
Total Infrastructure	19,986	26,954	15,806	22,367	19,374
Total capital works expenditure	29,955	43,230	29,336	42,182	34,673
Represented by:					
New asset expenditure	6,453	13,339	11,265	24,706	13,865
Asset renewal expenditure	21,268	22,023	16,139	16,411	19,658
Asset expansion expenditure	0	3,328	450	550	150
Asset upgrade expenditure	2,233	4,540	1,482	516	1,000
Total capital works expenditure	29,955	43,230	29,336	42,182	34,673

2014/2015 Budget Appendices

Budgeted Statement of Human Resources

For the four years ending 30 June 2018

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2013/14	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Staff expenditure					
Employee costs - operating	49,929	51,216	53,072	55,168	57,343
Employee costs - capital	49	46			
Total staff expenditure	49,978	51,262	53,072	55,168	57,343
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	593.4	588.8	587.7	587.7	587.7
Total staff numbers	593.4	588.8	587.7	587.7	587.7



2014/2015 Budget Appendices

Appendix B

Rates and charges

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

2014/2015 Budget Appendices

1. Rates and charges

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

Type or class of land	2013/14 cents/\$CIV	2014/15 cents/\$CIV	Change
General rate for rateable residential properties	0.00442245	0.00458663	3.7%
General rate for rateable farm properties	0.00331684	0.00343997	3.7%
Rate concession for rateable recreational properties	NA	NA	NA

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	2013/14 \$	2014/15 \$	Change
General	40,016,685	41,806,752	4.5%
Farm	2,752,881	2,944,274	7.0%
Recreational*	48,105	50,202	4.4%
Total amount to be raised by general rates	42,817,671	44,801,228	4.6%

*Includes additional rate rebates totalling \$20,800 to be applied to two Recreational properties.

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	2013/14	2014/15	Change
General	35,829	36,105	0.8%
Farm	1,310	1,320	0.8%
Recreational	16	16	0.0%
Total number of assessments	37,155	37,441	0.8%

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	2013/14 \$	2014/15 \$	Change
General	9,048,533,000	9,114,917,000	0.7%
Farm	829,971,000	855,901,000	3.1%
Recreational	30,809,000	30,938,000	0.4%
Total	9,909,313,000	10,001,756,000	0.9%

2014/2015 Budget Appendices

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

Type of Charge	Per Rateable Property 2013/14 \$	Per Rateable Property 2014/15 \$	Change
Municipal	120.00	125.00	4.2%

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

Type of Charge	2013/14 \$	2014/15 \$	Change
Municipal	4,413,960	4,625,375	4.8%

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 2013/14 \$	Per Rateable Property 2014/15 \$	Change
Garbage collection	285.00	295.00	3.5%
Landfill levy	17.60	19.00	8.0%

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	2013/14 \$	2014/15 \$	Change
Garbage collection	9,488,616	9,912,540	4.5%
Landfill levy	588,453	640,319	8.8%

Where exemptions are granted, waste services will be charged for services utilized as follows:

Type of Charge	Per Rateable Property 2013/14 \$	Per Rateable Property 2014/15 \$	Change
Garbage 120L Bin	192.00	200.00	4.2%
Garbage 240L Bin	285.00	295.00	3.5%
Garbage 240L Bin - Special	220.00	227.00	3.2%
Recycling	49.00	50.00	2.0%
Organics/Green Waste	44.00	45.00	2.3%

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

	2013/14 \$	2014/15 \$	Change
Rates and charges	66,073,978	68,992,585	4.4%
Supplementary rates and charges	456,022	407,415	(10.7%)
Total	66,530,000	69,400,000	4.3%

1.11 The estimated amount to be raised from the Power Generators and Australian Paper is \$9,013,123 compared to the previous year of \$8,765,279.

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

- The making of supplementary valuations;
- The variation of returned levels of value (e.g. valuation appeals);
- Changes of use of land such that rateable land becomes non-rateable land and vice versa; and
- Changes of use of land such that residential land becomes business land and vice versa.

2. Differential rates

2.1 Rates to be levied

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

- A farm rate of .00343997 for all rateable farm properties.

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

Council considers that 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.

2014/2015 Budget Appendices

2.2 Farm Land

Farm land is as defined in Section 2 of the Valuation of Land Act 1960, namely, any rateable land which is not less than 2 hectares in area and which is used primarily for carrying on one or more of the following businesses or industries:

- (i) grazing (including agistment)
- (ii) dairying
- (iii) pig farming
- (iv) poultry farming
- (v) fish farming
- (vi) tree farming
- (vii) bee keeping
- (viii) viticulture
- (ix) horticulture
- (x) fruit growing
- (xi) the growing of crops of any kind, and

that is used by a business:

- (i) that has a significant and substantial commercial purpose or character; and
- (ii) that seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
- (iii) that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way it is operating.

The reasons for the use of this rate are that:

- (i) the types and classes of land to which the rate applies can be easily identified;
- (ii) it is appropriate to have a farm rate so as to fairly rate farm land;
- (iii) the level of the farm rate is appropriate having regard to all relevant matters including the use to which farm land is put and the amount to be raised by Council's Municipal charge;
- (iv) the level of the farm rate is appropriate to ensure that the burden of the payment of general rates is fairly apportioned across all rateable land within the Municipal district;

which objectives the Council considers are consistent with the economical and efficient carrying out of its functions.

2014/2015 Budget Appendices

2.3 Recreational Land

Recreational land is defined in accordance with Section 4 of the Cultural & Recreational Lands Act 1963.

The rate concession for recreational land is set at 50% of the general rate. In addition, there are two recreational assessments which receive an additional rebate. These rebates are applied as a result of significant changes in the CIV valuations resulting from the rezoning of land and changes in valuation methodologies. It was considered that without applying a rebate the levied amounts would fail to take into consideration the requirement under the Cultural and Recreational Lands Act 1963 of the need for having regard to the services provided by Council in relation to such lands, and the benefit to the community derived from such recreational lands.

2.4 General Rate

The General Rate is applied to any rateable land that is not defined as farm land or recreational land.

The reasons for the use of that rate are that:-

- (i) the types and classes of land to which the rate applies can be easily identified;
- (ii) it is appropriate to have a general rate so as to fairly rate lands other than recreational and farm lands;
- (iii) the level of this rate is appropriate having regard to all relevant matters including the use to which farm land is put and the amount to be raised by Council's Municipal charge;
- (v) the level of the farm rate is appropriate to ensure that the burden of the payment of general rates is fairly apportioned across all rateable land within the Municipal district.

which objectives the Council considers are consistent with the economical and efficient carrying out of its functions.

2014/2015 Budget Appendices

Appendix C

Capital works program

This appendix presents a listing of the capital works projects that will be undertaken for the 2014/15 year.

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

- New works for 2014/15
- Works carried forward from the

The capital works detailed report also includes a list of works that, although not classified as assets for accounting purposes, will be undertaken in conjunction with the capital works program. The funding for these works and associated expenditure forms part of the operating budget.

2014/2015 Budget Appendices

Capital works program

For the year ending 30 June 2015

1. New works

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council Cash \$'000 Borrow's \$'000	
PROPERTY					
<u>Land, Buildings & Improvements</u>					
New Works					
Moe Rail Precinct Revitalisation Project	7,850	7,000			850
TEDAS Pavilion	230	10		220	
Renewal					
Boiler Replacement Traralgon Performing Arts Centre	35			35	
Latrobe Leisure Maintenance and Upgrades	650			650	
Upgrade					
Moe Tennis Courts Reconstruction project	276	36		240	
Agnes Brereton Reserve pavilion	400	50		350	
Expansion					
Traralgon Court House Upgrades	270	180		90	
Latrobe Regional Airport upgrade works stage 2 (Growing Aerospace Manufacturing)	1,300	1,300			
Harold Preston Reserve - Traralgon Olympians Change Pavilion	450	50	20	380	
Total Land, Buildings & Improvements	11,461	8,626	20	1,965	850
TOTAL PROPERTY	11,461	8,626	20	1,965	850
PLANT & EQUIPMENT					
<u>Plant & Equipment</u>					
Renewal					
Plant & Equipment Replacement Program	685			685	
Fleet Replacement Program	1,380			1,380	
Total Plant & Equipment	2,065	0	0	2,065	0
<u>Furniture & Equipment</u>					
Renewal					
Latrobe Leisure Equipment Replacement	50			50	
Performing Arts Lighting & Sound Stage	25			25	
Equipment Replacement Program					
IT Equipment Replacement Program	463			463	
Office Furniture & Equipment Replacement	20			20	
Total Furniture & Equipment	558	0	0	558	0
Artworks					
New Works					
Artworks acquisitions - Morwell LRG	15			15	
Total Artworks	15	0	0	15	0
TOTAL PLANT & EQUIPMENT	2,638	0	0	2,638	0

2014/2015 Budget Appendices

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council Cash \$'000	Borrow's \$'000
INFRASTRUCTURE					
<u>Bridges</u>					
Renewal					
Bridge and Major Culvert works	500			500	
Total Bridges	500	0	0	500	0
<u>Footpaths & Cycleways</u>					
Renewal					
Footpath replacement program	750			750	
Upgrade					
Bicycle Plan - Final stage of Tramway road works	100			100	
Expansion					
Churchill east west link shared path construction design contribution	290	250		40	
New footpaths to link existing footpath networks	250			250	
Total Footpaths & Cycleways	1,390	250	0	1,140	0
<u>Off Street Carparks</u>					
Upgrade					
Recreation Reserves Roads & Off Street Car Park Resealing Program - Cumberland Park Preschool Carpark, Traralgon	140			140	
Expansion					
Recreation Reserves Roads & Off Street Car Park Resealing Program - Star Hotel & Hazelwood Pondage	100			100	
Total Off Street Carparks	240	0	0	240	0
<u>Roads</u>					
Renewal					
Gravel Road Resheet Program	1,000			1,000	
Road Rehabilitation Program	4,500	1,175		3,325	
Local Road Reseal program	4,500			4,500	
Heavy Industrial Park road infrastructure construction	5,000	2,500			2,500
Upgrade					
Difficult to maintain pavements program	150			150	
Rural Gravel Road Sealing Program	250			250	
Crinigan Road, Morwell	150			150	
Total Roads	15,550	3,675	0	9,375	2,500

2014/2015 Budget Appendices

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council Cash \$'000	Borrow's \$'000
Drainage					
New Works					
2014/15 Drainage Design Works	105			105	
Erin Park Estate, Traralgon open earth drain	200			200	
Josie Place, Morwell open earth drain	16			16	
Morwell Park Oval - Drainage	130	50		80	
Upgrade					
Moe northwest precinct drainage Stage 2	200			200	
Drainage augmentation along the Tyers Road plantation	30			30	
Drainage augmentation vicinity Oak/Poplar Aves, Traralgon - Minor earthworks	10			10	
Total Off Roads	691	50	0	641	0
Landfill					
New Works					
Landfill Cell 4 Construction	2,800			2,800	
Total Landfill	2,800	0	0	2,800	0
Playgrounds					
Renewal					
Playground Improvement Implementation Plan	252	120		132	
Total Playgrounds	252	120	0	132	0
TOTAL INFRASTRUCTURE	21,423	4,095	0	14,828	2,500
TOTAL NEW CAPITAL WORKS FOR 2014/15	35,522	12,721	20	19,431	3,350
REPRESENTED BY:					
Asset renewal expenditure	19,810	3,795	0	13,515	2,500
New asset expenditure	11,346	7,060	0	3,436	850
Asset upgrade expenditure	1,706	86	0	1,620	0
Asset expansion expenditure	2,660	1,780	20	860	0

2014/2015 Budget Appendices

2. Works carried forward from the 2013/14 year

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council	
				Cash \$'000	Borrow's \$'000

PROPERTY

Land, Buildings & Improvements

New Works

Taxi Rank at Churchill Town Centre	25			25	
Moe Rail Precinct Revitalisation Project	895			895	

Upgrade

Hazelwood Pondage Caravan Park Wastewater Upgrade Project	1,138	1,000		138	
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Expansion

Gaskin Park Churchill - Design	35			35	
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Total Land, Buildings & Improvements	2,093	1,000	0	1,093	0
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TOTAL PROPERTY	2,093	1,000	0	1,093	0
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PLANT & EQUIPMENT

Furniture & Equipment

Renewal

Performing Arts Lighting & Sound Stage Equipment Replacement Program	22			22	
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Latrobe Leisure Maintenance and Upgrade Program	62			62	
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Total Furniture & Equipment	84	0	0	84	0
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TOTAL PLANT & EQUIPMENT	84	0	0	84	0
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INFRASTRUCTURE

Footpaths & Cycleways

New Works

Bicycle Plan Projects: Tramway Road, Churchill	104			104	
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Total Footpaths & Cycleways	104	0	0	104	0
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Off Street Carparks

Renewal

Clifton Street Precinct Moe - Stage 4	88			88	
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Upgrade

Newman Park, Traralgon - Access track & Carpark	182			182	
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Total Off Street Carparks	270	0	0	270	0
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2014/2015 Budget Appendices

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council Cash \$'000 Borrow's \$'000	
Roads					
New Works					
Churchill ACP Pedestrian Plaza/Access Rd	846			846	
Moe Roundabout	122			122	
Renewal					
Road Rehabilitation Program	2,041			2,041	
Upgrade					
Timber Haulage Prog: Safety Improvement	500			500	
Jumbuk Rd from Junction Rd to Jumbuk Hall	633			633	
Crinigan Road, Morwell - Drainage	250			250	
Total Roads	4,392	0	0	4,392	0
Drainage					
Upgrade					
Moe North West - Drainage	574			574	
Montane Estate, Newborough - Drainage	50			50	
Milburn Court Drainage	140			140	
Total Off Roads	764	0	0	764	0
TOTAL INFRASTRUCTURE	5,530	0	0	5,530	0
TOTAL CARRIED FWD WORKS 2013/14	7,708	1,000	0	6,708	0

REPRESENTED BY:

Asset renewal expenditure	2,214	0	0	2,214	0
New asset expenditure	1,993	0	0	1,993	0
Asset upgrade expenditure	3,467	1,000	0	2,467	0
Asset expansion expenditure	35	0	0	35	0

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council Cash \$'000 Borrow's \$'000	
Asset renewal expenditure	22,023	3,795	0	15,728	2,500
New asset expenditure	13,339	7,060	0	5,429	850
Asset upgrade expenditure	5,173	1,086	0	4,087	0
Asset expansion expenditure	2,695	1,780	20	895	0
TOTAL CAPITAL WORKS	43,230	13,721	20	26,139	3,350

2014/2015 Budget Appendices

4. CAPITAL WORKS (OPERATING)

(These projects are of a capital nature but do not meet the definition of capital expenditure due to them either not being on Council owned/or controlled assets or not relating to an asset class recognised by Council. Expenditure on these projects appears in the Budgeted Standard Income Statement).

Capital Works Area	Project Cost \$'000	Summary of funding sources			
		Grants \$'000	Contrib's \$'000	Council Cash \$'000	Borrow's \$'000
4.1 NEW WORKS FOR 2014/15					
Recreation					
Unserviceable Street Furniture Replacement Program	40			40	
Removal of old Morwell Skate Park	25			25	
Gippsland Plains Rail Trail - Glengarry to Traralgon Project	52			52	
Moe Netball Lighting project	160	50		110	
Churchill Bowling Club Synthetic Green	400	100		300	
Reconstruction of Moe Netball Courts - Design 2014/15	20			20	
Total Recreation	697	150	0	547	0
Other Land, Buildings & Improvements					
Small Town Works Program	70			70	
Lighting Latrobe year 2 & 3 of 3 year program	1,941	1,015		927	
Gippsland Heritage Walk	260	120	80	60	
Dunbar Road rehabilitation works	400			400	
Mapleson Drive retaining wall	200			200	
Total Other Land, Buildings & Improvements	2,871	1,135	80	1,657	0
Landfill					
Rehabilitation of Latrobe City landfill sites including Moe, Morwell, Traralgon, Yallourn	1,500			1,500	
Total Landfill	1,500	0	0	1,500	0
Other					
Community Minor Capital Grant Program	360			360	
Public Lighting Replacement Program	45			45	
Total Other	405	0	0	405	0
TOTAL 2014/15 NEW CAPITAL WORKS (OPERATING)	5,473	1,285	80	4,109	0

2014/2015 Budget Appendices

Capital Works Area	Project	Summary of funding sources			
	Cost \$'000	Grants \$'000	Contrib's \$'000	Council Cash \$'000	Borrow's \$'000
4.2 WORKS CARRIED FORWARD FROM 2013/14					
Recreation					
Traralgon City Soccer - Lighting project	90			90	
Total Recreation	90	0	0	90	0
Other Land, Buildings & Improvements					
Small Town Structure	23			23	
Lighting Latrobe year 1 of 3 year program	474			474	
Total Other Land, Buildings & Improvements	498	0	0	498	0
TOTAL WORKS CARRIED FORWARD FROM 2013/14	587	0	0	587	0
TOTAL CAPITAL WORKS (OPERATIONAL)	6,061	1,285	80	4,696	0
TOTAL 2014/15 CAPITAL WORKS PROGRAM	49,290	15,006	100	30,835	3,350



2014/2015 Budget Appendices

Appendix D

Fees and charges schedule

The Fees and Charges adopted as part of the 2014/15 budget process are set out in the attached document, entitled "Latrobe City Fees and Charges 2014/15".

LATROBE CITY COUNCIL

STRATEGIC RESOURCE PLAN

2014 - 2018

The Strategic Resource Plan identifies the resources that will be required by Latrobe City Council over the next four years for the implementation of the Council Plan 2013-2017.

Comprehensive Income Statement

For the four years ending 30 June 2018

	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000
Income				
Rates and charges	69,400	72,949	76,676	80,592
Grants - Operating (recurrent)	22,158	22,601	23,053	23,514
Grants - Operating (non-recurrent)	2,598	1,653	1,367	1,394
Grants - Capital (recurrent)	1,175	1,175	1,175	1,175
Grants - Capital (non-recurrent)	12,566	5,110	14,450	7,300
Interest	1,300	1,300	1,300	1,300
User fees and charges	14,747	15,190	15,645	16,115
Other Income	2,415	2,405	2,477	2,551
Developer contributions	41	42	44	45
Developer contributed assets	2,000	2,000	2,000	2,000
Total income	128,400	124,425	138,187	135,986
Expenses				
Employee costs	51,262	53,072	55,168	57,343
Materials and services	35,659	33,644	33,239	33,790
Bad and doubtful debts	16	17	17	18
Finance costs	1,129	1,201	1,299	1,445
Other Expenditure	5,154	4,938	5,086	5,238
Depreciation and amortisation	23,300	24,361	25,308	26,275
Total expenses	116,520	117,233	120,117	124,109
Surplus (deficit) for the year	11,880	7,192	18,070	11,877
Other comprehensive income				
Net Asset Revaluation movement	21,153	22,013	22,595	23,428
Total comprehensive result	33,033	29,205	40,665	35,305

The Standard Income Statement shows what is expected to happen over the next four years in terms of revenues, expenses and other gains/losses.

The 'bottom line' shows the movement in Council's financial position during the next four years which is reflected in the movement in net assets/total equity in the Standard Balance Sheet.

Key Assumptions

- Wage rate rise agreements of 4.00% p.a. included in the current Enterprise Bargaining Agreement which is due to be renewed during 2014/15 with a 3.00% increase assumed from 2015/16 onwards inline with CPI forecasts.
- General rates & charges income is projected to increase by 3.9% (excluding growth) in 2014/15. This includes a 3.32% increase (excluding growth) on revenue generated from general rates, municipal charge and rating agreements and a \$10 or 0.5% increase in the garbage charge plus a .07% increase in the State Government Landfill Levy on municipal waste. Overall projected increases in the following three years (excluding growth) of 4.5% per annum will enable Council to achieve waste full cost recovery in accordance with the Waste Management Strategy 2010 -17 and places Council in a sound financial position for the long term.
- User charges, fees & fines will increase by 3.0 percent annually in accordance with CPI.
- Recurrent operating grants and contributions are increased by 2.0 percent annually (CPI less 1%) except where actual funding is already known.
- Materials and consumables will increase by 3.0 percent annually excluding utilities which has an assumed increase of 5.0 percent per annum.
- Finance costs vary according to Council's loan repayment schedules and for new borrowings, an interest rate of 8.0 percent is assumed.
- Projected increases in net surplus from operations will primarily be used to meet the requirements in capital renewal to address the projected infrastructure gap.

Balance Sheet

For the four years ending 30 June 2018

	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	24,685	25,350	25,090	25,855
Trade and other receivables	9,667	9,426	10,361	10,301
Prepayments	365	376	387	398
Total current assets	34,717	35,152	35,838	36,554
Non-current assets				
Trade and other receivables	0	0	0	0
Property, infrastructure, plant and equipment	1,099,114	1,127,501	1,168,370	1,201,595
Other financial assets	2	2	2	2
Total non-current assets	1,099,116	1,127,503	1,168,372	1,201,597
Total assets	1,133,833	1,162,655	1,204,210	1,238,151
Current liabilities				
Trade and other payables	7,693	7,701	7,820	8,070
Interest bearing liabilities	3,395	3,255	3,654	3,464
Employee Benefits	11,470	11,871	12,289	12,717
Provisions	1,500	1,500	1,500	1,500
Trust funds and deposits	1,613	1,661	1,711	1,763
Total current liabilities	25,671	25,988	26,974	27,514
Non-current liabilities				
Interest bearing liabilities	16,264	17,009	18,355	17,891
Employee Benefits	1,607	1,663	1,722	1,782
Provisions	12,281	10,781	9,281	7,781
Total non-current liabilities	30,152	29,453	29,358	27,454
Total liabilities	55,823	55,441	56,332	54,968
Net assets	1,078,010	1,107,214	1,147,878	1,183,183
Equity				
Accumulated surplus	636,571	643,839	661,864	673,814
Asset revaluation reserve	439,536	461,549	484,144	507,575
Other Reserves	1,903	1,825	1,869	1,794
Total equity	1,078,010	1,107,214	1,147,878	1,183,183

The Standard Balance Sheet provides a snapshot of the Council's expected financial position at the end of each of the next four years. The 'bottom line' of this statement is net assets/total equity which is the net worth of Council.

The change in net assets/total equity is the result of the total comprehensive result shown in the Standard Income Statement.

Statement of Changes in Equity

For the four years ending 30 June 2018

	Total \$'000	Accumulate d Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2015				
Balance at beginning of the financial year	1,044,977	624,732	418,383	1,862
Comprehensive result	33,033	11,880	21,153	0
Transfer to reserves	0	(41)	0	41
Transfer from reserves	0	0	0	0
Balance at end of the financial year	1,078,010	636,571	439,536	1,903
2016				
Balance at beginning of the financial year	1,078,010	636,571	439,536	1,903
Comprehensive result	29,205	7,192	22,013	0
Transfer to reserves	0	(42)	0	42
Transfer from reserves	0	120	0	(120)
Balance at end of the financial year	1,107,214	643,841	461,549	1,825
2017				
Balance at beginning of the financial year	1,107,214	643,839	461,549	1,825
Comprehensive result	40,665	18,070	22,595	0
Transfer to reserves	0	(44)	0	44
Transfer from reserves	0	0	0	0
Balance at end of the financial year	1,147,878	661,865	484,144	1,869
2018				
Balance at beginning of the financial year	1,147,878	661,864	484,144	1,869
Comprehensive result	35,305	11,877	23,428	0
Transfer to reserves	0	(45)	0	45
Transfer from reserves	0	120	0	(120)
Balance at end of the financial year	1,183,183	673,816	507,572	1,794

Statement of Cash Flows

For the four years ending 30 June 2018

	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities				
Rates and charges	69,078	73,082	76,141	80,617
Grants - operating	23,403	24,027	24,292	24,960
Grants - capital	13,677	6,296	15,516	8,478
User fees and fines	14,679	15,217	15,536	16,120
Interest	1,294	1,302	1,291	1,300
Developer Contributions	41	42	44	45
Other Receipts	3,688	2,728	2,465	2,558
Employee costs	(50,473)	(52,615)	(54,630)	(56,713)
Materials and services	(31,318)	(30,721)	(31,606)	(32,511)
Other Payments	(10,806)	(9,362)	(8,174)	(7,918)
Net cash from operating activities	33,263	29,996	40,875	36,936
Cash flows from investing activities				
Proceeds from property, plant and equipment	1,635	600	600	600
Proceeds from sale of investments	0	0	0	0
Payments for property, plant and equipment	(43,230)	(29,336)	(42,181)	(34,672)
Net cash used in investing activities	(41,595)	(28,736)	(41,581)	(34,072)
Cash flows from financing activities				
Finance costs	(1,129)	(1,201)	(1,299)	(1,445)
Proceeds from borrowings	3,350	4,000	5,000	3,000
Repayment of borrowings	(3,341)	(3,394)	(3,255)	(3,654)
Net cash provided by (used in) financing activities	(1,120)	(595)	446	(2,099)
Net increase/(decrease) in cash & cash equivalents	(9,452)	665	(260)	765
Cash & cash equivalents at beginning of year	34,136	24,685	25,350	25,090
Cash & cash equivalents at end of year	24,685	25,350	25,090	25,855

The Standard Cash Flow Statement shows the expected movement in cash over the next four years.

- The net cash flows from operating activities shows the expected cash available after providing services to the community. Surplus funds have been allocated to fund ongoing capital requirements.
- The decrease in the 'cash held' forecast in 2014/15 is principally a result of grant funding received in one financial year to be spent in the following year, together with capital projects commenced in one year and completed the next.

Statement of Capital Works

For the four years ending 30 June 2018

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000
Property				
Land, Buildings & Improvements	13,554	10,975	17,260	12,211
Total property	<u>13,554</u>	<u>10,975</u>	<u>17,260</u>	<u>12,211</u>
Plant and Equipment				
Plant & Equipment	2,065	2,030	2,030	2,030
Furniture & Equipment	642	510	510	1,043
Artworks	15	15	15	15
Total Plant and Equipment	<u>2,722</u>	<u>2,555</u>	<u>2,555</u>	<u>3,088</u>
Infrastructure				
Roads	19,942	10,912	10,916	10,900
Footpaths & Cycleways	1,494	1,450	1,350	1,300
Bridges & Culverts	500	850	1,050	1,800
Off Street Carparks	510	315	150	150
Drainage	1,455	643	7,261	3,580
Playgrounds	252	136	140	144
Landfill Cell Construction	2,800	1,500	1,500	1,500
Total Infrastructure	<u>26,954</u>	<u>15,806</u>	<u>22,367</u>	<u>19,374</u>
Total capital works expenditure	<u>43,230</u>	<u>29,336</u>	<u>42,182</u>	<u>34,673</u>
Represented by:				
New asset expenditure	13,339	11,265	24,706	13,865
Asset renewal expenditure	22,023	16,139	16,411	19,658
Asset expansion expenditure	3,328	450	550	150
Asset upgrade expenditure	4,540	1,482	516	1,000
Total capital works expenditure	<u>43,230</u>	<u>29,336</u>	<u>42,182</u>	<u>34,673</u>

Statement of Human Resources

For the four years ending 30 June 2018

	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000
Staff expenditure				
Employee costs - operating	51,216	53,072	55,168	57,343
Employee costs - capital	46			
Total staff expenditure	<u>51,262</u>	<u>53,072</u>	<u>55,168</u>	<u>57,343</u>
	FTE	FTE	FTE	FTE
Staff numbers				
Employees	588.8	587.7	587.7	587.7
Total staff numbers	<u>588.8</u>	<u>587.7</u>	<u>587.7</u>	<u>587.7</u>

Other Information

Summary of planned human resources expenditure

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000
Planning and Development				
- Permanent full time	4,993	5,190	5,395	5,608
- Permanent part time	579	601	625	650
Total Planning and Development	5,571	5,791	6,020	6,258
City Infrastructure				
- Permanent full time	11,704	12,166	12,646	13,146
- Permanent part time	1,978	2,056	2,137	2,222
Total City Infrastructure	13,681	14,222	14,784	15,368
Governance and Organisational Development				
- Permanent full time	5,034	5,233	5,439	5,654
- Permanent part time	651	676	703	731
Total Governance and Organisational Development	5,684	5,909	6,142	6,385
Community Liveability				
- Permanent full time	8,437	8,770	9,116	9,476
- Permanent part time	12,201	12,683	13,184	13,705
Total Community Liveability	20,637	21,453	22,300	23,181
Office of the CEO				
- Permanent full time	1,688	1,755	1,824	1,897
- Permanent part time	346	360	374	389
Total Office of the CEO	2,035	2,115	2,199	2,286
Total casuals and other	3,653	3,582	3,723	3,866
Total staff expenditure	51,262	53,072	55,168	57,343
	FTE	FTE	FTE	FTE
Planning and Development				
- Permanent full time	47.0	47.0	47.0	47.0
- Permanent part time	6.8	6.8	6.8	6.8
Total Planning and Development	53.8	53.8	53.8	53.8
City Infrastructure				
- Permanent full time	134.0	134.0	134.0	134.0
- Permanent part time	29.1	29.1	29.1	29.1
Total City Infrastructure	163.1	163.1	163.1	163.1
Governance and Organisational Development				
- Permanent full time	47.0	47.0	47.0	47.0
- Permanent part time	8.5	8.5	8.5	8.5
Total Governance and Organisational Development	55.5	55.5	55.5	55.5
Community Liveability				
- Permanent full time	83.0	83.0	83.0	83.0
- Permanent part time	173.0	173.0	173.0	173.0
Total Community Liveability	256.0	256.0	256.0	256.0
Office of the CEO				
- Permanent full time	13.0	13.0	13.0	13.0
- Permanent part time	3.5	3.5	3.5	3.5
Total Office of the CEO	16.5	16.5	16.5	16.5
Total casuals and other	43.8	42.8	42.8	42.8
Total staff numbers	588.7	587.7	587.7	587.7

Financial Performance Indicators

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

Indicator	Measure	Budget 2014/15	Strategic Resource Plan Projections			Trend +/-
			2015/16	2016/17	2017/18	
Operating Position						
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	(2.4%)	0.0%	1.3%	2.0%	+
Liquidity						
Working Capital	Current assets / current liabilities	135.2%	135.3%	132.9%	132.9%	-
Unrestricted Cash	Unrestricted cash / current liabilities	82.5%	84.1%	79.7%	81.0%	-
Obligations						
Loans & Borrowings	Interest bearing loans and borrowings / rate revenue	28.3%	27.8%	28.7%	26.5%	+
Loans & Borrowings	Interest and principal repayments / rate revenue	6.4%	6.3%	5.9%	6.3%	o
Indebtedness	Non-current liabilities / own source revenue	34.3%	32.1%	30.6%	27.3%	+
Asset renewal	Asset renewal expenditure / depreciation	94.5%	66.3%	64.8%	74.8%	-
Stability						
Rates concentration	Rate revenue / adjusted underlying revenue	61.0%	62.2%	63.0%	63.6%	-
Rates effort	Rate revenue / property values (CIV)	0.7%	0.7%	0.7%	0.7%	-
Efficiency						
Expenditure level	Total expenditure / no. of assessments	\$3,118	\$3,138	\$3,215	\$3,322	+
Revenue level	Residential rate revenue / No. of residential assessments	\$1,484	\$1,551	\$1,620	\$1,693	+
Workforce turnover	No. of resignations & terminations / average no. of staff	11.5%	11.5%	11.5%	11.5%	o

Key to Forecast Trend:

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