



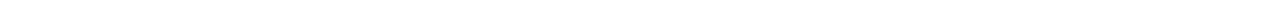
South Gippsland
S h i r e C o u n c i l

Come for the beauty, Stay for the lifestyle

South Gippsland Shire Council Annual Budget – 2006 / 2007

COUNCIL MEETING 7 JUNE 2006

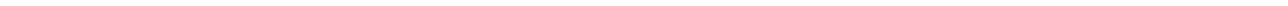
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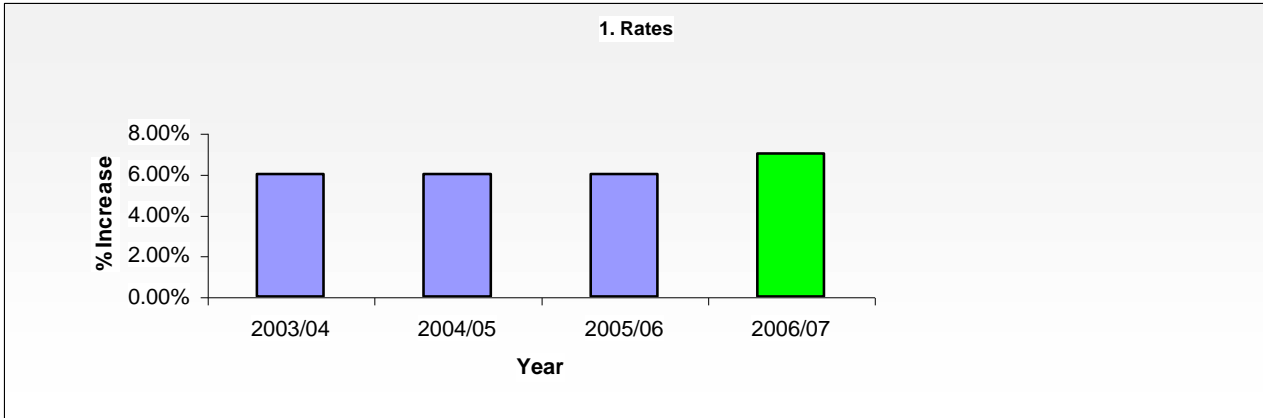




1. EXECUTIVE SUMMARY

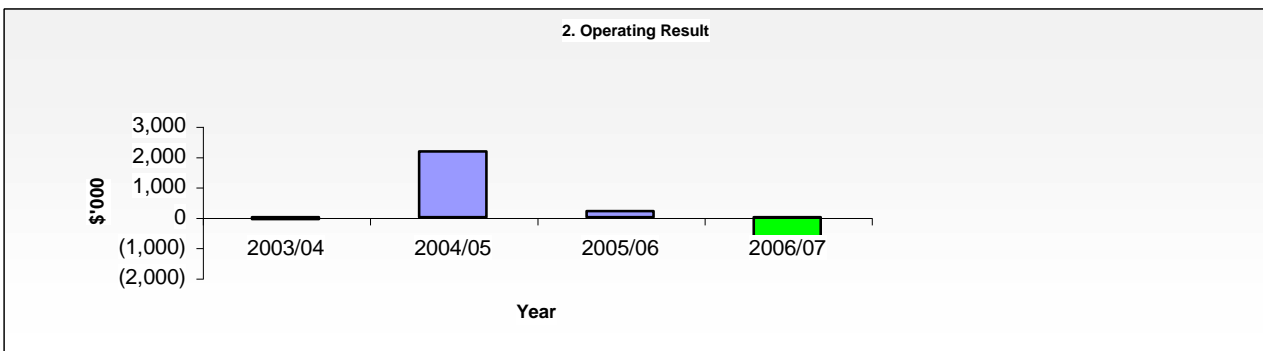
The executive summary provides key information about the rate increase, operating result, cash and investments, capital works, financial position, financial sustainability and key strategic activities of the Council.

1.1 Rates



It is proposed that general rates increase by 7.0% for the 2006/07 year, raising total rates of \$21.72 million, including \$0.12 million generated from supplementary rates. This rate increase is in line with Council’s rating strategy and long-term financial plan. The rate increase will go toward strengthening Council’s overall financial position. The objective being, to reduce long term debt and then to provide additional funding for capital works renewal programs. The rate increase for the 2005/2006 year was 6.0%.

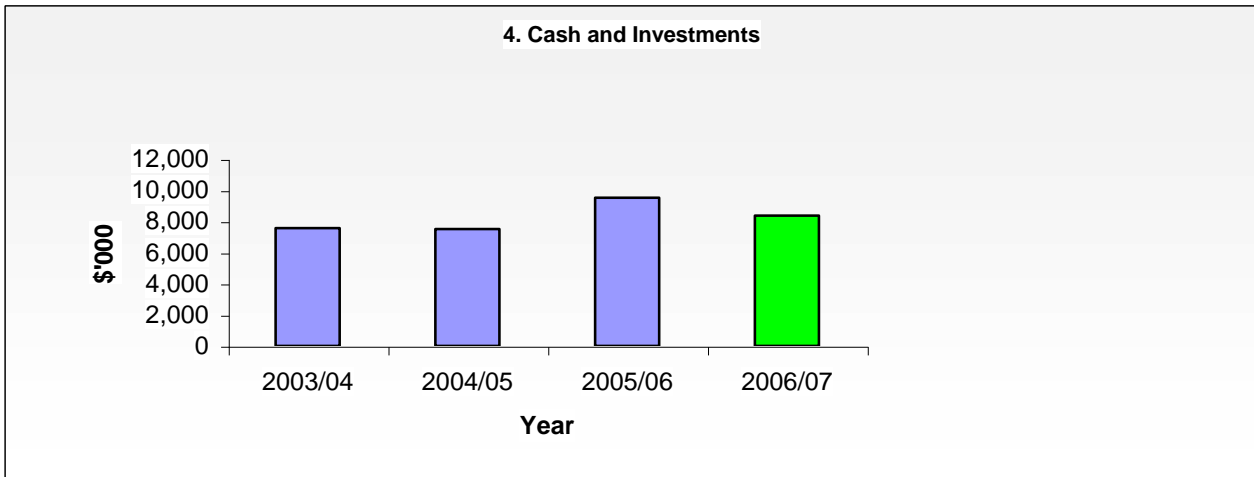
1.2 Operating result



The expected operating result for the 2006/07 year is a deficit of \$0.89 million, which is \$1.09 million unfavourable when compared to 2005/2006. This variance is largely due to the requirement to recognise a ‘one off’ \$1.4 million capital grant in 2005/2006, that in fact will fund capital projects scheduled in the following two financial years. The projected operating result for the 2005/06 year is a surplus of \$0.20 million.

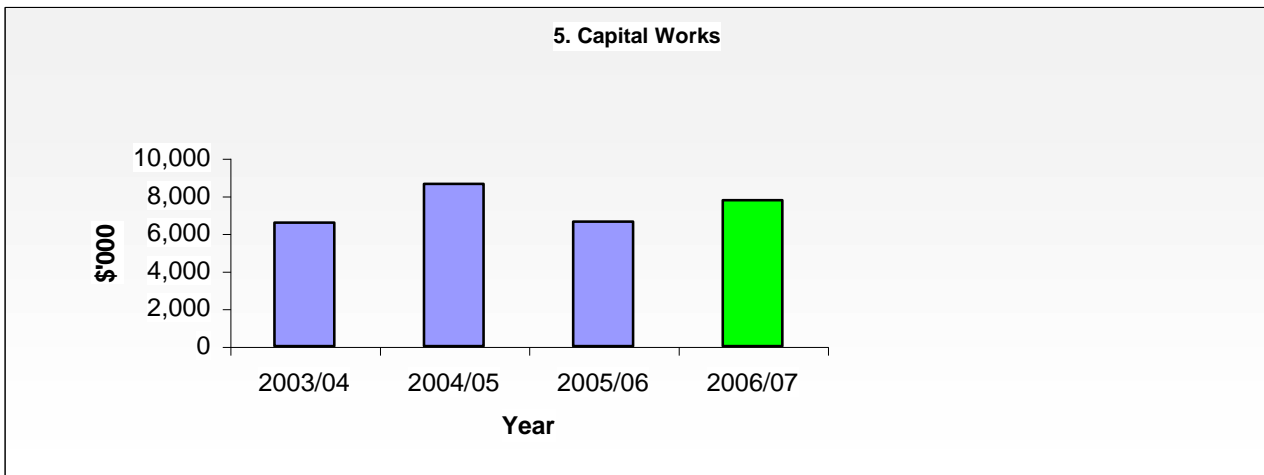


1.3 Cash and investments



Cash and investments are expected to decrease by \$1.26 million during the year to \$5.99 million as at 30 June 2007. This is due mainly to applying a portion of capital grant income that was received in 2005/2006 to projects, as well as the carried forward component of the 2005/2006 capital works program. The level of cash and investments is in line with Council's strategic resource plan. Cash and investments is projected to be \$7.26 million as at 30 June 2006.

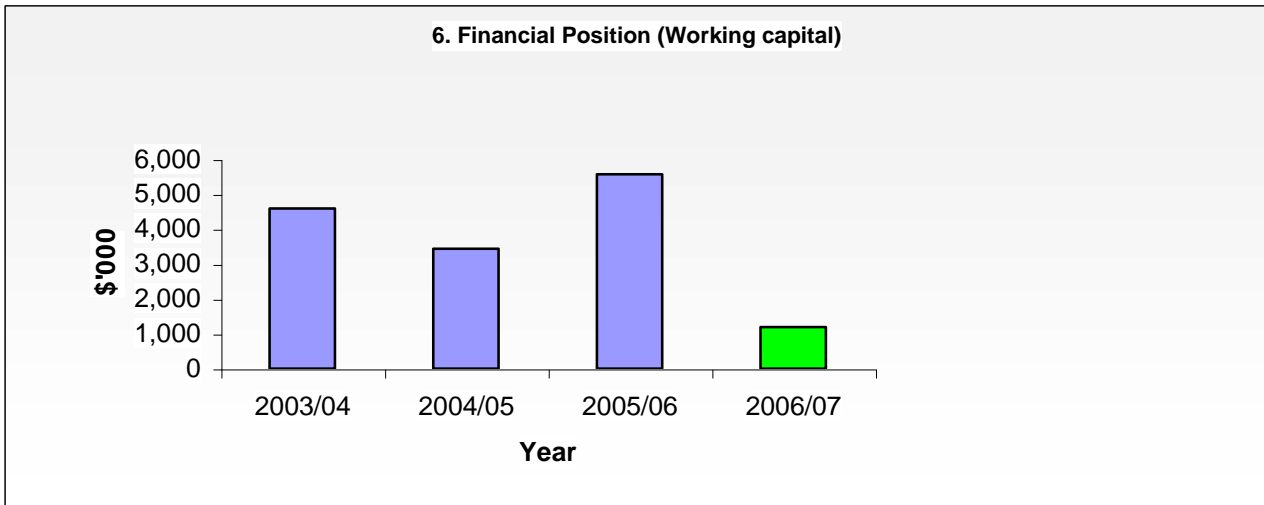
1.4 Capital expenditure



The capital expenditure program for the 2006/2007 year is expected to be \$7.76 million of which \$0.42 million relates to projects which will be carried forward from the 2005/2006 year. The carried forward component is fully funded from the 2005/2006 budget. The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. This year's program and indeed for the following year is relatively flat, whilst the strategic focus is to repay long term debt. Capital works is projected to be \$6.61 million for the 2005/2006 year.

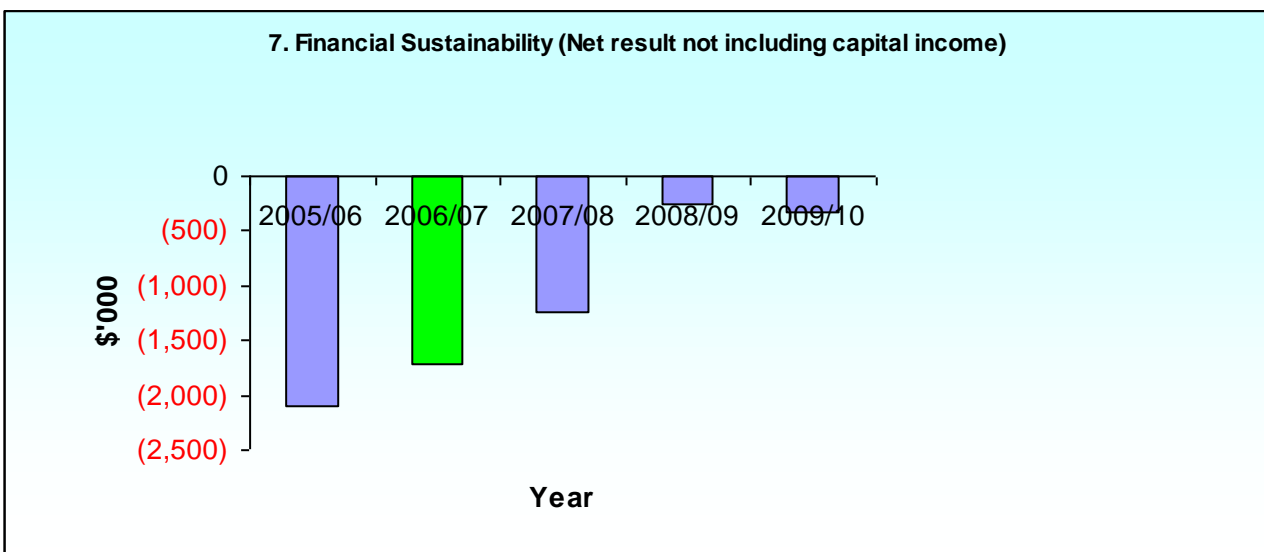


1.5 Financial position



Net current assets (working capital) will reduce by \$4.37 million to 1.19 million as at 30 June 2007. This is mainly due bringing to account as a current liability an interest only loan of \$4.50 million (previously recognised as an non current liability) that requires refinancing. Working capital is projected to be \$5.67 million as at 30 June 2006.

1.6 Financial sustainability



A detailed Long Term Financial Plan for the years 2006/2007 to 2015/2016 has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is achieving financial sustainability in the medium to long term, whilst still achieving the Council’s strategic objectives as specified in the Council Plan. The Plan projects that Council’s underlying operating result (not including capital funding) will reach break-even by the 2010/2011 year. From 2010/2011 onwards, consistent and increasing underlying surpluses are expected to occur each year.



1.7 Key strategic activities

The strategic objectives for a number of ‘environments’ as set out in the Council Plan and the Key Strategic Activities for achieving these objectives for the 2006/2007 financial year are listed below

ENVIRONMENT	STRATEGIC OBJECTIVE	KEY STRATEGIC ACTIVITIES
Social	Facilitate, plan and provide services that increase the viability of our communities	<ul style="list-style-type: none"> Public Health and Wellbeing Strategy adopted and commence implementation Facilitate Council grants submissions
Built	Develop and guide sustainable urban design and infrastructure that will endeavour to meet the long term aspirations and needs of our communities	<ul style="list-style-type: none"> Completing the capital works program Open Space Strategy adopted by Council Urban Design Framework project completed
Economic	Encourage investment, development and services that facilitate a planned and sustained growth for the Shire	<ul style="list-style-type: none"> Economic Development Five Year Plan adopted by Council Industrial land development plan completed
Natural	Protect our coastal and unique environment by promoting and engaging in responsible practices and initiatives	<ul style="list-style-type: none"> Waste Water Management Plan adopted and implementation commenced
Leadership	Provide our community with efficient, responsive, accessible leadership, advocacy and service delivery that facilitates the realisation of Vision 2020	<ul style="list-style-type: none"> Achieving the budgeted operating result Increase in community satisfaction with Council services Contract management review

The Annual Budget includes the activities and initiatives (the outputs) to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The Annual Budget converts these activities and initiatives into financial budgets, to ensure that there are sufficient resources for their achievement.

Appendix E “Key Strategic Activities” identifies the Key Strategic Activities to be undertaken during the 2006/2007 year, including relevant performance targets and measures. These are subject to audit at year-end.

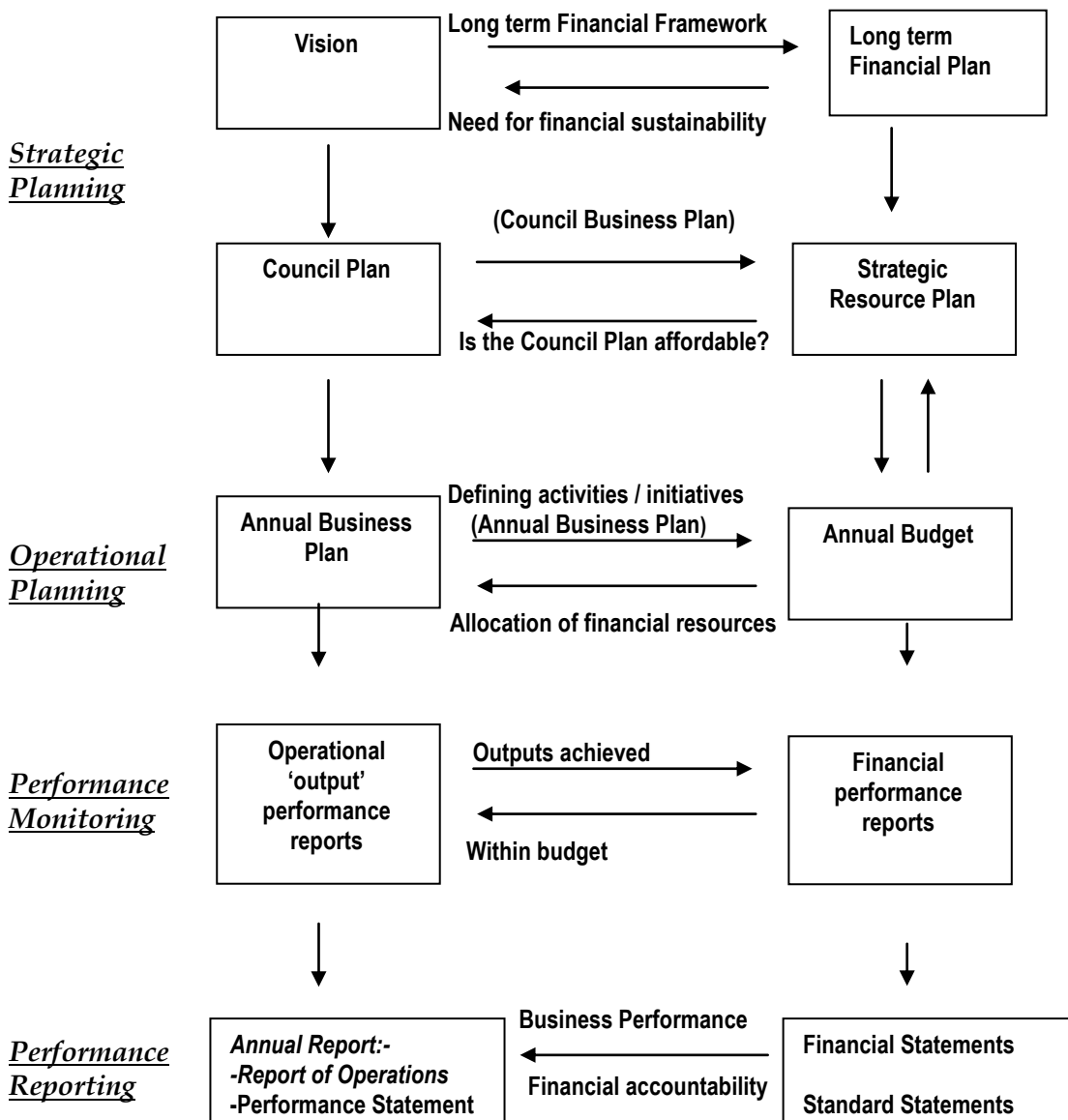


2. BUDGET PREPARATION

2.1 Strategic planning framework

The Annual Budget has been developed within an overall planning framework, which guides the Council in identifying community needs and aspirations over the long term, (Vision 2020), converting these into medium (Council Plan) and short term (Annual Business Plan) objectives, strategies, activities, initiatives and resource requirements and then holding itself accountable (Audited Statements).

The diagram below sets out the strategic planning and reporting framework of Council.



The various plans are structured that you can 'drill down' from the Long Term Financial Plan (that compliments the Vision), through to a SRP, (that compliments the Council Plan), and then finally to the Annual Budget (that compliments the Annual Business Plan).



Council's mission is *to effectively plan and provide for the social, economic, built and natural environments that ensure the future wellbeing of the South Gippsland Communities.*

The Long Term Financial Plan incorporates some very high level objectives / strategies as well as a 10 year long-term financial plan. The plan is the over arching document to the Strategic Resource Plan and the Annual Budget, and sets the future financial direction of the Council.

The Council Plan specifies key strategic objectives and strategies, whereas the Strategic Resource Plan (SRP) is a detailed forward budget that effectively quantifies the resources required over four years to achieve the strategic objectives.

The Annual Business Plan details activities, initiatives and outcomes planned to be undertaken including the budget requirements, as well as the identification of Key Strategic Activities (KSA's). The Annual budget collates the resource requirements.

Throughout the financial year, the focus then shifts to actual business performance and the monitoring of it. The key objective being, to produce the planned outputs and be within budget.

Finally, at year-end, the actual outcomes are reported upon in both the Annual report, Financial Statements and Standard Statements. The Financial Statements and the KSA's are subject to external audit.

The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The Council Plan and Long Term Financial Plan would usually be completed by February each year, to ensure that there is sufficient time for officers to develop their Annual Business Plans (also referred to as 'Team Business Plans') in draft form, prior to the commencement of the Annual Budget process in March.

Prior to the 2003/2004 financial year, Council's long-term financial plan was derived at a very high level from the annual Rate Determination Statement. Rate determination budgets were satisfactory in facilitating the rate setting process but it did not adequately address or focus on financial position management for current or future years when setting budgets.

In 2003/2004 Council changed its budgeting methodology from a rate determination basis to what is commonly referred to as 'Three Way Budgeting Methodology'. This technique produces forecast financial statements based on the assumptions about future movements in key revenues, expenses, assets and liabilities.

As a result, the 'stage one' Long Term Financial Plan developed in 2003/2004 focused on-

- Budget of financial performance (Income statement)
- Budget of cash position (Cash flow statement)
- Budget of financial position (Balance sheet) and
- Budget of capital works (Capex program)

Throughout the 2003/2004 financial year, the Long Term Financial plan was further refined, including the incorporation of specific capital works projects into the 10-year plan.



The 2004/2005 and the 2005/2006 budget was very much developed within the framework of the 10 year forward financial plan.

Targets established during the long term financial planning process and the adherence to the key financial strategies, guided the preparation of this 2006/2007 Annual Budget.

2.2 Legislative requirements

Under the Local Government Act 1989 (“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 Local Government (Finance and Reporting) Regulations 2004 (“the Regulations”) which support the Act.

The 2006/07 budget, which is included in this report, is for the year 1 July 2006 to 30 June 2007 and is prepared in accordance with the Act and Regulations. The budget includes standard statements being a budgeted Income Statement, Balance Sheet, Cash Flows and Capital Works. These statements have been prepared for the year ended 30 June 2007 in accordance with the International Financial Reporting Standards (IFRS), and other mandatory professional reporting requirements and in accordance with the Act and Regulations. It also includes detailed information about the rates and charges to be levied, the capital works program to be undertaken and other financial information, which Council requires in order to make an informed decision about the adoption of the budget.

The budget includes consideration of a number of long-term strategies to assist Council in considering the Budget in a proper financial management context. These include a Long Term Financial Strategy (section 10), Rating Strategy (section 11), Borrowing Strategy (section 12) and Infrastructure Strategy (section 13).

2.3 Budget processes

The preparation of the budget begins with Officers preparing the annual budget in accordance with the Act and submitting the “proposed” budget to Council for approval “in principle”. Council is then required to give “public notice” that it intends to “adopt” the budget. It must give 14 days notice of its intention to adopt the proposed budget and make the budget available for inspection at its offices. 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 and a copy submitted to the Minister by 31 August each year. The key dates for the budget process are summarised on following page:



Budget Process	Month
1. Proposed budget submitted to Council for approval	7 June
2. Public notice advising intention to adopt budget	13 June
3. Budget available for public inspection & comment	13 June
4. Submissions period closes & consideration by Panel/Committee	27 June
5. Submissions together with budget referred to Council.	28 June
6. Budget and submissions presented to Council for adoption	28 June
7. Copy of adopted budget submitted to the Minister	3 July



3. BUDGET INFLUENCES

3.1 External influences

In preparing the 2006/2007 budget there were a number of external influences, which were taken into consideration, because they were likely to impact significantly on the services delivered by Council in the ensuing twelve months. These include:

- Wages growth is projected to be 5.1% per annum for 2006/2007 and beyond. (Commonwealth Bank Economic forecast.
- Projected Consumer Price Index (CPI) increases on goods and services of around 3.0% per annum
- Withdrawal of \$0.18 million in National Competition Payments.
- Rising fuel costs
- Prevailing economic conditions which are expected to remain difficult during the budget period, impacting interest rates.

3.2 Internal influences

As well as external influences, there were also internal influences arising from the 2005/2006 year which have had a significant impact on the setting of the 2006/2007 Budget. These included

- Increasing resource requirements for both building and waste water management compliance
- The cash available and significant amount of projects carried forward, both capital (\$0.42 million) and operational expenditure that is tied to grant funds (\$0.36 million).

Section 9. "Impact of Current Year Results on 2006/2007 Budget" provides further analysis of these internal influences.

3.3 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 budgets. The principles included:

- Existing fees and charges to be increased in line with CPI / market levels / cost recovery;
- Grants to be based on confirmed funding levels;
- New revenue sources to be identified where possible;
- Service levels to be maintained at 2005/2006 levels with an aim to use less resources with an emphasis on innovation and efficiency;
- New staff proposals to be justified through a business case;
- Contract labour to be minimised;
- New initiatives or projects which are not cost neutral to be justified through a business case, and lifecycle costing analysis;
- Real savings in expenditure and increases in revenue identified in 2005/2006 to be preserved; and
- No new borrowings.



4. ACTIVITIES, INITIATIVES & KEY STRATEGIC ACTIVITIES

This section provides a description of the activities and initiatives to be funded in the Budget for the 2006/2007 year and how these will contribute to achieving the strategic objectives specified in the Council Plan. It also includes a number of key strategic activities and performance targets and measures in relation to these.

4.1 Strategic Objectives and Strategies

The Council delivers activities and initiatives under 46 major program / sub program categories. Each contributes to the achievement of one of the five Strategic Objectives as set out in the Council Plan for the years 2006 to 2009. Each strategic objective has a number of specific strategies.

‘Strategic Objectives’ define what outcomes we want to achieve over a period of time, and ‘strategies’ describe how in fact it will be done to achieve the desired outcome

The table on the following page lists the five Strategic Objectives and associated strategies as described in the Council Plan.



Strategic Objective	Strategies
<p>1. Facilitate, plan and provide services that increase the viability of our communities</p>	<ul style="list-style-type: none"> • Facilitate partnerships that will strengthen communities • Facilitate, support and/or provide a range of community services to meet the changing needs of our communities • Facilitate policies and programs that protect and develop cultural, heritage and indigenous assets • Supporting and facilitating partnerships, provide a range of services to enhance the quality of life for the residents of South Gippsland
<p>2. Develop and guide sustainable urban design and infrastructure that will endeavour to meet the long term aspirations and needs of our communities'</p>	<ul style="list-style-type: none"> • Facilitate land use planning and development which reflects the aspirations of the community and provides for appropriate use including agriculture and rural living • Design and deliver capital works and maintenance programs for future years, using appropriate asset management plans
<p>3. Encourage investment, development and services that facilitate a planned and sustained growth for the Shire'</p>	<ul style="list-style-type: none"> • Nurture, support and engage our existing industries • Facilitate new or expanded business and investment opportunities • Initiate infrastructure improvements to support business activity • Administer and enforce local laws that encourage economic development
<p>4. Protect our coastal and unique environment by promoting and engaging in responsible practices and initiatives'</p>	<ul style="list-style-type: none"> • Develop and implement responsible environmental policies, practices and initiatives • Support State and Federal Government environmental initiatives as appropriate • Promote the revegetation of the municipality through the extension and protection of existing habitat the control of weeds • Administer and enforce local laws that protect the natural environment
<p>5. Provide our community with efficient, responsive, accessible leadership, advocacy and service delivery that facilitates the realisation of Vision 2020</p>	<ul style="list-style-type: none"> • Enhance executive leadership and governance • Ensure a financially viable and accountable organisation • Ensure the organisation recruits, develops and retains a highly skilled and flexible workforce that maximises business performance • Manage risks effectively • Ensure internal services are provided in an efficient and a sustainable manner • Deliver professional and customer focused communication between Council and the community it serves



4.2 Activities & Initiatives / Key Strategic Activities (KSA's) by team

The Annual Business Plan documents the activities and initiatives into specific program areas series of a that are managed by different teams. It also details particular outputs and associated budget costs associated with each activity. It is a detailed business plan.

These activities and initiatives as well as relevant Key Strategic Activities (and associated measures and targets) are shown below in Directorate / Team / Program budget order.

DIRECTORATE:	CHIEF EXECUTIVE OFFICER
TEAM:	Chief Executive Officer
PROGRAM:	Chief Executive Officer

- The Chief Executive Officer is responsible for ensuring the program areas detailed below for all Directorates teams and programs areas of Council are provided in an efficient, professional and timely manner.
- This program combines all the direct costs associated with the running of the Chief Executive's office. It includes professional development, consultants, special projects, corporate legal fees, staff recognition awards and the administration of the office.

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?
Improving community perceptions	Increase in community satisfaction survey for overall performance in key service areas and responsibilities	Greater than 60%	State Government community satisfaction survey

TEAM:	Executive Services
PROGRAM:	Executive Services

- The Senior Manager Governance is responsible for ensuring the program areas detailed below for all teams in the Operations directorate are provided in an efficient, professional and timely manner:
- Governance provides support to Councillors by ensuring that Council meetings and Briefing Sessions are properly timetabled, agendas and other appropriate documents are distributed well before the meeting, meeting locations are properly set up, the meeting itself is run in accordance with the Meeting Procedures Local Law, accurate minutes are prepared and circulated on a timely basis, that Council decisions are advised to relevant officers in a clear and prompt manner and that such decisions are monitored for compliance.



- Governance provides officers with governance advice and agenda preparation assistance. Responsibilities also include monitoring and support of Advisory Committees, maintenance of Council policies, undertaking of special projects, contract management of Council elections and the facilitation of the Audit Committee and the associated Internal Audit function.

PROGRAM: Councillors

- This program combines all the direct costs associated with the operations of the Council, Councillors and grants made to community groups.

PROGRAM: Legal Contracts

- Provision of an internal legal referral service for Management. Undertake special projects of a legal nature and as they arise
- Review all contracts, agreements and other legal documents
- Administrative services for all contracts including compilation of tender and quotation documentation, advertising, updating of the contract management system, evaluation process, assist responsible officers with Council reporting, notify in writing the successful and unsuccessful contractors, compilation of contract documents for signing, issue certificates upon progress payments and issue practical completion and final completion certificates.

KEY STRATEGIC ACTIVITIES

Description	KSA measure	KSA target	How Data is reported?
Contract management review	Contract management review implementation Plan agreed to by Executive Management Group	June 2007	Internal Audit report

PROGRAM: Public Relations

- Provision of high quality internal and external communication that promotes Council in a positive way



PROGRAM: Coal Creek

- Coal Creek Heritage Village is a combination of a theme park, museum and education facility at Korumburra. The land is owned by DSE, while theoretically the buildings are owned by Council. Council is the Committee of Management to DSE for the site, while Council manages its responsibilities through a to the Park and activities.

DIRECTORATE: BUSINESS AND EXTERNAL SERVICES

TEAM: Business and External Services Management

PROGRAM: Business and External Services Management

- The General Manager Business And External Services is responsible for ensuring the program areas detailed below for all teams in the Business And External Services directorate are provided in an efficient, professional and timely manner:
- Ensure that Business and External Service functions of Shire and Council are delivered across South Gippsland consistent with the Council Plan in a progressive and sustainable manner.

Initiatives

Develop a plan to manage Coal Creek as a sustainable entity.

Attract federal funding to develop suitable project for Korumburra Drill Hall precinct

PROGRAM: Grants Business and External Services

- Identify, attract and facilitate grant funding consistent with the Council Plan for South Gippsland.

KEY STRATEGIC ACTIVITIES

Description	KSA measure	KSA target	How Data is reported?
Apply for grants on behalf of Council	Number of successful grant submissions	Greater than 50%	Audited financial statements

TEAM: Community Services

PROGRAM: Community Services Management

- The Manager Community Services is responsible for ensuring the program areas detailed below are provided in an efficient, professional and timely manner.



- Improve, manage and increase community services to support changing needs to optimise health and wellbeing.

Initiatives

Develop a municipal early years plan

Develop a positive ageing strategy

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?
Public Health and Wellbeing Strategy	Public Health and Wellbeing Strategy adopted by Council and implementation commenced	August 2006	Council minutes

PROGRAM: Aged and Disability Services

- Support frail aged and people with disabilities to remain safe, secure and independent in their own home.
- Disability Accommodation Working Network (DAWN) – Accommodation Support for individuals with a disability.
- Rural Access – Access & Inclusion for People with Disabilities through community development.
- Private Works – Individuals leaving hospital who require continued home care to support recover and independence.

PROGRAM: Community Programs

- Increase community awareness and membership for people with a disability, through training, workshops, Awards, celebrations.
- Implement and deliver actions from the South Gippsland Shire Disability Action Plan.
- Equity & access to improve service delivery to the Home and Community Care (HACC) target group

PROGRAM: Health and Community Safety



- Operation, supervision and maintenance of the recognised School Crossing within the Shire.
- Environmental Health – Monitor and test all premises providing food - ensuring Food Safety is maintained to Public Health Standards under the Health Act Regulations.
- Tobacco Activity – Funding through Municipal Association of Victoria for local government to provide education about and enforcement of the Tobacco Act 1987 including the recent amendments which come into effect on 1 March 2006.
- Immunisation, education & information on all inoculation programs & sessions provided to babies, children and youth through out the shire.
- Universal Service – The Maternal & Child Health Universal Service is a primary care service for families with children aged 0 to 6 years. The service aims to maximise the health potential of all children through the early identification, intervention and prevention of physical, emotional and social issues affecting young children and their families.
- Enhanced Service – The Maternal & Child Health Enhanced Service provides a more intensive level of in home support. The enhanced program is available to families who may be experiencing significant early parenting difficulties, particularly within the first year following the birth of a child/children.
- Special Education Program – Delivered across both South Gippsland and Bass Coast Shire Council areas. Specifically funded to support the inclusion of children within state funded 4 year old kindergarten programs.

TEAM:	Development
PROGRAM:	Development Management

- The Manager Development is responsible for ensuring the program areas detailed below are provided in an efficient, professional and timely manner.
- The Manager Development also provides strategic support to South Gippsland’s diverse communities by effective management of Council’s resource allocation to the Development Department and by project management of key cross department activities and projects.

Initiatives

- Develop 5-year economic development plan
- Develop a consistent towns events signage policy and strategy
- Develop a food processing prospective

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?



Economic Development Five Year Plan	Economic Development Five Year Plan adopted by Council	June 2007	Council minutes
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PROGRAM: Community Building

- Encourage participation in arts and cultural activity by citizens, to encourage collaboration across the shire by arts and cultural focused groups to build inclusive and resilient communities.
- Assist individual communities, both geographic and communities of interest, to improve resilience and capability through community planning, volunteerism and community focused activity.
- Provide leadership, engagement in civic life and role modelling opportunities for the young people of South Gippsland. To enable Council to effectively incorporate the needs of its young citizens in policy and service provision and to enable council to collaborate with other agencies to extend the range of services available for young people of this shire.

PROGRAM: Economic Development and Tourism

- Support and encourage enterprises that enhance the prosperity and vibrancy of the South Gippsland community through the creation of sustainable local wealth and employment.
- Facilitate economic growth in the Prom Country (South Gippsland) region through the development and provision of high quality visitor services.
- Facilitate economic growth in the Prom Country region through the development of a competitive tourism industry.

PROGRAM: Local Laws

- Administer and enforce relevant provisions of the Domestic (feral & nuisance) Animals Act 1994, Impounding of Livestock Act 1994 and associated regulations.
- Ensure Council complies with the statutory requirements of the Country Fire Authority Act 1958 and associated regulations.
- Prepare, administer and enforce Council's Local Laws and to enforce the Litter provisions of the Environment Protection Act and the Local Government Act relating to derelict vehicles. To enforce the provisions of the Road Management Act in relation to signage.



- Administer and enforce the provisions of the Road Safety Act 1986 in relation to parking, Magistrates Court Act 1989, associated regulations and also provide an administrative role in relation to the Code of Practice for the Disabled Persons Parking Scheme.

TEAM:	Human Resources
PROGRAM:	Human Resources Management

- The Manager Human Resources is responsible for ensuring the following services are provided in an efficient, professional and timely manner:
 - Human Resources
 - Payroll
 - WorkCover
- The Manager Human Resources also develops strategic policies and plans, provides industrial relations advice and leads the negotiation and implementation of the Enterprise Bargaining Agreement.

Initiatives

Enterprise bargaining agreement implemented by 31 August 2006

Development of framework for strategic human resources plan

PROGRAM:	Human Resources , Payroll , Workcover
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- Manage the recruitment and selection, induction, salary administration and remuneration functions and provide advice and assistance in the field of industrial relations and training and development.
- Payroll manages the administration of employee remuneration including all allowances, deductions and superannuation payments.
- WorkCover undertakes all actions to assist employees to stay at or return to work as safely as possible in a manner consistent with medical advice. The function assists in the prevention of injuries and manages the rehabilitation of workers who have sustained an injury or illness during the course of their work.

TEAM:	Information Services
PROGRAM:	Information Services

- The Information Services Manager is responsible for ensuring the following services are provided in an efficient, professional and timely manner:
 - Records, Customer Service and Information Systems



- The Manager Information Services also leads the implementation of the Information Systems Strategic Plan 2004-2007.

Initiatives

Over the phone payment option

Review and upgrade of a number of software packages (RecFind, Aged Care and Contract Management)

PROGRAM: Customer Service

- Provide ‘front-line’ service to residents and visitors to the Shire. The Customer Service team assist the community with general enquiries, process payments and often provide administrative support to various teams within Council.

PROGRAM: Information Technology

- Support and maintain Council’s information technology resources. This includes hardware such as the Network, PCs and peripherals, copiers/faxes, PABX phone system and corporate systems such as GIS and Pathway.
- Provide support and training in systems for module owners and users.

PROGRAM: Records

- Ensure Council meets its statutory obligation to ‘keep full and accurate records’. In addition to the Public Records Act 1973, the Records Coordinator also has the responsibility for ensuring Council’s compliance with the Freedom of Information Act 1982 and the Information Privacy Act 2000.
- Implement the Information Systems Strategic Plan 2004-2007.

DIRECTORATE: OPERATIONS

TEAM: Operations Management

PROGRAM: Operations Management

- The General Manager Operations is responsible for ensuring the program areas detailed below and all teams in the Operations directorate are provided in an efficient, professional and timely manner.
- Support Council and Business Planning development and Business Excellence throughout the organization



- Super 11 Benchmarking
- Business Excellence Plan
- Strategy and Plan Management
- Develop Council Plan in accordance with Local Government Act
- Best Value program
- Support ICEO and teams in the development and implementation of Council plans, programs and services
- Provide adequate data and information for responsible decision making
- Ensure the internal systems and processes are integrated and responsive in service delivery
- Provide leadership and direction to Operations group managers and teams
- Undertake special projects on behalf of Council

Initiatives

Review Vision 2020

Develop service review program implementing new Best Value guidelines

PROGRAM:	Library Operations
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- Provision of accessible contemporary responsive library service
- Member of West Gippsland Regional Library Corporation
- Council provides infrastructure for Library service
- Corporation provides library service
- Libraries – Leongatha, Korumburra, Foster, Poowong, Mirboo North
- Mobile library service

TEAM:	Engineering and Public Works
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PROGRAM:	Engineering and Public Works Management
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- The Manager Engineering and Public works is responsible for ensuring the program areas detailed below are provided in an efficient, professional and timely manner.



- Manage engineering and public works team
- Develop and implement engineering and public works programs and services

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?
Completing the Capital Works program	The number of capital projects (not including plant / fleet purchases) that are completed (within the overall capital budgets) at the conclusion of the financial year	95%	Audited Financial Statements

PROGRAM: Community Projects

- The delivery of capital projects where funding is provided jointly by community groups, State &/or Federal Government and Council

PROGRAM: Engineering Services

- Review 10 year capital works plan
- This budget provides for the following:
 - Engineering administration
 - Bridge and Road pavement testing
 - ‘Dial Before You Dig’ service fees
 - Road Safety initiatives supporting Councils’ Road Safety Strategy
 - Boat ramps maintenance
 - Internal engineering survey and design
 - Training expenses for design engineer (inexperienced) and technical officer to learn computer design packages
 - Minor survey and engineering equipment replacement/maintenance and servicing throughout the year
 - Purchase of technical publications
 - Road name change processes
 - Mapping and plan preparation/updates/management
 - Traffic counts program
 - Special Charge Schemes levied under the provision of Section 163 of the Local Government Act 1989



PROGRAM: Local Roads

- This program allows for the replacement or major repair to bridges and culverts and is detailed under the individual projects contained in the Capital Works Program. It is managed through the Asset Management budget area, thus no EFT is allocated.
- Program delivered from footpath inspections results and customer maintenance requests.
- Replacement of sections of existing footpath that are beyond normal repairs. These are usually older and have reached the end of their life.
- Resheets are performed to replace pavement lost due to dusting, excessive grading or erosion. Resheet operations performed:
 - Pavement resheeting
 - Guide post replacement
 - Sign cleaning / replacement / removal
 - Drain reshaping and removal
 - Vegetation trimming
 - Culvert and outfall drain works
 - Reshape the pavement (if necessary) and pavement repairs

The resheet program is formulated by the process set out in the ‘periodic maintenance unsealed roads’ procedure, applying a reshape priority calculation to ensure the roads in greatest need are resheeted.

- Reseals are performed to renew the spray seal or asphalt-wearing course
- Target life cycle for resealing spray seal road is 12 years as set out in our Asset Management plan.
- The process set out in the “Sealed Road Periodic Maintenance Program” procedure formulates the reseat program, based on information from the “Sealed Roads Condition Survey”.
- At Reseal the following activities are performed:
 - Vegetation trimming
 - Drain reshaping and cleaning and Culvert/outfall drain works
 - Pavement repaired and regulated
 - Sign cleaning/replacement/removal and Guidepost replacement
 - Pavement resealing
 - Linemarking/RPM replacement

Programmed Road Maintenance is performed to provide a safe and trafficable local road network for all road users. Council’s road development plans are derived from seasonal requirements, legal obligations under the Road Management Act, (Council’s Road Management Plan) and results of inspections performed on local roads, bridges, major culverts and guard rails. Customer maintenance requests of a non urgent nature also form part of this program.



- Fire Plugs
 - Rectify faults documented by fire brigade inspections
 - Works undertaken to clearly identify location and serviceability of fire plugs
- Lines
 - Ensures time lines for remarking identified in the pavement marking and guidepost policy are met
 - Meet inspection results and customer requests
- Guide posts
 - Ensures limits of useable pavement are defined in all road conditions
 - Program derived from inspections results and customer maintenance requests
- Guard Rails
 - Ensures all guard rail installations are able to perform to installed standard
 - Program derived from inspections results and customer maintenance requests
- Car parks
 - Ensures car parks are safe and trafficable to both vehicular and pedestrian requests
 - Program derived from inspections results and customer maintenance requests
- Bridges
 - Ensures bridges are capable of carrying the specified load limits for vehicular traffic
 - Provide a clear waterway to avoid flooding
 - Program derived from inspection results as part of Road Management Plan and customer requests
- Major Culverts
 - Ensures major culverts are capable to carrying vehicular traffic
 - Provide a clear waterway to avoid flooding
 - Program derived from inspection results as part of Road Management Plan and customer requests
- Signs
 - Ensures all regulatory, warning and advisory signs are legible and visible
 - Program derived from inspection results as part of Road Management Plan and customer requests
- Trees
 - Ensures a clear unimpeded path for the full width of the pavement for all traffic of legal dimensions and sight distance to ensure safe road use
 - Program allocated to coincide with resheet and reseal programs
 - School Bus routes are given priority
 - Road inspection results and customer requests form part of the program
- Grass and Shrubs
 - As for trees program
 - Uses Boom Arm slasher for works



- Minor Sheetting
 - Ensure sufficient pavement material to allow grading without exposing sub-grade
 - Program to coincide with grading program
- Rural Drains
 - Ensures that water is drained from the pavement to outfall
 - Program to coincide with resheet and reseal programs
 - Inspection requests, customer requests and distressed pavement have input to program
- Urban Drains
 - Ensures urban barrel drains are free flowing and have adequate outfall
 - Program generated by asset condition survey and customer requests
- Stabilising
 - Treats isolated areas of sealed pavement that are beyond pothole treatment, that are surrounded by sound pavement
 - Program derived from inspections results and customer maintenance requests
- Grading
 - Undertaken to ensure traffic can drive a given line without being forced from that line to avoid potholes or jolted off that line by corrugations
 - Pavement shaped to allow drainage and aid traffic to negotiate corners
 - Reshaping works are reliant on moisture content of the pavement so most reshaping is performed in spring and autumn. Summer and winter grading limited to spot treatments or minimalist treatment approaches
 - Program derived from inspection results, customer maintenance requests and need for shape for drainage
- Shoulders
 - Undertaken to aid the flow of water from the pavement to the table drain, to aid sight distance and minimise risk in fire danger period
 - Biannual spraying program coincides with spring and autumn growth
 - Slashing program to meet timeframe specified in Road Management Plan
 - Low and high shoulders program developed from road inspections
- Patching
 - Undertaken to treat sealed road potholes, edge breaks, depressions and cracks
 - Program derived from road inspections results and customer maintenance requests
- Sweeping
 - Undertaken to ensure kerb and channel is free of debris to allow free flow of storm water to outfall
 - Program of work is used with frequencies for CBD, industrial estates, urban streets and autumn sweeps specified
- Supervision
 - Undertaken to ensure programme timelines and quality standards are met



Reactive Road Maintenance is performed to provide immediate action to maintenance requests (customer request system) or inspection results requiring immediate action to negate safety issues. Most reactive road maintenance is required as a result of unseasonal weather, acts of god or trauma as a result of road accidents or vehicle breakdowns.

- Slippery Roads
 - Undertaken when roads are slippery, usually due to exposed sub-grade
- Spills
 - Undertaken when liquid spills cause lack of traction, usually due to accident damage or mechanical failure
- Vandalism
 - Undertaken to repair assets or remove visually offensive or aesthetically displeasing graffiti
- Erosion, Slips
 - Undertaken to repair erosion or slips that are damaged or threaten to damage Council assets, usually as a result of exceptional weather conditions or poor drainage
- Damaged Furniture
 - Undertaken to repair damaged furniture, usually as a result of wind, storms or traffic accidents
- Rubbish Removal
 - Undertaken to remove rubbish dumped illegally or animals killed on the road or street
- Fallen trees
 - Undertaken to remove trees impeding traffic flow on roads, usually caused by trees falling or shedding limbs or becoming unsafe due to splits, lightning strike, rot, insect infestation, high winds or acts of god
- Blocked Drains
 - Undertaken to clear blocked drains, caused by restricted outfalls, collapsed pipes, foreign objects, tree roots and silt build up, usually highlighted as a result of a deluge
- Unsafe Pit Lids
 - Undertaken to replace broken, damaged or missing pit lids, unsafe pits, usually result from overload (vehicles driving on lid), vandalism or theft
- Potholing
 - Undertaken to unsealed road potholes to improve road quality, potholes usually occur due to poor pavement shape or lack of pavement material
- General Emergency Works
 - This is for a protracted event resulting in costs that may be designated as a natural disaster and subject to a treasury claim



- Urban streets rehabilitation allows for the remedy of minor pavement failures that occur throughout the year that are beyond the capacity of normal road maintenance. It is administered through the Asset Management area and therefore is not allocated any EFT.
- Urban traffic management is used to address unplanned issues that may occur throughout the year and relates to pedestrian/traffic conflict issues such as separation fencing, bollarding, stencilling at roundabouts and alterations to pram crossings in kerbs

PROGRAM: Operations Management

- Provides management, technical expertise, administration and supervisory expertise to enable operations staff to perform operations activities.

PROGRAM: Parks and Gardens

- Manages delivery of Parks and Gardens program
- Management includes Co-ordinator training, Minor Equipment, and Uniforms/PPE
- Grass Mowing
- Garden Maintenance
- Tree Maintenance
- Landscape Structure Maintenance
- Playground Maintenance
- Coastal Vegetation Trimming
- Urban Fire Hazard Slashing
- Minor Landscape works
 - Program is for use in small landscape works, replacement after theft & vandalism as identified by parks staff & community

Initiatives

Implementation of a 15-year replacement program of Council Playground facilities

PROGRAM: Plant

- Maintain plant and equipment in a safe and efficient manner for Council Engineering and Public Works on an ongoing basis.



PROGRAM: Private Works

- Provision of a high standard and professional sealing service to external contractors throughout the South Gippsland region. This service captures a niche in the market that allows us to successfully compete with larger operators on the smaller jobs in this area and provided a flexible, timely and quality sealing works.

PROGRAM: Recreation

- Strategic recreation planning, recreation development and promotion. The major services include:
 - development of strategic documents/plans, studies, policies etc.
 - provision and or support of recreation services and or facilities such as pools, skate-bowls and recreation reserves
 - support and advice in club and group development linking with Gippsport to provide programs to assist recreation and sporting organisations
 - planning for the future provision of services and facilities eg. leisure centre, bike paths, skate facilities
 - seeking funding support for recreation infrastructure development

KEY STRATEGIC ACTIVITIES

Description	KSA measure	KSA target	How Data is reported?
Open Space Strategy	Open Space Strategy adopted by Council	March 2007	Council minutes

PROGRAM: Waste

- Management of contracts for the collection of garbage from residential and commercial properties throughout the Shire.
- Management of contract for the collection and sorting of recyclables from residential and commercial properties throughout the Shire.
- Management of construction and operation contract for landfills and rehabilitation of landfill sites where required
- Management of a service contract for the collection of waste from litterbins throughout the Shire and provision and maintenance of associated infrastructure.
- Management of operational contract for waste and recycling transfer stations throughout the Shire and maintenance of infrastructure.



TEAM:	Property and Fleet Services
PROGRAM:	Property Management

- The Manager Property is responsible for ensuring the program areas detailed below are provided in an efficient, professional and timely manner.
- Administration of Property and Fleet services
- Administration of Council’s miscellaneous leases, licences, land management and statutory requirements
- Undertake property projects and capital works as agreed to by Council and executive
- To identify, plan and design, cost, contract manage and implement the adopted capital works

Initiatives

Meeting essential services legislative requirements.
 Review Memorial hall contract

PROGRAM:	Fleet
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- Purchase and dispose of Councils fleet for the delivery of Council services
- Manage and administer the operation of Council’s fleet including registration, maintenance, fuel and odometer monitoring

PROGRAM:	Land Acquisition and Development
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- Manage acquisition, disposition and development of Council owned and controlled land.

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?
Industrial land development plan	Industrial land development plan completed and sales commenced by December 2006	Dec 2006	Audited financial statements



SUB PROGRAM: Property

- Maintain and enhance Council's property to meet regulations and standards, and maintain suitability for intended use and accessibility.
- Service includes Public amenities cleaning, facility management, assessment of Council property, programmed maintenance, breakdown maintenance, essential safety maintenance, contractor supervision, budget preparation, seasonalisation of works, payment of facilities utilities, grant funding and user group facilitation, security, mobile phone billing and curatorial activities.

TEAM: Planning

PROGRAM: Planning and Environment Management

- The Manager of Planning and Environment is responsible for ensuring the following council services are provided in an efficient, professional and timely manner.
 - Building Unit
 - Statutory and Strategic Planning Unit
 - Environmental Planning Unit
 - Waste Water services.

Initiatives

Review of planning scheme

Implementation of Domestic Waste Water Management Plan

PROGRAM: Building Services

- Building services facilitates the operations, activities and enforcement of building activity within the municipality.

SUB PROGRAM: Environmental Planning

- Environmental planning service facilitates the development, protection and management of the municipality's natural values through the planning process and environmental legislation

SUB PROGRAM: Statutory and Strategic Planning

- Statutory and strategic planning facilitates the assessment of town planning activities within the municipality



KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?
Urban Design Framework	Urban Design Framework completed and adopted by Council	October 2006	Council minutes

SUB PROGRAM: Waste Water

- Waste water operations facilitates the protection of public health through the regulation of wastewater disposal in the municipality.

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is reported?
Domestic Waste Water Management Plan	Domestic Waste Water Management Plan adopted implementation commenced	December 2006	Council minutes

TEAM:	Finance
PROGRAM:	Finance Management

- The Manager Finance is responsible for ensuring the program areas detailed below are provided in an efficient, professional and timely manner.
- Designated as ‘Principal Accounting Officer’ to be responsible for the financial management of the Council.
- Provision of strategic financial advice to Council.
- Manage the Accounting, Rates & Valuation and Risk teams.

Initiatives

Setting up and activating performance management software to facilitate business performance reporting (operational and financial performance management) across the organisation

KEY STRATEGIC ACTIVITIES			
Description	KSA measure	KSA target	How Data is



			reported?
Adhering to budgeted operating result	The difference between the budgeted operating result and the actual operating result for the financial year, not including; <ul style="list-style-type: none"> • Net gain/ (loss) on disposal of assets • Net increase in Asset Revaluation Reserve • Donated / Granted Assets • Previously unrecognised assets 	Equal to or better than budget	Audited Financial Statements

PROGRAM: Accounting

- Provision of financial and management accounting support to Council.

PROGRAM: Rates and Valuations

- Administer all legislative requirements in relation to rates & charges on all rateable land, and the provision of valuation services to Council.
- Administer all legislative requirements in relation to the provision of valuation services to Council's rateable properties.

PROGRAM: Risk Management

- Provision of risk management support services to Council to identify and manage exposure to risk that is associated with business activities.
- Provision of support service to Council staff in relation to Occupational Health and Safety obligations

4.3 Performance statement

The Key Strategic Activities (KSA) detailed in the preceding pages, are summarised again in Appendix E. The KSA's their performance measures, targets and results are audited at the end of the year and are included in the Performance Statement as required by the section 132 of the Act.

The Annual Report for 2006/2007 will include the audited Performance Statement which is presented to the Minister for Local Government and the local community.

The following is a summary of the Operating Budget by team in accordance with Council's organisational structure. It shows:



- where Council's rates and charges will be directed
- where significant changes in departmental net costs are expected

Team	Forecast Actual 2005/06 \$'000	Budget 2006/07 \$'000	Net Cost Increase (Decrease) \$'000
Chief Executive Officer	304	446	142
Business and External Services Mgt	202	249	47
Community Services	305	325	20
Development	812	843	31
Engineering and Public Works	7,675	8,194	519
Executive Services	1,508	1,378	(130)
Finance	1,120	992	(128)
Human Resources	345	404	59
Information Services	1,225	1,297	72
Operations Management	857	841	(16)
Planning	582	799	217
Property and Fleet Services	2,120	2,253	133
Other non-attributable ¹	4,274	4,420	146
Operating deficit before rates & capital revenue	21,329	22,441	1,112
Funded by:			
Rates & charges	19,224	20,719	1,495
Capital grants & contributions	2,307	832	(1,475)
Total	21,531	21,551	20
Operating surplus (deficit)	202	(890)	(1,092)

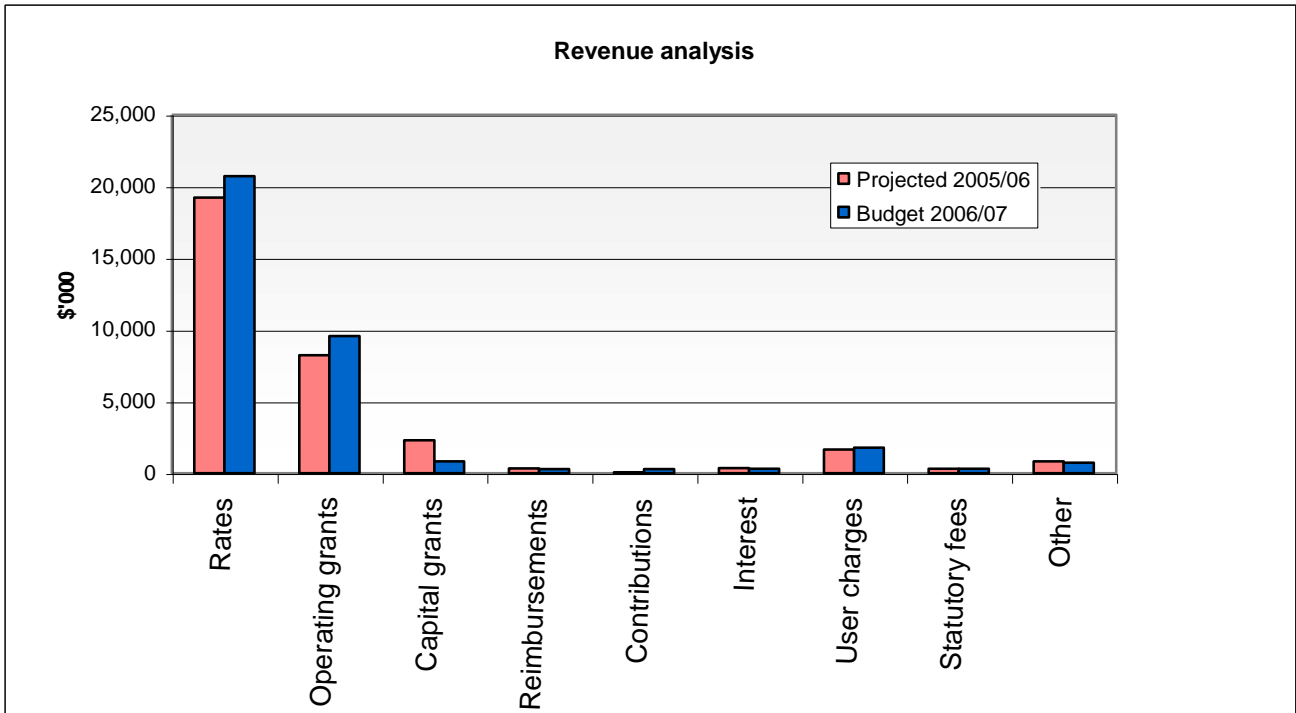
1. Includes grants commission, depreciation, major maintenance, proceeds and WDV of assets sold, loan management, de-recognition of assets and abnormal items.

5 ANALYSIS OF OPERATING BUDGET

This section of the annual budget report analyses the expected revenues and expenses of the Council for the 2006/2007 year.

5.1 Operating Revenue

Revenue Types	Reference	Forecast Actual 2005/06 \$'000	Budget 2006/07 \$'000	(Unfav) Variance \$'000
Rates & charges	5.1.1	19,224	20,719	1,495
Operating grants	5.1.2	8,225	9,566	1,341
Capital grants & contributions	4.1.3	2,307	832	(1,475)
Reimbursements	4.1.4	328	294	(34)
Contributions	4.1.5	64	288	224
Interest	4.1.6	352	319	(33)
User charges	4.1.7	1,660	1,792	132
Statutory Fees	4.1.8	309	319	10
Other	4.1.10	825	732	(93)
Total operating revenue		33,294	34,861	1,567





5.1.1 Rates and Charges (\$1.49 million increase)

It is projected that general rates and charges income be increased by 7.0% over the base that was raised last year to \$20.72 million. This includes \$0.12 million in supplementary rates and special charge rates. Section 11. “Rating Strategy” includes a more detailed analysis of the rates and charges to be levied for 2006/2007.

5.1.2 Operating Grants (\$1.34 million increase)

Government grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council’s services to ratepayers. Overall, the level of grants has increased by 16.3% or \$1.34 million compared to 2005/2006. Significant movements in grant and contribution funding are summarised below:

The National Competition Payments (\$1.82 million) are no longer available to local government. The payments are being directed to fund national water projects.

This has been offset by a number of one off Community project funding which include the Great Southern Rail Trail, (\$274,000) the dredging of the Toora channel (\$146,000) and MDU multi purpose sports facility (\$251,000).

The payment from the State Revenue Office is for the bi-annual general revaluation.

It should be noted that Road to Recovery funding has been redirected from capital projects (reseals) to operational projects (re-sheets), which are expensed in the Income Statement.

5.1.3 Capital Grants and Contributions (\$1.48 million decrease)

Capital grants include all monies received from State and Federal governments and community sources for the purposes of funding the capital works program. Overall the level of grants has decreased by 63% or \$1.48 million compared to 2005/2006. This largely due to the receiving of a one off capital grant for roads from the federal government in 2005/2006.

There are capital funds expected in 2006/2007 for Road to Recovery projects (\$467,000), Tarwin Lower bike path (\$122,000), the Better Pools upgrade (\$41,000), Small towns skate parks (\$20,000) and Walter Tick Netball court (\$25,000).

Section 7. “Analysis of Capital Budget” includes a more detailed analysis of the grants and contributions that are expected to be received during the 2006/2007 year.

5.1.4 Reimbursements (\$34,000 decrease)

There are no significant movements for reimbursements.

5.1.5 Contributions (\$224,000 increase)

Aside from the \$255,000 contribution for MDU multi purpose clubrooms, there are no significant movements for contributions.



5.1.6 Interest Revenue (\$33,000 decrease)

Although the Reserve Bank of Australia economic forecasts indicate that there is likely to be some upward pressure on interest rates in the budget period, interest on investments is forecast to decline by \$33,000 compared to 2005/2006. This is mainly due to the expectation that business units will continue to increase their adherence to planned work programs.

5.1.7 User Charges (\$132,000 increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include use of leisure, entertainment and other community facilities and the provision of human services such as aged and disabled services.

Council plans to increase user charges for the majority of areas in line with at minimum, expected inflationary trends over the budget period to maintain parity of user charges with the costs of service delivery.

Appendix F, 'Fees and Charges' details all User Charges.

5.1.8 Statutory Fees (\$10,000 increase)

Statutory fees relate mainly to fees and fines levied in accordance with legislation and include animal registrations, Planning, Health Act registrations and parking fines.

There are no significant movements for statutory fees.

Appendix F, 'Fees and Charges' details all statutory fees.

5.1.10 Other Revenue (\$93,000 decrease)

Other revenue relates to a range of unclassified items such as cost recoupments and other miscellaneous income items including income from private works.

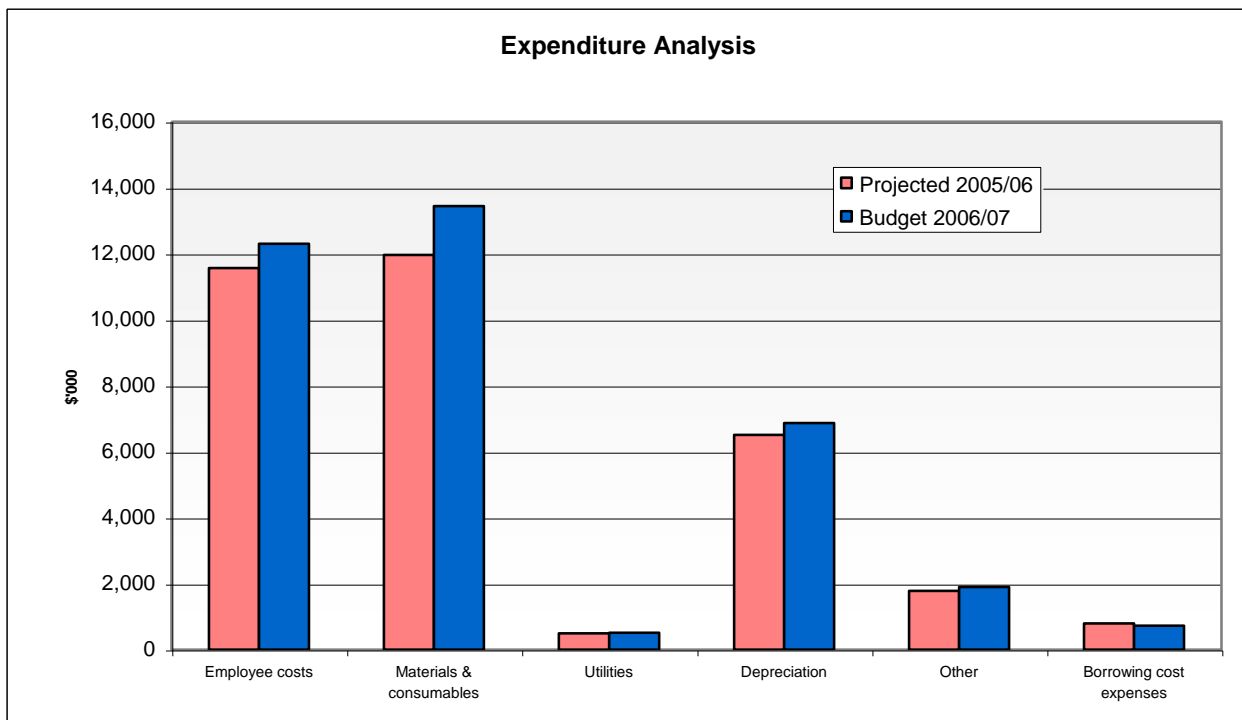
Other revenue is projected to decrease by 11.3% or \$93,000 in 2006/2007. This is predominantly due to expecting less income from private works.



5.2 Operating Expenditure

Expenditure Types	Reference	Forecast Actual 2005/06 \$'000	Budget 2006/07 \$'000	(Unfav) Variance \$'000
Employee costs	5.2.1	11,561	12,304	(743)
Materials and consumables	5.2.2	11,957	13,446	(1,489)
Utilities	5.2.3	491	510	(19)
Depreciation	5.2.4	6,507	6,866	(359)
Other expenses	5.2.6	1,780	1,899	(119)
Borrowing cost expenses	5.2.7	797	726	71
Total operating expenditure		33,093	35,751	(2,658)

Total operating expenses are forecast to increase by 8.0% or \$2.66 million compared to 2005/2006.





5.2.1 *Employee Costs (\$0.74 million increase)*

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

Employee costs are forecast to increase by than 6.4% or \$0.74 million compared to 2005/2006.

It should also be noted that the 2006/2007 budgeted employee costs takes into account :

- An allowance for Council's Enterprise Bargaining Agreement (EBA) and banding and contract staff increments in 2006/2007 as well as the flow on effect to oncost expenses.
- Increases as a result of increased statutory requirements in the building and waste water management program areas,

It should be noted that some staff costs are actually costed to the Balance Sheet as opposed to being expensed in the Income Statement. On a program budget basis (combining employee costs employee costs incurred in the Income Statement and capital works program) the total employee costs budgeted for 2006/2007 is \$12.8 million (\$11.9 million forecast for 2005/2006)

In summary, average staff numbers during the budget period are as follows:

Type of employment	Number of EFT's	
	2005/06	2006/07
Full time	154	160
Part time	49	46
Casual	3	5
Total	206	211

5.2.2 *Materials & Consumables (\$1.49 million increase)*

Materials and consumables are forecast to increase by 12.5% or \$1.49 million compared to 2005/2006. The variation is mainly to the 'one off' expenses that are to be incurred in 2006/2007.

These include significant amount of 'one off' Community projects expenses such as the Great Southern Rail Trail, dredging of Toora channel and the MDU multi sports facility that amount to \$1.30 million increase when compared to 2005/2006.

5.2.3 *Utilities (\$19,000 increase)*

Utility costs relate to telecommunications, including usage of telephones and other utilities such as water, gas and electricity. Utility costs are forecast to increase by 3.9% or \$19,000 compared to 2005/2006. Price increases in these areas are largely beyond the control of Council.



5.2.4 Depreciation (\$0.36 million increase)

Depreciation relates to the usage of Council's property, plant and equipment including infrastructure assets such as roads and drains.

The increase of \$0.36 million for 2006/2007 is predominantly due to the periodic revaluation of non current assets to current costs. Fair value recognizes in the Balance Sheet the true replacement cost of the asset.

This in turn significantly increases the depreciation expense that is expensed to the Income Statement. The assets at some future point in time have to be refurbished or replaced, so it is important that the depreciations' cost is both bought to account and funded.

The completion of the 2006/2007 capital works program and the full year effect of depreciation on the 2005/2006 capital works program also impacts upon the depreciation charges. Refer to section 7. "Analysis of Capital Budget" for a more detailed analysis of Council's capital works program for the 2006/2007 year.

5.2.5 Other Expenses (\$0.12 million increase)

Other expenses relate to a range of unclassified items including contributions to community groups, advertising, insurances, motor vehicle registrations, library service Coal Creek and other miscellaneous expenditure items.

Other expenses are forecast to increase by 6.7% or \$0.12 million compared to 2005/2006. The material increases have been for library services (\$39,000), Recreation facilities (\$30,000) and aged and for positive aging strategy (\$40,000).

5.2.6 Borrowing Cost Expenses (71,000 decrease)

Borrowing cost expenses represent the interest cost associated with borrowed funds. The costs are forecast to decrease in 2006/2007 due to the increasing portion of loan repayments being actually allocated to principal repayments.



6. ANALYSIS OF BUDGETED CASH POSITION

This section of the budget report analyses the expected cash flows for the 2006/2007 year. The analysis is based on three main categories of cash flow. In summary these are:

- Operating activities - these activities refer to the cash generated or used in carrying out the normal service delivery functions of Council
- Investing activities - these activities refer 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, equipment, etc.
- Financing activities - these activities refer 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 borrowings.

The significance of budgeting cash flows for Council is that it is a key factor in setting the level of rates each year.

6.1 Analysis of Budgeted Statement of Cash Flows

	Reference	Forecast Actual 2005/06 \$'000	Budget 2006/07 \$'000	Variance \$'000
<i>Operating Activities</i>	5.1.1			
Receipts		33,294	34,461	1,167
Payments		(27,171)	(28,968)	(1,797)
Net cash inflow (outflow)		6,123	5,493	(630)
<i>Investing Activities</i>	6.1.2			
Receipts		3,467	1,980	(1,487)
Payments		(6,610)	(7,763)	(1,153)
Net cash inflow (outflow)		(3,143)	(5,783)	(2,640)
<i>Financing Activities</i>	6.1.3			
Receipts		8	6	(2)
Payments		(1,081)	(980)	101
Net cash inflow (outflow)		(1,073)	(974)	99
Net increase (decrease) in cash held		1,907	(1,264)	(3,171)
Cash at beginning of year		5,355	7,262	1,907
Cash at end of year	6.1.4	7,262	5,998	(1,264)
Represented by:				
Reserve cash and investments				
- Statutory		33	53	20
- Discretionary		2,920	3,748	828
-Working capital		4,309	2,197	(2,112)
	6.2	7,262	5,998	(1,264)



6.1.1 Operating Activities (\$0.63 million decrease)

The decreases in cash inflows from operating activities are due mainly to receiving an one off capital grant of \$1.4 million in 2005/2006. There is however a \$1.49 million increase in Rates and charges revenue but this is offset by increased payments to Suppliers (\$1.49 million) and employee costs (\$0.74 million).

6.1.2 Investing Activities (\$2.64 million increase)

The \$2.64 million increase in net payments for investing activities is due to receiving less income of \$1.49 million in capital sales compared with the previous year (Sale yard sale). The actual gross expenditure on capital is also \$1.15 million more than as it was for 2005/2006. This is due to receiving \$1.4 million in capital grants from the federal government in 2005/2006.

6.1.3 Financing activities (\$99,000 decrease)

Financing activities includes the principal component of loan repayments for the year. For 2006/2007 the total of principal repayments will be \$0.98 million.

6.1.4 Cash at end of the Year (\$1.26 million decrease)

Overall, total cash and investments are forecast to be less to that of 2005/2006. The contribution of cash from operating activities has provided funds for both the investing and financing activities. The balance is expected to be \$5.99 million as at 30 June 2007 which is below the previous year (\$7.26 million) Of this, \$3.20 million has been reserved for future loan redemption. When making an allowance for the loan redemption funding, this puts Council at the lower end of the parameters specified in Council's Long Term Financial strategy. The Long Term Financial Plan (see Section 10) takes this into account and forecasts a significant 'flat lining' in the capital works program from 2006/2007 onwards to 2008/2009 to balance future cash budgets.

6.2 Reserve Cash, Investments and Working Capital

The cash flow statement above indicates that Council is estimating that at 30 June, 2007 it will have cash and investments of \$5.99 million, which has been earmarked as follows:

- **Working capital (\$2.19 million)** - these funds are free of all specific Council commitments (after allowing for unexpended capital funding) and represent funds available to meet daily cash flow requirements and unexpected short term needs. Council regards these funds as the absolute minimum necessary to ensure that it can meet its commitments as and when they fall due without borrowing further funds. A higher level of working capital would be considered desirable because 60% of Council's rate revenue is not received until February each year. This again is reflected in the long-term financial plan.
- **Statutory purposes (\$53,000)** - Currently there is \$53,000 budgeted to statutory reserves for Open space contributions. Statutory reserves funds must be applied for specified statutory purposes in accordance with various legislative and contractual requirements. Whilst these funds earn interest revenues for Council, they are not available for other purposes.



- **Discretionary purposes (\$3.69 million.)** –An allocation of \$3.20 million has been budgeted to an ‘internal’ reserve funds for the repayment of long term debt. Additional annual allocations of funds will be put to a reserve up until 2007/2008 principally to build up a sinking fund to offset against a \$4.5 million interest only loan that matures in that financial year. A further 0.55 million is allocated to an Industrial land development reserve.

Allocations to discretionary reserves in future years will normally only occur when surplus operating results equivalent to the reserve transfer is achieved. These funds will be available for whatever purpose Council decides is their best use.

There are no restrictions on the use of these funds other than as Council may itself impose. The decisions about future use of these funds will be reflected in Council’s Long Term Financial Plan and any changes in future use of the funds will be made in the context of the future funding requirements set out in the plan. Any changes will be reflected in the plan.



7. ANALYSIS OF CAPITAL BUDGET

This section of the budget report analyses the planned capital expenditure budget for the 2006/2007 year and the sources of funding for the budget.

7.1 Funding Sources

Sources of Funding	Reference	Forecast Actual 2005/06 \$'000	Budget 2006/07 \$'000	Variance \$'000
External				
Grants and contributions	7.1.1	2,307	832	(1,475)
Borrowings	7.1.2	0	0	0
Proceeds on sale of assets	7.1.3	3,467	1,980	(1,487)
Sub total		5,774	2,812	(2,962)
Internal				
Operations	7.1.4	836	3,687	2,851
Working capital	7.1.5	0	1,264	1,264
Sub total		836	4,951	4,115
Total funding sources		6,610	7,763	1,153

7.1.1 Grants and contributions (\$1.48 million decrease)

Capital grants and contributions include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Decrease due to one off capital grant received from federal government in 2005/2006.

7.1.2 Borrowing (nil movement)

There are no borrowings budgeted for in the 2005/2006 financial year.

7.1.3 Proceeds from sale of assets (\$1.49 million decrease)

There is a significant reduction in proceeds from asset sales due to the sale of Korumburra Sale Yard in 2005/2006.

Proceeds from sale of assets include motor vehicle sales in accordance with Council's fleet renewal policy of \$1.4 million and sale of property of \$0.38 million.

7.1.4 Operations (2.85 million increase)

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 \$3.69 million will be generated from operations to fund the 2006/2007 capital works program (after allowing for capital grants and contributions as discussed in Section 6.1.1). Refer section 5. "Budgeted Cash Position" for more information on funds from operations.



7.1.5 Working capital (\$1.26 million increase)

Council also has cash and investments, which represent working capital and funds preserved from the previous year mainly as a result of grants and contributions being received in advance. It is forecast that \$1.26 million will be available from the 2005/2006 year to fund the 2006/2007 capital works program.

7.2 Capital works

Capital Works Areas	Reference	Forecast Actual 2005/06 \$'000	Budget 2006/07 \$'000	Variance \$'000
Works for 2006/2007				
Roads	7.2.1	2,573	2,659	86
Footpaths	7.2.2	311	317	6
Kerb & Channel	7.2.3	0	0	0
Bridges	7.2.4	148	612	464
Drains & Culverts	7.2.5	40	217	177
Carparks	7.2.6	0	0	0
Other Structures	7.2.7	263	300	37
Buildings	7.2.8	619	443	(176)
Land	7.2.9	0	0	0
Plant & Equipment	7.2.10	2,569	3,165	596
Furniture & Equipment	7.2.11	87	50	(37)
Total capital works		6,610	7,763	1,153
Works for 2006/2007 represented by:				
Capital expenditure				
New assets		1,117	574	(543)
Asset renewals		5,493	7,189	1,696
Total capital works		6,610	7,763	1,153
Works carried forward*				
Works carried forward from previous year	7.2.12	740	423	(317)

7.2.1 Roads (\$2.66 million)

For the 2006/2007 year, \$2.66 million will be expended on road projects. The more significant projects include reseals including preparation costs (\$1.98 million), Farmers road, Bena Road and Princess Street.



7.2.2 Footpaths (\$0.32 million)

For the 2006/2007 year, \$0.32 million will be expended on footpaths. This includes the Tarwin Lower bike track project (\$0.17 million). The balance (\$0.15 million) is allocated specifically for footpath renewal work.

7.2.3 Kerb & Channel (\$nil)

For the 2006/2007 year, no specific funds have been allocated to kerb & channel works.

7.2.4 Bridges (\$0.61 million)

For the 2006/2007 year, \$0.47 million will be expended on bridges. This includes the Foster Mt Best (\$440,000), and Devil's Pinch Rd bridge (\$21,000).

7.2.5 Drains & Culverts (\$0.22 million)

For the 2006/2007 year, \$0.22 million will be expended on culverts. A significant project is the Loch Poowong Culvert construction (\$170,000), Tarwin Lower Bike track (\$29,000) and along Timms road near Treadwells Road (\$18,000).

7.2.6 Car parks (\$nil)

For the 2006/2007 year, no funds have been allocated to car parks.

7.2.7 Other structures (\$0.30 million)

For the 2006/2007 year, \$0.30 million will be expended on other structures. This includes the Small Towns Skate Park (\$41,000), playground equipment replacement (\$190,000) and Koonwarra Landfill construction (\$70,000).

7.2.8 Buildings (\$0.44 million)

For the 2006/2007 year, \$0.44 million will be expended on buildings. The more significant projects include Foster Showgrounds toilet block upgrade (\$0.18 million), Foster Showgrounds Regional Playground (\$90,000), Korumburra Sports Centre roof replacement (\$20,000) and Mirboo North Public hall (\$45,000).

7.2.9 Land (\$nil)

For the 2006/2007 year, no funds have been allocated to land purchases.

7.2.10 Plant & Equipment (\$3.16 million)

This predominantly relates to ongoing cyclical replacement of the plant and vehicle fleet (\$2.96 million).

7.2.11 Office Furniture & equipment (\$50,000)

This predominantly relates to ongoing cyclical replacement of computer related equipment (\$49,000).



7.2.12 Carried forward works (\$0.42 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 2005/2006 year it is forecast that \$0.42 million of capital works will be incomplete and be carried forward into the 2006/2007 year. The more significant projects include the Foster Show grounds playground (\$40,000), Korumburra Drill hall (\$180,000) Foster Mt Best (\$40,000), Lock Poowong Culvert construction (\$50,000) and the Koonwarra Landfill (\$60,000).



8 ANALYSIS OF BUDGETED FINANCIAL POSITION

This section of the budget report analyses the movements in assets, liabilities and equity between 2005/2006 and 2006/2007.

8.1 Budgeted Statement of Financial Position

	Reference	Forecast Actual 30 Jun 06 \$'000	Budget 30 Jun 07 \$'000	Variance \$'000
Current				
Assets	8.1.1	10,742	9,568	(1,174)
Liabilities	8.1.2	(5,177)	(8,375)	(3,198)
Net current assets		5,565	1,193	(4,372)
Non Current				
Assets	8.1.3	328,003	326,945	(1,058)
Liabilities	8.1.4	(12,771)	(8,200)	4,571
Net non current assets		315,232	318,745	3,513
Net assets		320,797	319,938	(859)
Equity	8.1.5			
Accumulated surplus		121,384	119,677	(1,707)
Reserves		199,413	200,261	848
Total equity		320,797	319,938	(859)

8.1.1 Current Assets (\$1.17 million decrease)

The current assets are projected to be less to that of 2005/2006, the main contributor being a \$1.26 million reduction in cash and investments. A more detailed analysis of this change is included in section 6. "Analysis of budgeted cash position". Rate and other debtors are not expected to change significantly.

8.1.2 Current Liabilities (\$3.20 million increase)

There is a material increase of \$3.20 million current liabilities (that is, obligations that council must pay within the next 12 months). This is due to recognising a \$4.5 million interest only loan that has to be refinanced. A more detailed analysis of this change is included in section 12. "Borrowing strategy".

8.1.3 Non Current Assets (\$1.06 million decrease)

The decrease in non-current assets is due to the net result of the capital works program (\$7.76 million), the depreciation of all non-current assets with the exception of land (\$6.87 million) and the written down value of property, plant and equipment sales, (\$1.95 million). Long term debtors relating to loans to community organisations are expected to reduce marginally by \$4,000.



8.1.4 Non Current Liabilities (\$4.57 million decrease)

The decrease in movements in non-current liabilities is due primarily to reclassifying a \$4.5 million interest only loan as a current liability.

8.1.5 Equity (\$0.86 million decrease)

The decrease in the accumulated surplus is due to the forecast operating deficit of \$0.86 million after allowing for movements in equity of \$0.03 million. The net result prior to recognizing revaluation increments is budgeted to be a \$0.89 million loss

In addition to this change, an amount of \$0.85 million will be transferred from the accumulated surplus to a reserve. This reflects the allocation of funds (\$0.45 million) to an investment reserve to apply against long term borrowings in 2007/2008, in particular against a \$4.50 million interest only loan that requires to be re-financed. The other budgeted transfers are industrial land sales (\$0.38 million) and open space contributions (\$20,000). As this transfer is a movement between balances within equity, it has no effect on the total balance of equity.

8.2 Key assumptions

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

- The collection level of rates and charges that will be collected in 2006/2007 will be at similar levels to that of previous years.
- Trade creditors and other creditors and debtors to remain consistent with 2005/2006 levels.
- Proceeds from the sale of property in 2006/2007 will be received in full in 2006/2007.
- Employee entitlements to be marginally increased to allow for wage movements. No increase in the average rate of leave taken is expected.
- Repayment of loan principal is to be \$0.98 million
- Total capital expenditure to be \$6.66 million.
- A total of \$0.89 million to be transferred from accumulated surplus to reserves.
- The \$1.4 million capital grant from the federal government will in fact be received by 30 June 2006.



9 IMPACT OF CURRENT YEAR ON 2006/2007 BUDGET

9.1 Operating performance

	Budget 2005/06 \$'000	Forecast Actual 2005/06 \$'000	Variance \$'000
Operating			
Revenue	35,352	30,987	(4,365)
Expenditure	(37,315)	(33,093)	4,222
Underlying result	(1,963)	(2,106)	(143)
Non- operating revenue			
Capital Income	600	2307	1,707
Operating surplus (deficit)	(1,363)	201	1,564

The forecast Operating Performance for the year ending 30 June 2006 is a deficit before revenue relating to capital of \$2.11 million, which is \$0.14 million unfavourable compared to the budgeted deficit of \$1.96 million. After recognising revenue related to capital expenditure, the operating surplus is \$0.21 million, which is \$1.56 million favourable compared to the budget.

These variances have been taken into account and reflected in the 2006/2007 budget.

9.2 Cash performance

	Budget 2005/06 \$'000	Forecast Actual 2005/06 \$'000	Variance (Outflow) \$'000
Cash Inflows (Outflows)			
Operating	3,925	6,123	2,198
Investing	(2,833)	(3,143)	(310)
Financing	(1,077)	(1,073)	4
Net increase (decrease) in cash held	15	1,907	1,892
Cash at beginning of year	3,344	5,355	2,011
Cash at end of year	3,359	7,262	3,903

The forecast cash performance for the year ending 30 June 2006, is a net increase in cash of \$1.91 million, which is \$1.89 million favourable compared to the budgeted increase of \$0.01 million. This is due to a favourable impact of the \$1.40 million capital grant from the federal government impact on the operational outcome of \$2.20 million and delays in the capital works program, which is not expected to be achieved for the 2005/2006 year.

Overall, total cash and investments are forecast to be \$7.26 million as at 30 June 2006. The favourable variance of \$3.90 million will be used on road works (\$1.40 million) and in part to pay of long term debt, fund the incomplete capital works to be carried forward into the 2006/2007 year of \$0.42 million, and operational expenditure tied to grant funds (\$0.36 million). These variances have been reflected in the 2006/2007 budget.



9.4 Capital performance

	Budget 2005/06 \$'000	Forecast Actual 2005/06 \$'000	Variance \$'000
Externally funded	4,432	3,867	(565)
Internally funded	2,233	2,743	510
Total capital works	6,665	6,610	(146)

The forecast capital performance for the year ending 30 June 2006 shows that the budgeted capital works program for the 2005/2006 year will not be achieved with a resultant variance of \$0.15 million. As a result external funding sources of \$0.56 million have not been provided at this stage. The variance is due to a number of projects being behind schedule. Due to these projects running behind schedule, it is forecast that \$0.42 million of capital works projects will need to be carried forward and completed in the 2006/2007 year. The funding for these projects will come from unspent internal sources.

These variances have been reflected in the 2006/2007 budget.

9.5 Matters significant to the 2006/2007 budget

As a result of the variances between the forecast actual and budgeted results for the 2005/2006 year, the following matters will significantly influence the preparation of the 2005/2006 budget:

- Expected closing cash position \$7.26 million.
- The value of capital projects from the 2005/2006 year not yet completed and carried forward into 2006/2007 (\$0.42 million)
- The value of operational projects that is tied to grant funds from the 2005/2006 year not yet completed and carried forward into 2006/2007 (\$0.36 million)
- The expected receiving of \$1.4 million in capital grants from the federal government by 30 June 2006.



10 LONG TERM FINANCIAL PLAN

10.1 Plan development

Council is required by the Act to prepare a Strategic Resource Plan covering both financial and non-financial resources, for at least the next four financial years to support the Council Plan. The Act also requires Council to comply with the following *Principles of Sound Financial Management*:

- *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: and*
- *Provide full, accurate and timely disclosure of financial information.*

A high level 10 year Long Term Financial plan (LTFP) was first developed by Council in 2003. This Long Term Financial Plan for the years 2006/2007 to 2015/2016 has been further refined as part of Council's ongoing financial planning to assist Council in adopting a budget within a longer term framework. The LTFP is developed taking into consideration the long term financial strategies that were also first developed in 2003, which have been revised and adopted by Council on 3 May 2006.

The Strategic Resource Plan (SRP) is effectively a subset of the Long Term Financial Plan and also takes the 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 term, whilst still achieving Council's strategic objectives as specified in the Council Plan. The key financial strategies, which underpin the Long Term Financial Plan, and SRP are:

- 1. That South Gippsland Council target as a high priority to achieve surplus operational results in the Income Statement and consistent surplus results thereafter, and that this be documented in the Long Term Financial Plan.**
- 2. That the Working Capital Ratio of South Gippsland Shire Council in proposed budgets and forward financial plans be targeted not to fall below 2 to 1.**
- 3. That budgeted transfers to discretionary reserves for future capital expenses only be made if matched by an equivalent budgeted surplus in the Income Statement so as to preserve the accumulated surplus position of the Council.**
- 4. That the Budgeted 'cash at the end of year' position be sufficient to fund daily cash requirements in annual and forward financial plans and be subject to ongoing financial analysis taking into consideration budgeted cash inflows and outflows requirements, the working capital and quick asset ratio.**



5. That capital expenditure on asset renewal projects be given priority over capital expenditure on new assets (upgrades & extensions) until the sustainability index consistently exceed 95%.
6. Any new capital works (capital extension) proposals must include a lifecycle cost evaluation exercise that identifies and costs the asset construction, maintenance, operating and depreciation costs.
7. That Council consider borrowing for new capital projects only when consistent surplus operating results are being achieved in Income Statement .
8. That any new projects that require loan funding be considered only if the projects have had a full lifecycle cost analysis undertaken, and will have proven cash flows in future periods to 'repay' the cash outlays required in the initial periods and / or that the capital evaluation guidelines be used to evaluate costing impacts on the forward budgets
9. That wherever possible any material favourable budget variations realised in a given financial year be specifically quarantined and allocated to a loan reserve (unless required to finance projects deemed as 'unavoidable') so as to be allocated against the interest only loan that is due to be refinanced in 2007/2008.
10. That Council consider the most appropriate rating strategy to provide adequate funds to:
 - Achieve a breakeven operating result in the Income Statement
 - Achieve a sustainable cash flow
 - Fund capital renewal projectsin both the annual budget and in the long term financial plan
11. That Council consider the most appropriate fees and charges strategy so that adequate funds are recovered to offset operational expenses in annual and future budgets.

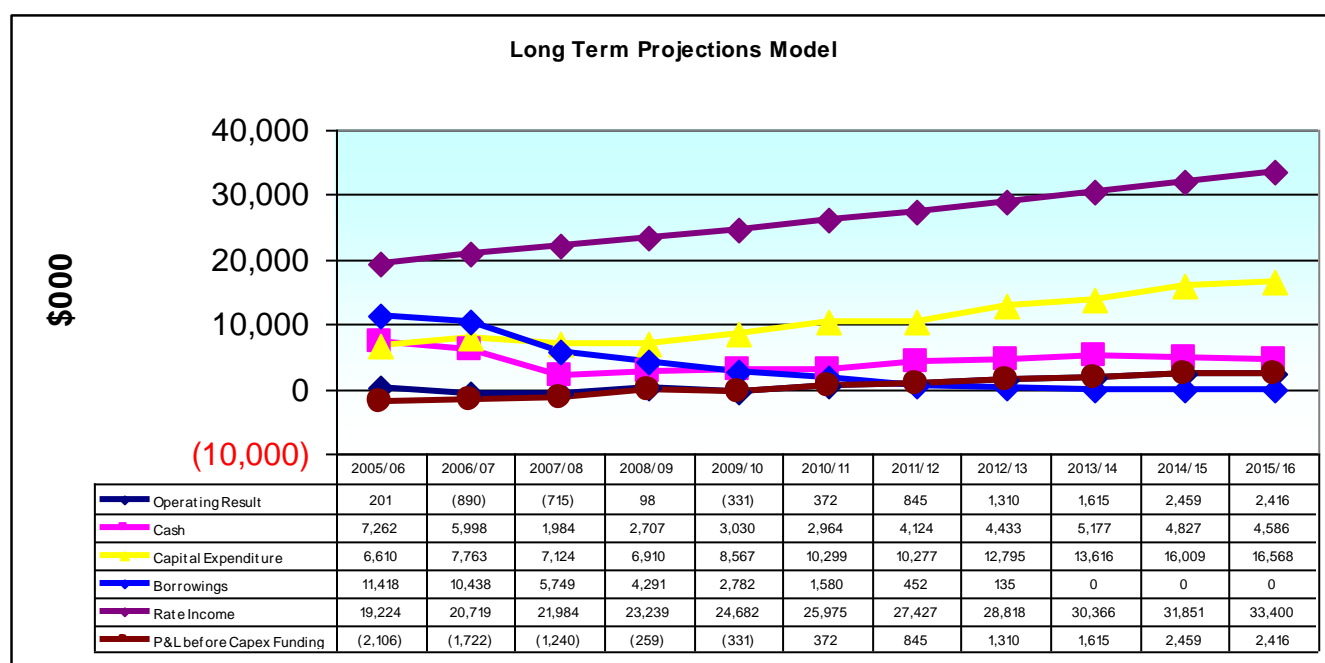
The resulting Long Term Financial Plan is reviewed and updated annually through a rigorous process of consultation with Council service providers followed by a detailed sensitivity analysis to achieve these key financial objectives. The key components of the Plan are:

- Assessment of Council's current financial position
- Key objectives and assumptions
- Analysing key financial statements
- Service delivery
- Rating strategy
- Borrowing strategy
- Infrastructure strategy
- Benchmarking current plan to previous plans



The following table summaries the key financial indicators for the next five years (the graph is over a 10 year period) as set out in the Long Term Financial Plan.

Indicator	Budget 2006/07	Forecast 2007/08	Forecast 2008/09	Forecast 2009/10	Forecast 2010/11
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating surplus/(deficit)	(890)	(715)	98	(331)	372
Operating result excluding capital funding	(1,722)	(1,240)	(259)	(331)	372
Cash from operations	5,493	6,226	7,416	8,552	9,639
Cash increase/(decrease)	(1,264)	(4,014)	723	323	(66)
Cash and investments	5998	1,984	2,707	3,030	2,964
Borrowings outstanding	10,438	5,749	4,291	2,782	1,580
Depreciation	6,866	7,650	8,010	8,805	9,186
Capital expenditure	7,763	7,124	6,910	8,567	10,299
Working capital	1,193	510	1,782	2,512	2,620
Net worth	319,938	351,042	353,976	386,711	388,906



10.2 Key outcomes

The key outcomes of the Long Term Financial Plan are as follows:

- Service Delivery** – Services levels established for 2006/2007 have been maintained throughout the forward budget. This includes additional resources for building and waste water management. The Council is however committed over the 2006/2007 financial year to identify savings in non core services and overhead costs. Any quantifiable recurrent savings that are recognised will be modelled into the Long Term Financial Plan.

The longer term objective is to achieve surplus results before recognising capital grants and contributions. In order to achieve this, the short term objective is to achieve consistent and increasing operating surplus results. It should be noted, that



in 2006/2007 and the following financial years it is forecast that there will be deficit result even after capital funding.

- **Rating Strategy (section 11)** – Rate increases have been modelled at 3.5% above projected CPI in the forward budgets till 2009/10. In 2010/2011 it reduces to 5.5% Thereafter it tapers down over the next five years by 0.10% each year (5.4%, 5.3%, 5.2% 5.1% and 5.0% in 2015/2016). The objective being, that the additional funds generated be directed to in the first instance to producing viable operating results as well as for reducing long term debt. In the longer term the increasing surplus results are primarily targeted to improve the liquidity and working capital position of Council and then to provide additional funding for capital renewal projects.
- **Borrowing Strategy (section 12)** – Borrowings (including Hire Purchase commitments) are forecast to reduce from \$11.42 million to \$1.58 million over a five year period and be debt free by 2013/2014.
- **Infrastructure Strategy (section 13)** – Capital expenditure over the ten year period will have the primary objective of increasing expenditure on capital renewal projects. The target is to achieve a sustainability index of beyond 95%. The sustainability index is anticipated to 'flat line' up until 2008/2009 whilst a concerted effort is directed at producing sustainable and consistent surplus operating results as well as addressing long term debt. From 2009/2010 onwards it is modelled that significant additional funds can in fact be directed to capital renewal projects.
- **Financial Sustainability (section 5)** – Cash and investments is forecast to be particularly low in 2007/2008 before trending back up to what is deemed to be a satisfactory level in 2008/2009 and to be in a strong position by 2011/2012. Although the cash levels will not be at what is deemed as a desirable level for a number of years, it is considered to be a situation that is manageable in the short to medium term.

The objective of quantifying in a very pragmatic way the financial circumstances of the Shire is to reinforce the financial challenges that Council is confronted with. The 2010/2011 financial year is the first year in nearly a decade in which the Council looks like actually achieving a net operating surplus, not only for that year, but a growing surplus in each year thereafter. The Long Term Financial Plan clearly documents a strategic plan of attack that is required to be undertaken to achieve longer term financial sustainability.

10.3 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. The following table summaries the non-financial resources for the next four years. It should be noted that the employee costs include the costs that are capitalised to the Balance Sheet.

Indicator	Forecast		Strategic Resource Plan Projections		
	Actual	Budget	2007/08	2008/09	2009/10
	2005/06	2006/07	2007/08	2008/09	2009/10
	\$'000	\$'000	\$'000	\$'000	\$'000
Employee costs	11,933	12,784	13,156	13,523	13,933
Employee numbers	277	282	282	282	282



The Local Authorities Award and the South Gippsland Shire Council Enterprise Bargaining Agreement 2003 (EBA) govern the employment of Council staff.

The range of services undertaken by Council involves the abilities, efforts and competencies of 282 staff of which 87 work part time (and 35 casual staff). The Equivalent Full Time (EFT) is 211 staff. The skill base of Council's workforce is diverse, with staff holding qualifications in areas such as aged care, civil engineering, accounting, health care, planning, building, and other fields.

South Gippsland Shire Council is party to an Enterprising Bargaining Agreement 2003 (EBA). This document encourages multi skilling, flexibility and effective application of staff capability. Negotiations are currently taking place for a new EBA taking into consideration the recently introduced Work Choices legislation. The 'current' EBA continues until such time as a new instrument is in place.

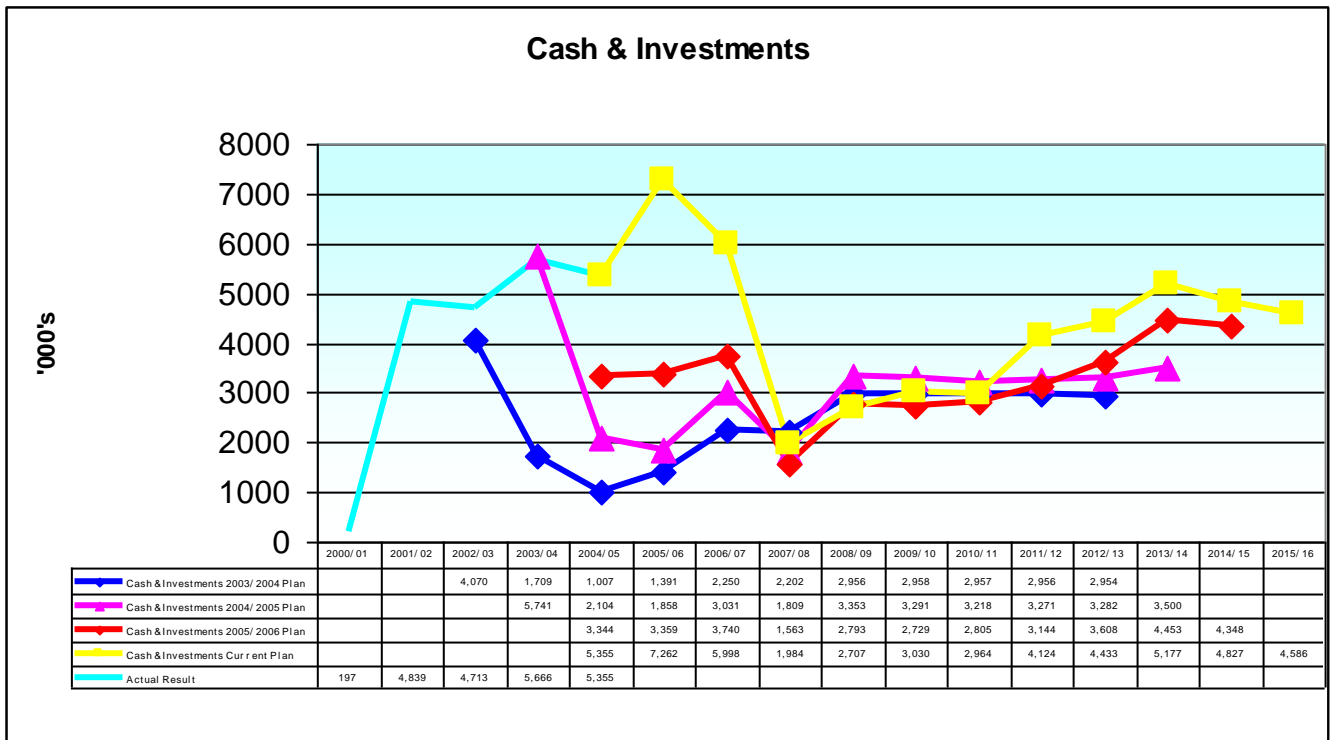
Council's staff based strategies include:

- Focus on extending the skills of existing staff to seize the opportunities of advances in technology and to be more effective and efficient.
- No significant change in staff numbers.



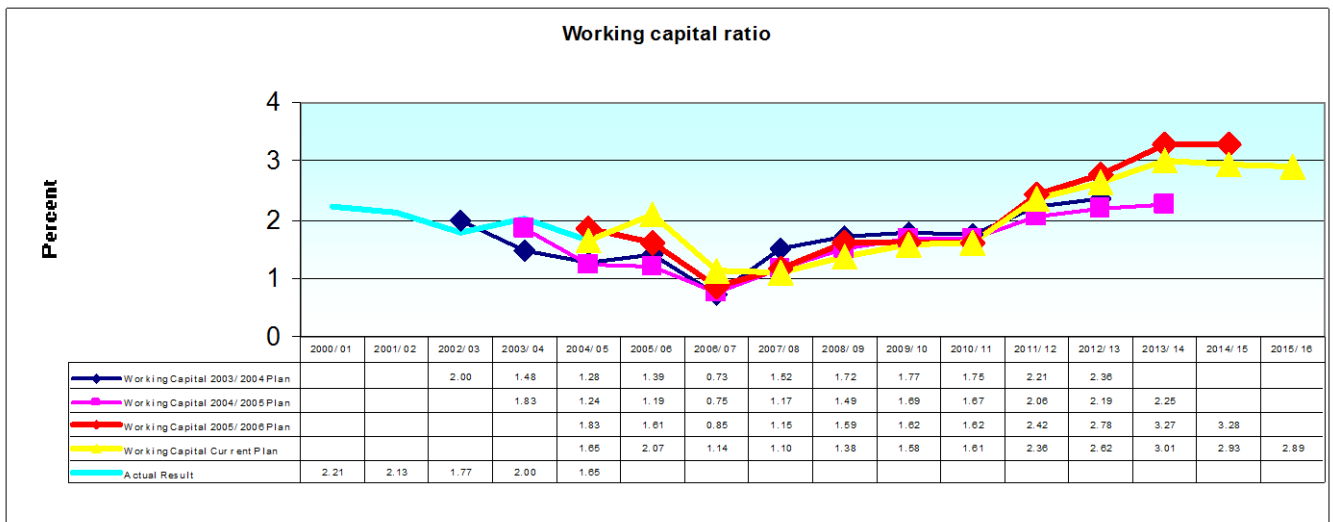
10.4 Analysis of ‘current’ Long Tern Financial Plan to previous years plans.

10.4.1 Liquidity



Significantly stronger in early years due to \$1.4 million grant for roads, funding allocated to loan redemption reserve, and for uncompleted projects. In the middle years the cash is marginally weaker than previous plans, before gaining strength in later years.

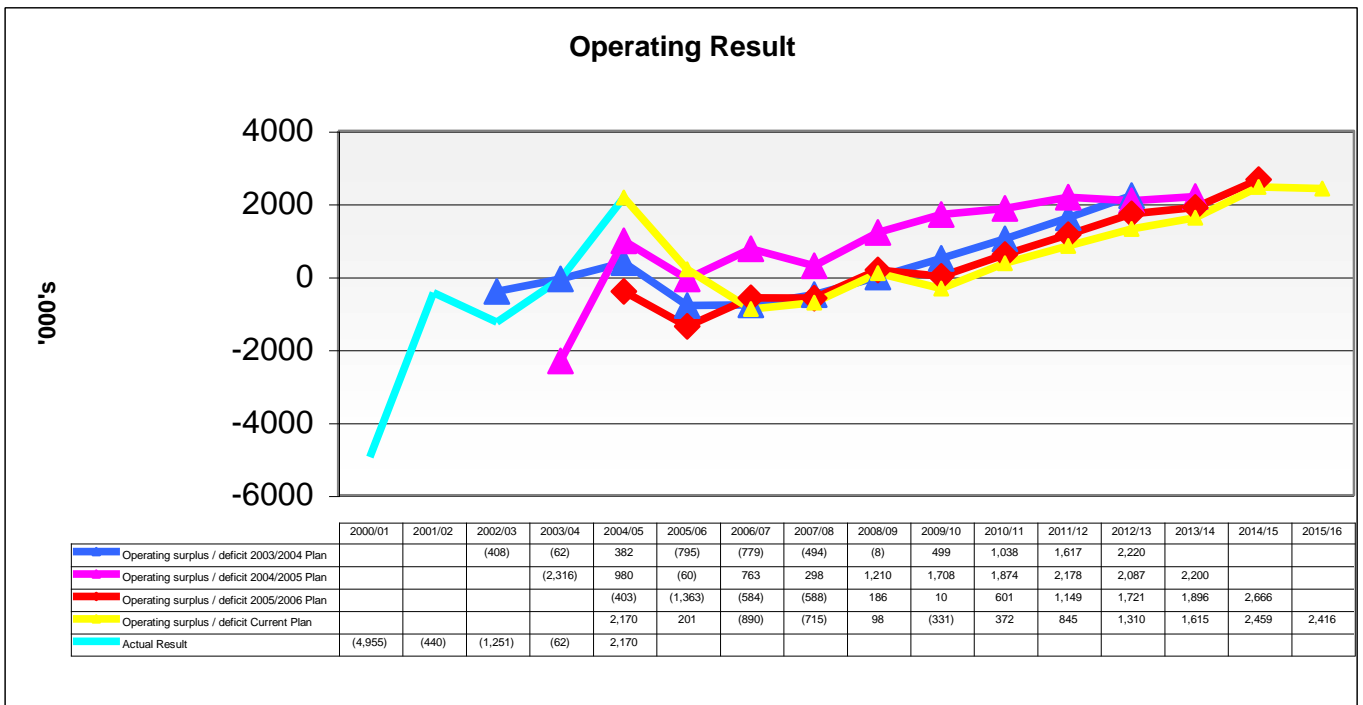
10.4.2 Working Capital



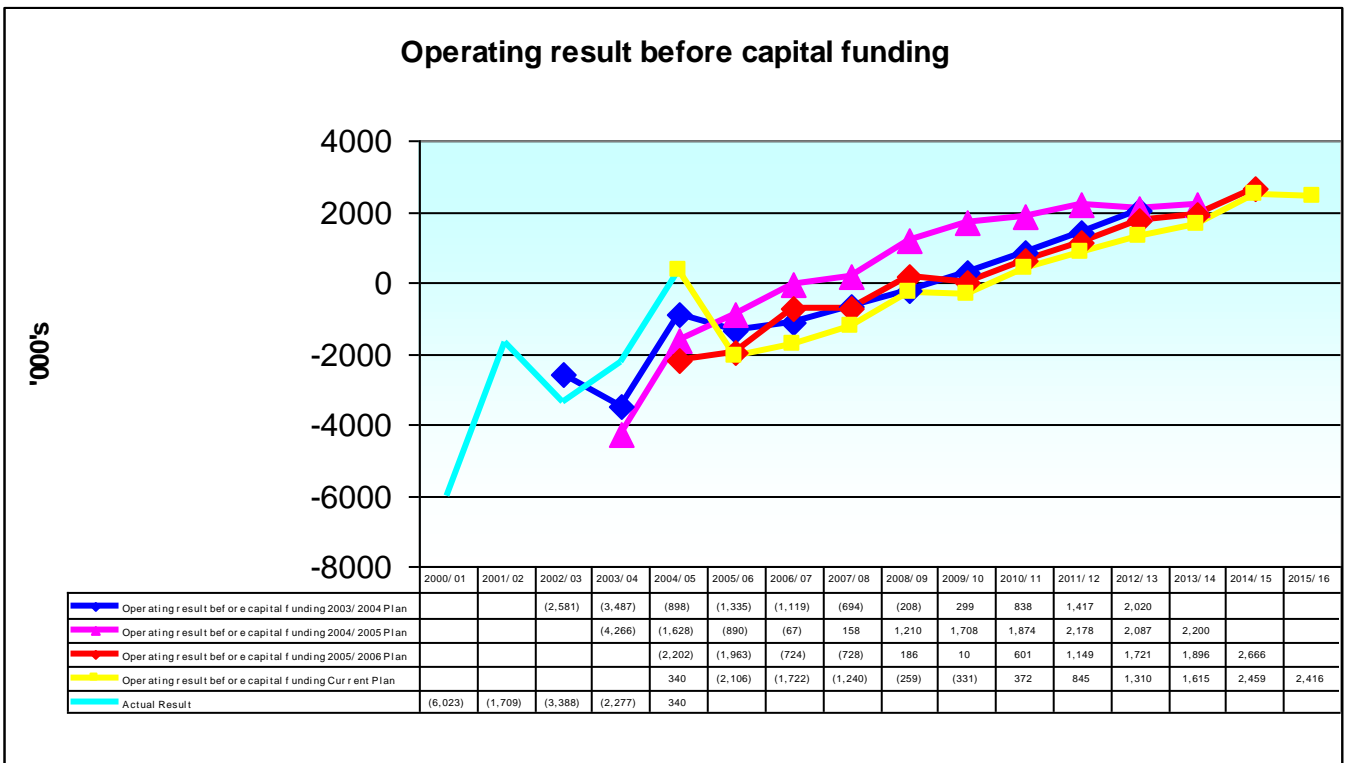
Very similar trend lines in working capital ratio to that of the cash & investments. Several challenging years, before a more strengthened outcome is achieved.



10.4.3 Income Statement



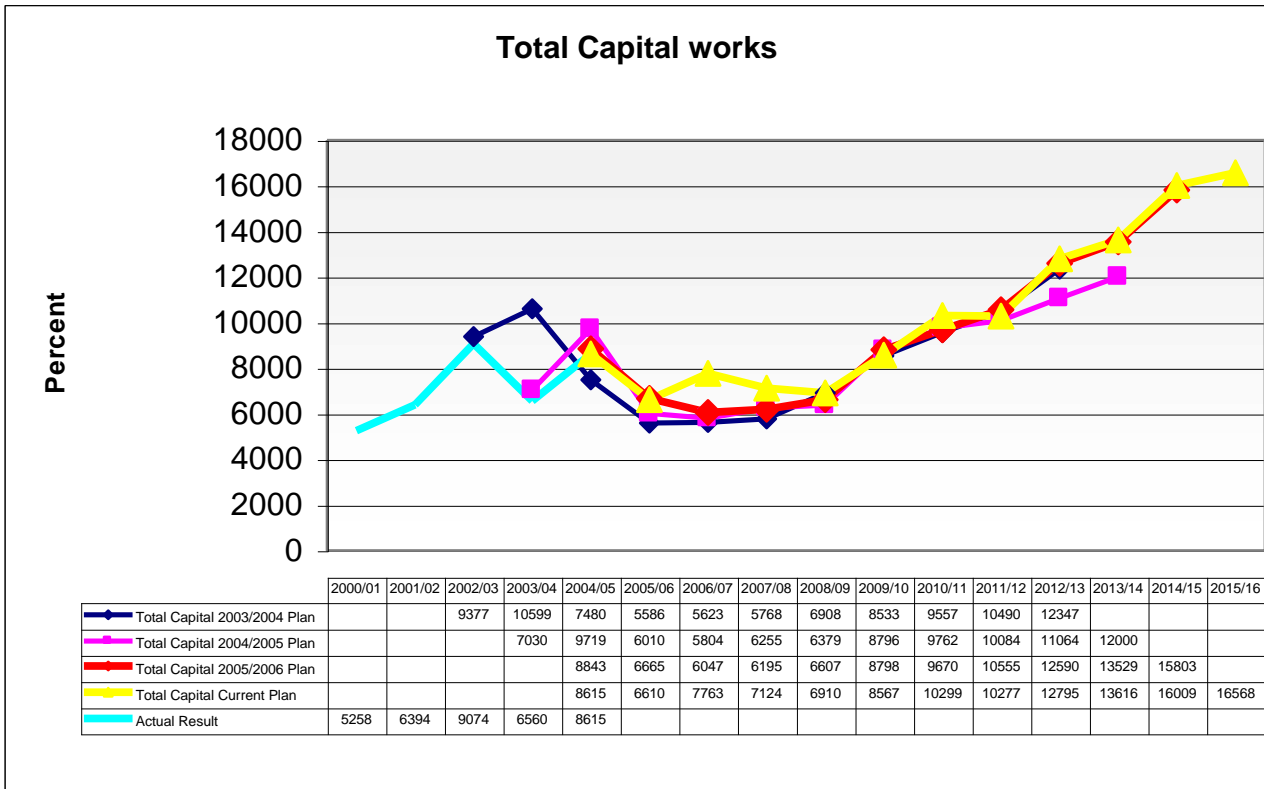
Marginally weaker operating result than previous plans, but still with positive trend.



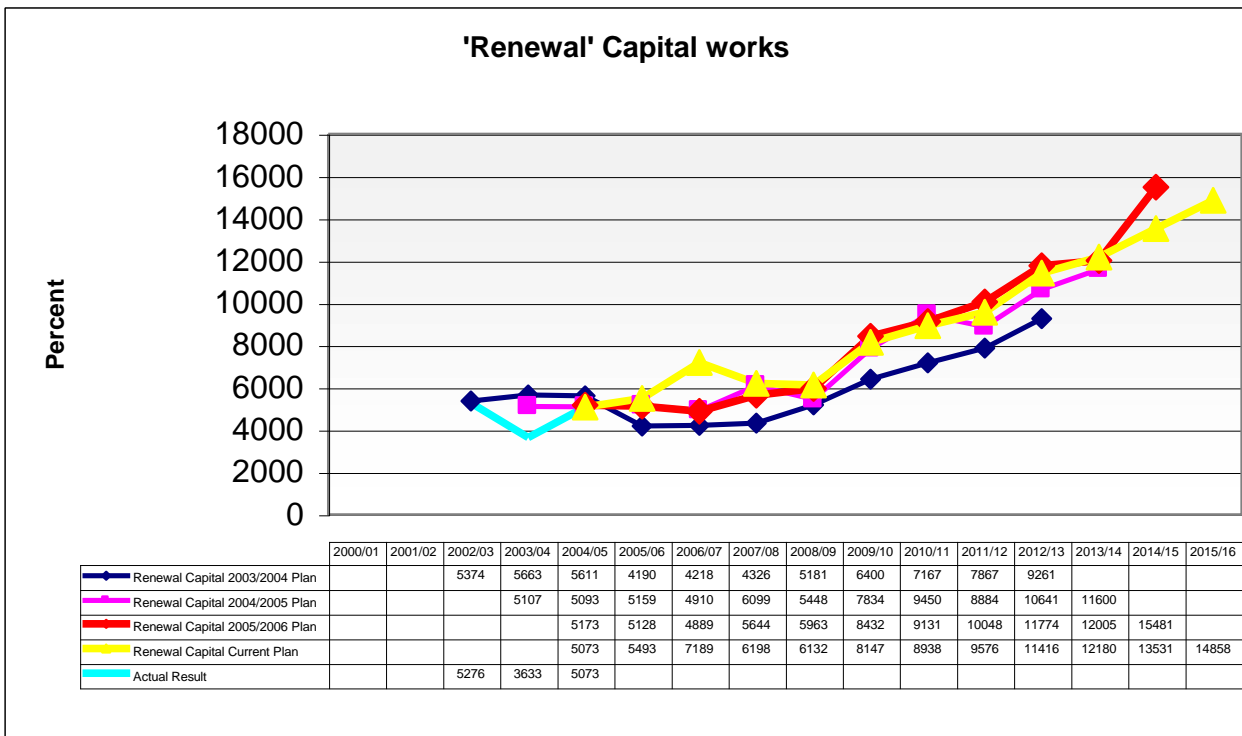
The underlying result has a very similar outcome to that of the operating result.



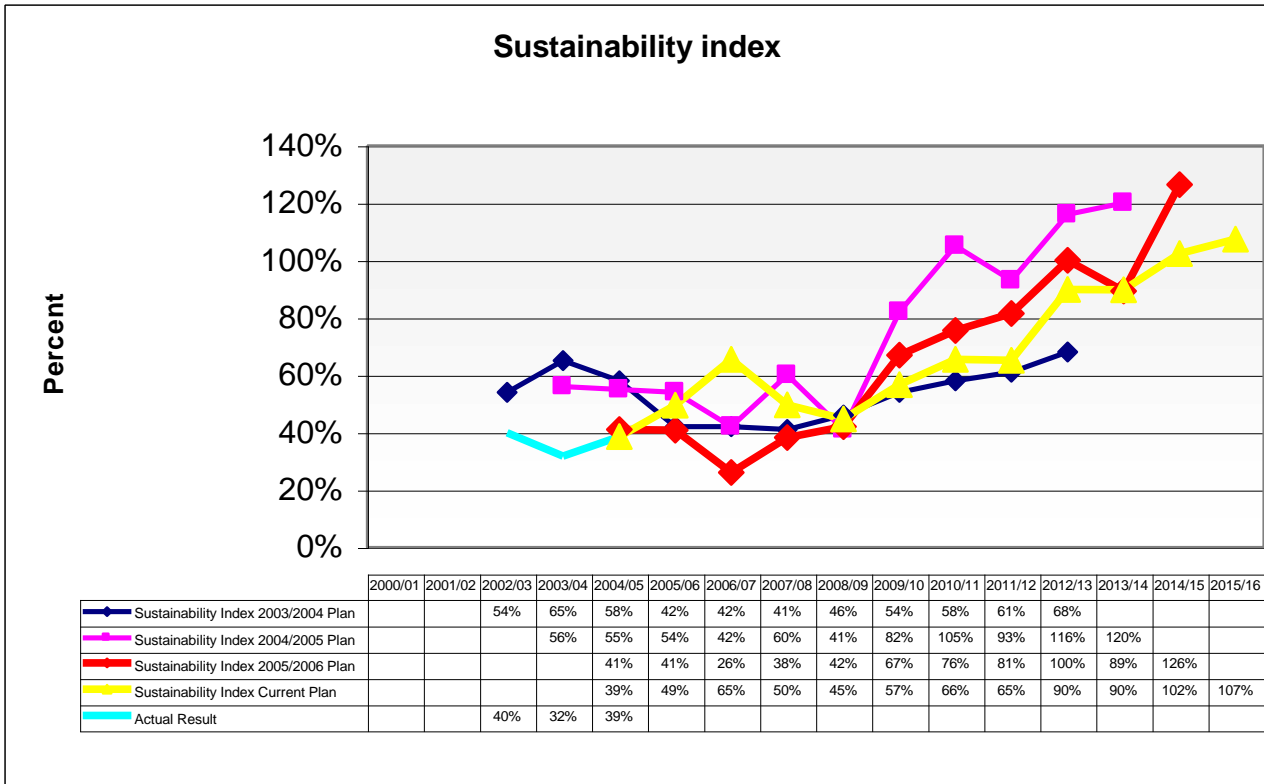
10.4.4 Capital works program



Funding for capital works maintain parity with previous plans, except for additional works in early years as a result of a \$1.4 million federal roads grant becoming available.

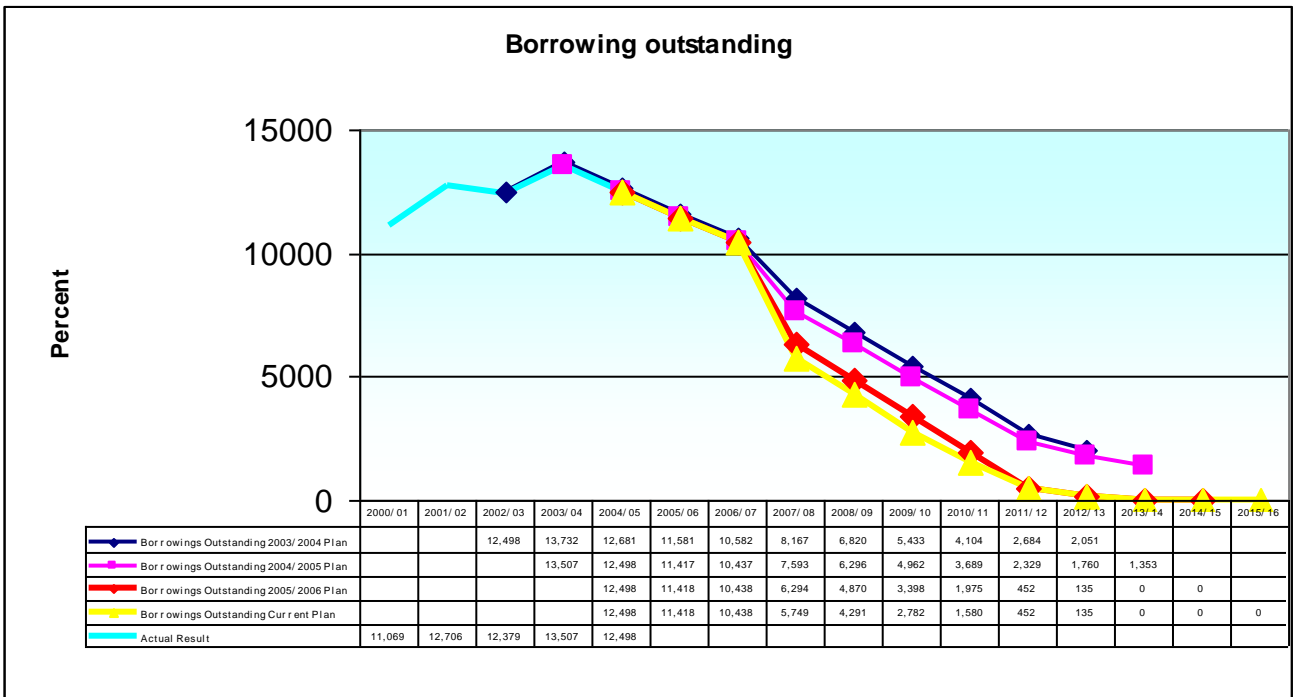


The renewal capital works has a very similar outcome to that of the total capital works program.



Index impacted by higher depreciation costs over the longer term, even though capital renewal works levels remain unchanged from previous plans.

10.4.5 Borrowings



Significant improvement relative to previous plans by applying 'capital income' from the sale of Korumburra Sale Yard and material favourable variations to long term debt.



11 RATING STRATEGY

11.1 Strategy development

In developing the Long Term Financial Plan (referred to in Section 10), rates and charges were identified as an important source of revenue, accounting for nearly 60% of the total revenue received by Council annually. Planning for future rate increases has therefore been an important component of the long term financial planning process.

However, it has also been necessary to balance the importance of rate revenue as a funding source with community sensitivity to increases, particularly given the change to bi-annual general revaluations and recent significant increases, and in particular fluctuations in valuations, and subsequently rates for some properties in the municipality.

11.2 Current year rate increase

The 2006/2007 operating position is predicted to be significantly impacted by unavoidable reductions in government funding such as the National Competition Payment, increased fuel costs as well as increased contribution to Coal Creek. It will therefore be necessary to achieve future revenue growth whilst containing costs in order to achieve and maintain a breakeven operating results over the next few years as set out in the Long Term Financial Plan. The contribution from operations towards capital investment for the 2006/2007 year is obviously still inadequate. Unless this can be substantially increased, it will be difficult to maintain robust capital works programs into the future. It should be noted that the current capital renewal expenditure on infrastructure assets is \$1.9 million short of optimum renewal expenditure levels in the 2006/2007 budget.

Council is very aware of the substantial increases in rates and charges that was borne by ratepayers in 2002/2003. It is also most evident that there simply is not enough funds being generated to maintain sustainable operations now and into the immediate future. Council is committed to minimise the rate rise in 2006/2007.

General rates and charges overall will in 2006/2007 raise a total rate of \$20.72 million, including supplementary rates and Special Charge Scheme income. Ordinarily, rates and charges increases would be targeted to be 3.5% above CPI to generate additional funds to allocate to improve the operating result so as to provide much needed funding for long term debt redemption and capital renewal expenses. Because of the unavoidable cost considerations discussed above, rate rises for several more years has to be significantly be above CPI, but will then taper down in later years.

During the 2005/2006 year, a revaluation of all properties within the municipality was carried out which apply from 1 January 2006 for the 2006/2007 and 2007/2008 financial years. The outcome of the general revaluation has been a significant change in property valuations throughout the municipality. Overall, property valuations across the municipal district have increased by 14% (previous revaluation 1 January 2004 the overall increase was 60%). There have been however significant variations across the shire. For example, some properties actually reduced in value in some districts on average by 1%, whereas properties situated elsewhere increased on average by 26%.

Across the Shire, residential properties have increased by 13%, farmland by 15%, commercial by 11% and industrial properties by 17%.

Council has chosen not to make any changes to the existing rate differentials.



The following table sets out future proposed rate increases and total rates to be raised, (including supplementary and special charge rate income) based on the forecast financial position of Council as at 30 June 2006.

Year	Rate Increase %	Total Rates Raised \$'000
2006/2007	7.0%	20,719
2007/2008	6.0%	21,984
2008/2009	6.0%	23,239
2009/2010	6.0%	24,682
2010/2011	5.5%	25,975

It should be noted that each financial year an allowance or contingency is factored in for rate abandonment's. Every second financial year when the bi annual re-valuations are conducted, an even greater allowance is allowed for. This in effect, discounts slightly the proposed rate increases.

11.3 Rating structure

Council has established a rating structure that is comprised of two key elements. These are:

- Property values, which reflect capacity to pay, and a
- User pays component to reflect usage of garbage services provided by Council

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

Council makes a further distinction within the property value component of rates based on the purpose for which the property is used. The distinction is based on the concept that different property type uses should pay a fair and equitable contribution to rates taking into account the benefits derived from and to the local community.

Council re-affirmed to apply a Capital Improved Value (CIV) basis of applying rates as well as the rating differentials and relativities as was being applied in 2005/2006 on the basis that it provides the most equitable distribution of rates across the municipality. This included the municipal charge being set at 20% of total rates. Council also has a garbage charge and a recycling charge as allowed under the Act.

The rating structure comprises several differential rates 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 Recreation 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 Local Government Act 1989.



The existing rating relativities between property types and municipal and service charges are:

- Residential Base rate
- Commercial 100% of Residential rate
- Cultural or Recreational land 40% of Residential rate
- Industrial 100% of Residential rate
- Rural living 100% of Residential rate
- Vacant land 160% of Residential rate
- Farm land 90% of Residential rate

The following table summarises the rates to be made for the 2006/2007 year. A more detailed analysis of the rates to be raised is contained in Appendix B “Statutory Disclosures”.

Rate type	2005/2006	2006/2007
Residential rates – rate in the \$ of CIV	0.00337235	0.00315258
Commercial rates – rate in the \$ of CIV	0.00337235	0.00315258
Industrial rates– rate in the \$ of CIV	0.00337235	0.00315258
Rural Living– rate in the \$ of CIV	0.00337235	0.00315258
Vacant Land – rate in the \$ of CIV	0.00539576	0.00504413
Farm land – rate in the \$ of CIV	0.00303512	0.00283732
Cultural / Recreational rates – rate in the \$ of CIV	0.00134894	0.00126103
Municipal charge - \$ per property	\$212.45	\$227.81
Garbage & Recycling charge Residential - \$ per property	\$143.10	\$153.12
Garbage & Recycling Charge Commercial - \$ per property	\$212.00	\$226.84
Recycling only charge - \$ per property	\$143.10	\$153.12



12 BORROWING STRATEGY

12.1 Strategy Development

In developing the Long Term Financial Plan (see Section 10), borrowings was identified as an important funding source for capital works programs. In the past, Council has borrowed strongly to finance infrastructure projects, fleet purchases as well as for financing unfunded superannuation liabilities. Council since 2004/2005, has started a phase of debt reduction. This will result in a reduction in debt servicing costs, but has meant that all cash and investment reserves have been used as an alternate funding source to maintain its capital works programs.

The Long Term Financial strategy analysed Council's debt position against the prudential ratios used by the Victorian State Government to assess the loan capacity of local governments. The following table shows a history of Council borrowings for the last eight years and also the prudential ratios applicable, as well as the budgeted outcome for 2005/2006.

Year	Total Borrowings 30 June \$'000	Liquidity CA/CL Ratio	Debt Mgt Debt/Rates %	Debt Mgt Serv Costs/ Revenue %
1998/1999	9,859	2.8	100%	3.03%
1999/2000	10,577	2.8	99%	2.71%
2000/2001	10,893	2.2	87%	3.18%
2001/2002	12,588	2.1	95%	2.61%
2002/2003	12,380	2.0	83%	2.63%
2003/2004	13,698	1.5	85%	2.64%
2004/2005	12,498	1.2	71%	2.52%
2005/2006	11,418	1.7	61%	2.22%
2006/2007	10,438	1.0	50%	2.08%
	Threshold	<1.1	>80%	>5%

The table shows that Council's borrowing level at 30 June 2007 will be \$10.44 million. It also shows that Council has for a number of years been trending the wrong way with the Victorian State Government's prudential ratio limits. By implementing the debt reduction strategy the long-term financial plan has shown a positive trend emerge for the 2005/2006 year and this continues for the 2006/2007 year.



12.2 Current year borrowings

For the 2006/2007 year, Council has decided not to take out new borrowings. Therefore after making loan repayments of \$0.98 million, will decrease its total borrowings to \$10.44 million as at 30 June 2007. The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2006.

Year	New Borrowings \$'000	Loan Principal Paid \$'000	Loan Interest Paid \$'000	Balance 30 June \$'000
2004/2005	0	1,009	870	12,498
2005/2006	0	1,081	797	11,417
2006/2007	0	980	726	10,437
2007/2008	0	4,689	569	5,748
2008/2009	0	1,458	343	4,290
2009/2010	0	1,509	240	2,781
2010/1011	0	1,202	147	1,579
2011/2012	0	1,128	77	451
2012/2013	0	317	23	134
2013/2014	0	134	4	0
2014/2015	0	0	0	0

Council in future years will be have the financial capacity to consider borrowing for a major capital project if it deems will benefit the community. The key long term financial strategies give specific guidance in relation to borrowings. This will ensure that any decision made will be financially responsible and viable.



13 INFRASTRUCTURE STRATEGY

13.1 Strategy development

Expenditure on infrastructure (both maintenance and renewal programs) is a significant financial resource requirement in the current and future years. This is one area in which local government significantly varies with the commercial sector.

Most businesses own assets because they provide some future economic benefit to the business. That is, over a period of time, the assets actually contribute to the wealth of the business. Most infrastructure assets owned / controlled by local government do not fulfil this criteria. The assets are required as part of 'service delivery', not for profit making.

This presents several important issues that must be considered in forward budgets. Firstly, irrespective whether the assets produce some future economic benefit, they must be maintained and replaced periodically.

Secondly, local government is different to the commercial sector, in that is not profit driven. Its core objective is not to make profits for profit sake, but rather, it is to provide services. Some of the services that are provided are however capital intensive. Its financial planning objective therefore, is to produce sufficient and consistent operating surpluses or 'profits' to fund asset replacement.

If and when this objective has been satisfactorily achieved, it can then consider funding asset expansion works in a financially responsible manner. The immediate challenge is in fact to try and quantify just how much funds are required now and into the future for asset management.

The services, and in particular the actual level of service that is to be provided, dictate to a large degree what assets are required and what condition they should be in. In fact, there are specific legislative requirements such as the Road Management Act that include the above principals for certain classes of assets,

It is therefore highly desirable that the funding requirements (again, both maintenance and asset renewal) for these assets be identified and quantified. With this information in hand it is then possible to quantify the funding gaps for the infrastructure assets by comparing the 'required dollars' against the 'allocated dollars' as shown in the forward budgets.

This identified funding gap is important because even though the Council may in the next few years become financially viable it can only claim to have achieved long term business viability if and only when this infrastructure funding gap has been identified and funded. This would be documented in the Long Term Financial Plan as showing appropriate levels of 'recurrent capital renewal expenditure' being funded by operating surpluses in current and future years.

Identification of 'funding gaps' should not be confused with 'sustainability gap index', or with the associated costings, such as depreciation.



Funding requirements for assets very much are dependent upon where they are in fact in their lifecycle. Assets nearing the end of their economic life will require a specific amount of funding at a certain point in time. This has a direct impact on longer-term cash flow requirements in a long-term budget.

If not enough funds have been allowed for asset renewal in previous years, the resulting 'backlog' of works would be expected to have an impact on forward budgets. Also, if the longer term asset management funding shortfalls are ignored, deferred or not properly financed, the greater the costs will be in later years to rectify the current funding shortfall. It therefore pays to identify and address funding gap short falls sooner rather than later.

The funding gap is essentially the difference between what the asset lifecycle cash flows are, and the amount that has been allowed / allocated for in forward budgets.

From a holistic asset management point of view, one must also take into account funding requirements for both programmed and reactive maintenance works associated with infrastructure assets. Any shortfall between what is required and allowed for in forward budgets can also be considered as a funding gap.

A properly prepared and funded asset management plan is the most cost effective way to manage the assets and the overall service provision long term

Depreciation on the other hand is really a financial costing mechanism that allocates the cost of the 'consumption of the service potential embodied in the asset' over a particular reporting period. This does not nor should imply that the depreciation cost incurred in a specific period (typically a year) ought be spent on asset replacement in that year.

The correlation of depreciation to capital expenditure incurred in renewing assets (the sustainability index) is purely a financial performance indicator, and should not be considered a key driver of asset management plans. Generating surpluses and subsequently being able to spend more on asset renewal projects would result in improving sustainability index. It does not necessarily mean that an adequate amount is being spent at that particular point in time. At best, it provides trend analysis.

In the interim, the long term strategies aim to provide additional funding for infrastructure assets based on the Sustainability index. This does however, not necessarily mean that assets of greatest need are having funding directed to them. The index merely indicates whether capital renewal funding is trending in the right direction.

Increasing funding allocations to infrastructure renewal works is acceptable on the basis that it is generally accepted that currently allocated funding is well short of desired funding. Having said that, increasing funding unconditionally each year without substantiating or verifying overall needs or priorities, is not at all desirable.

The completion and documentation of asset management plans for all classes of assets that Council either owns or controls should therefore be the highest of priorities. It is essential that systems be developed that accurately model the financial requirements to maintain and replace the assets into the future to allow for more informed decisions to be made in terms of allocating scarce financial resources.

Whilst South Gippsland has made some progress in this respect, there is still a significant amount of work to be completed.



South Gippsland Shire Council is party with a vast majority of Victorian councils to a MAV STEP program whose core objective is to assist Councils to manage our community assets in a long term sustainable manner. This Council has and will continue to contribute to a 'MAV Knowledge database' in order to improve its awareness of asset management.

An appropriately documented infrastructure portfolio would achieve the following outcomes.

- Identification of what assets Council actually owns / controls
- The replacement value of the assets
- Identification of who uses / requires the assets
- Investigation of best use / mix of assets
- Identification of recurrent maintenance requirements
- Identification of asset renewal requirements
- Identification of backlog / highest priority work
- Accurate forward budgets for capital renewal projects

The Asset Management Policy and the Asset Management Strategy are the principal documents relating to overall asset management of Council. The strategic direction arrived at has to be quantified and reflected in the LTFP forward budgets. The status of the development of these plans is as follow: -

- The Asset Management Policy has been adopted by Council
- The Asset Management Strategy has been adopted by Council but requires some further review
- The Asset Management Plans for several classes of assets have been documented, several more are planned to be done

The life cycles established for the different classes of assets are as follows:

- Pavements 60 years
- Seal 12 years
- Footpaths 60 years
- Kerb and Channel 60 years
- Bridges 100 years
- Culverts 60 years
- Under Ground Drains 60 years
- Play Grounds 10 years
- Buildings 80 years

These life cycles are only achievable if routine maintenance is performed. These life cycles impact on the depreciation charges that are costed in the Statement of Financial Performance.

A core objective of the Asset Department is to develop a series of asset management plans for different classes of assets, which will facilitate long-term asset management. . A detailed cost benefit analysis of asset management systems will be undertaken in 2006/2007. Future budgets in the long term financial plan have allowed some funding for the purchase of an asset management system, if it is deemed appropriate to do so.



The models produced from the asset management system should provide far more accurate data in relation to financial requirements of infrastructure and fixed assets.

These detailed long term funding requirements would categorise appropriate expenditure mix profiles (periodic maintenance / reactive maintenance / asset renewal) and timing of expenditure. These would then be strategically considered and factored into future long term financial plans

In reality, the evaluation, purchase, and implementation of an asset management system will take several years. In the interim the long-term financial plan has modelled that significant increases of funding will be available for asset management from 2009/2010 onwards. The engineering and public works team has already begun to allocate the forward capital budget to specific renewal works. In the following years they will of course, begin to do the preliminary design work for these projects.

If sufficient funds are not allocated to asset preservation then Council's investment in those assets will reduce, along with the capacity to deliver services to the community.

A financial measure of Council's performance in respect to infrastructure management is the sustainability index. This indicator can be used both as a 'lag indicator' as well as for forward financial modelling trend analysis. The sustainability index quantifies the proportion of the total asset value consumed (equivalent to the annual depreciation charge), compared to the amount spent in preserving the asset (capital expenditure incurred on renewing existing assets) on an annual basis. A value of 100% or greater is the desired target and the Long Term Financial Strategy specifies achieving a sustainability index in excess of 95% in the medium to long term.

The following table sets out the sustainability index percentage for Council's fixed assets, class by class, based on the forecast capital expenditure on existing assets for the 2006/2007 year.

	Replacem't Cost 30 Jun 06 \$'000	Average Annual Consump'n \$'000	Average Annual Preserv'n \$'000	Sustain Index %
Roads	257,580	3,416	2,659	78
Bridges	25,922	278	612	220
Footpaths	11,346	194	200	103
Kerb & Channel	11,479	191	0	0
Drains & Culverts	22,284	284	18	6
Buildings	66,952	1,447	244	17
Carparks	5,280	72	0	0
Other structures	3,105	215	259	120
Total capital works	403,948	6,097	3,992	65

The table indicates that the 2006/2007 capital works program will achieve a sustainability index of 65%. This highlights the funding gap that Council faces in trying to maintain and replace its infrastructure assets. Capital renewal expenditure shortfall on an annual basis is in excess of \$1.90 million.



13.2 Key influences for 2005/2006

The following influences had a significant impact on the Infrastructure Strategy for the 2006/2007 year:

- Reduction in the amount of cash and investment reserves to fund future capital expenditure programs;
- Availability of significant Federal funding for upgrade of roads;
- Projects not started or completed that were funded in the 2005/2006 year being carried over to the 2006/2007 year

13.3 Funding sources for capital works

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

Year	Grants & Contributions \$'000	Borrowings \$'000	Investment Reserves \$'000	Working Capital \$'000	Council Operations \$'000	Capital Program \$'000
2006/07	2,812	0	0	1,264	3,687	7,763
2007/08	2,094	0	0	4,014	1,016	7,124
2008/09	2,027	0	0	0	4,883	6,910
2009/10	1,841	0	0	0	6,726	8,567
2010/11	1,790	0	0	66	8,443	10,299

The forward capital works program is very much dependent upon the level of grants provided for capital works. Only projects with a reasonable likelihood of getting funding are included. Contributions are in the main, proceeds from the sale of assets, namely plant and fleet.

Due to Council's strategy of reducing overall debt, borrowings for projects in the foreseeable future are highly unlikely. Borrowings for projects will only be considered if the capital works proposal satisfies the requirements specified in the financial strategies.

Council has very little spare working capital capacity nor has it cash reserves that can be used to fund a variety of capital projects after the 2006/2007 year. These reserves are either "statutory" or "discretionary" reserves.

Statutory reserves relate to Council held cash and investments that must be expended on a specific purpose as directed by legislation or other funding body and include contributions to car parking, drainage and public resort and recreation.

Discretionary reserves relate to those funds that can be used at Council's discretion, even though they may be earmarked for a specific purpose. Allocations in future years to discretionary reserves will only be viable if the proposed transfer is funded by an equivalent operating surplus in the Statement of Financial Performance. Having said that, Council in 2006 resolved to transfer to an Industrial Land development reserve any income from industrial land sales.



Overview to Appendices

The following appendices include voluntary and statutory disclosures of information, which provide support for the analysis contained in sections 1 to 12 of this report.

This information has not been included in the main body of the budget report in the interests of clarity and conciseness. 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 government.

The contents of the appendices are summarised below:

Appendix Nature of information

- A Standard budgeted financial statements for 2006/2007**
- B Statutory disclosures in the annual budget**
- C Long term financial plan period ending 30 June 2016**
- D Capital works program**
- E Key Strategic Activities**
- F Fees & Charges schedule**



APPENDIX A

Standard budget statements

Budgeted Standard Income Statement

Budgeted Standard Balance Sheet

Budgeted Standard Cash Flow Statement

Budgeted Standard Capital works Statement

Capital works program

This section sets out the budgeted financial statements (including the standard statements) for 2006/2007 and the following 3 years in detail. This information is the basis of the disclosures and analysis of the annual budget in the report.



Standard Budgeted Income Statement

	Projected 2005/06 \$'000	Budget 2006/07 \$'000	Budget 2007/08 \$'000	Budget 2008/09 \$'000	Budget 2009/10 \$'000
INCOME STATEMENT					
REVENUES FROM ORDINARY ACTIVITIES					
(1) Rates	19,224	20,719	21,984	23,239	24,682
(2) Operating grants	8,225	9,566	8,565	9,046	9,323
(3) Capital grants	2,307	832	525	357	0
(4) Reimbursements	328	294	292	299	308
(5) Contributions	64	288	24	24	25
(6) Interest	352	319	238	238	237
(7) User charges	1,660	1,792	1,863	1,939	2,017
(8) Statutory fees	309	319	333	347	362
(9) Other	825	732	775	796	818
TOTAL REVENUE	33,294	34,861	34,599	36,285	37,772
EXPENSES FROM ORDINARY ACTIVITIES					
(1) Employee costs	11,561	12,304	12,705	13,067	13,484
(2) Materials & consumables	11,957	13,446	11,914	12,229	12,972
(3) Utilities	491	510	524	536	549
(4) Depreciation	6,507	6,866	7,650	8,010	8,805
(5) Other	1,780	1,899	1,952	2,001	2,053
(6) Borrowing cost expenses	797	726	569	344	240
TOTAL EXPENSES	33,093	35,751	35,314	36,187	38,103
(7) NET RESULT FOR REPORTING PERIOD	201	(890)	(715)	98	(331)
MOVEMENTS IN EQUITY					
(8) Net gain/ (loss) on disposal of assets	149	31	(56)	(77)	(72)
(9) Net increase in Asset Revaluation Reserve	26,930	0	31,875	2,913	33,138
(10) Total Changes in Equity for the year	27,280	(859)	31,104	2,934	32,735



Standard Budgeted Balance Sheet

SOUTH GIPPSLAND SHIRE COUNCIL Budgeted 'Standard Statement' BALANCE SHEET	Projected 2005/06 \$'000	Budget 2006/07 \$'000	Budget 2007/08 \$'000	Budget 2008/09 \$'000	Budget 2009/10 \$'000
Current Assets					
(1) Cash assets	7,262	5,998	1,984	2,707	3,030
(2) Receivables	1,811	1,801	1,791	1,781	1,771
(3) Other financial assets	1,500	1,600	1,700	1,800	1,900
(4) Land held for resale	0	0	0	0	0
(5) Other	169	169	169	169	169
Total Current Assets	10,742	9,568	5,644	6,457	6,870
Non Current Assets					
(2) Receivables	85	79	75	70	64
(6) Investments	762	762	762	762	762
(7) Fixed Assets	76,326	75,819	84,246	83,886	93,420
(8) Roads Streets & Bridges	250,830	250,285	271,582	272,008	293,461
Total Non Current Assets	328,003	326,945	356,665	356,726	387,707
Total Assets	338,745	336,513	362,309	363,183	394,577
Current Liabilities					
(9) Payables	2,144	1,734	1,724	1,714	1,704
(10) Trust funds	213	213	213	213	213
(11) Provisions	1,839	1,739	1,739	1,239	1,239
(12) Interest bearing liabilities	981	4,689	1,458	1,509	1,202
Total Current Liabilities	5,177	8,375	5,134	4,675	4,358
Non Current Liabilities					
(11) Provisions	2,334	2,451	1,842	1,750	1,928
(12) Interest bearing liabilities	10,437	5,749	4,291	2,782	1,580
Total Non Current Liabilities	12,771	8,200	6,133	4,532	3,508
Total Liabilities	17,948	16,575	11,267	9,207	7,866
Net Assets	320,797	319,938	351,042	353,976	386,711
Equity					
(13) Accumulated Surplus	121,384	119,677	122,083	122,083	121,658
(14) Reserves	199,413	200,261	228,959	231,893	265,053
Total Equity	320,797	319,938	351,042	353,976	386,711



Standard Budgeted Cash Flow Statement

**SOUTH GIPPSLAND SHIRE COUNCIL
Budgeted 'Standard Statement'
CASH FLOW STATEMENT**

Operating

	Budget 2005/06 \$'000	Budget 2006/07 \$'000	Budget 2007/08 \$'000	Budget 2008/09 \$'000	Budget 2009/10 \$'000
Receipts from Customers	22,619	23,899	25,411	26,644	28,212
Interest Received	352	319	238	238	237
Government Receipts	10,323	10,243	8,950	9,403	9,323
Payments to Suppliers	(15,658)	(16,718)	(15,729)	(15,871)	(15,814)
Payments to Employees	(11,513)	(12,250)	(12,644)	(12,998)	(13,406)
(1) Net cash from Operating	6,123	5,493	6,226	7,416	8,552

Investing

Proceeds from sale of plant property & Equipment	3,467	1,980	1,569	1,670	1,841
Payments for property, plant & equipment	(6,610)	(7,763)	(7,124)	(6,910)	(8,567)
(2) Net cash from Investing	(3,143)	(5,783)	(5,555)	(5,240)	(6,726)

Financing

Proceeds from borrowing	0	0	0	0	0
Repayment of loans and advances	8	6	4	5	6
Repayment of borrowings	(1,081)	(980)	(4,689)	(1,458)	(1,509)
Loan advances to community groups	0	0	0	0	0
(3) Net cash from Financing	(1,073)	(974)	(4,685)	(1,453)	(1,503)

Net Cash increase (decrease)	1,907	(1,264)	(4,014)	723	323
Cash at beginning	5,355	7,262	5,998	1,984	2,707
(4) Cash at end	7,262	5,998	1,984	2,707	3,030



Standard Budgeted Capital Works Statement

SOUTH GIPPSLAND SHIRE COUNCIL Budgeted 'Standard Statement' CAPITAL WORKS	Projected 2005/06 \$'000	Budget 2006/07 \$'000	Budget 2007/08 \$'000	Budget 2008/09 \$'000	Budget 2009/10 \$'000
Roads	2,573	2,659	2,999	2,496	2,959
Footpaths	311	317	200	200	200
Kerb & Channels	0	0	0	0	0
Bridges	148	612	0	103	581
Drains & Culverts	40	217	0	0	0
Carparks	0	0	0	0	0
Other Structures	263	300	189	190	224
Buildings	619	443	518	777	791
Land	0	0	0	0	0
Plant & equipment	2,569	3,165	2,775	2,883	3,433
Furniture & Equipment	87	50	443	261	379
Total Capital Works	6,610	7,763	7,124	6,910	8,567
Represented by					
Renewals	5,493	7,189	6,198	6,132	8,147
Upgrades	819	87	443	423	184
Extensions	298	487	483	355	236
Total Capital Works	6,610	7,763	7,124	6,910	8,567
Reconciliation Worksheet					
Total capital works	6,610	7,763	7,124	6,910	8,567
Asset revaluation movement	26,930	0	31,875	2,913	33,138
Depreciation & amortisation	(6,507)	(6,866)	(7,650)	(8,010)	(8,805)
Written down value of assets sold	(3,318)	(1,949)	(1,625)	(1,747)	(1,913)
Net movement in fixed and infrastructure assets	23,715	(1,052)	29,724	66	30,987



APPENDIX B

Statutory disclosures

Section 127(2)(e) of the Local Government Act 1989

Regulation 8 of the Local Government Regulations 2004

This section sets out additional disclosures pursuant to the above legislation in respect to the Council's annual budget.



The information set out below is required under the Local Government Act (1989) to be disclosed in South Gippsland Shire Council’s annual budget.

1. Borrowings

The total amount proposed to be borrowed for the 2006/2007 year is	NIL
The total amount of debt redemption for the 2006/2007 year is	\$979,669
The projected debt servicing cost for the 2006/2007 year is	\$725,503

2. Rates and charges

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

- a A general rate of 0. 315258 cents in the dollar of all rateable residential properties;
- b A general rate of 0. 315258 cents in the dollar of all rateable commercial properties;
- c A general rate of 0. 315258 cents in the dollar of all rateable industrial properties;
- d A general rate of 0. 283732 cents in the dollar of all rateable farm land properties;
- e A general rate of 0. 504413 cents in the dollar of all rateable vacant residential, rural living, commercial or industrial properties;
- f A general rate of 0. 126103 cents in the dollar of all rateable cultural and recreational lands act properties;

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

Type of Property	2005/06 \$	2006/07 \$
Residential	6,733,823	7,323,182
Commercial	693,818	727,630
Industrial	153,604	179,896
Farm Land	5,417,463	5,897,227
Vacant Land	1,209,193	1,292,079
Cultural & Recreational Lands	7,997	8,543

2.3 The estimated total amount to be raised by rates is \$15,428,557



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

Type of Property	Percentage Change	
	2005/06	2006/07
Residential	6%	(6.52)%
Commercial	6%	(6.52)%
Industrial	6%	(6.52)%
Farm Land	6%	(6.52)%
Vacant Land	6%	(6.52)%
Cultural & Recreational Lands	6%	(6.52)%

Due to the general revaluation of all rateable properties for the 2006/2007 year, the rate in the dollar was significantly reduced relative to the rate in the dollar that was levied last year (2005/2006).

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

Type of Property	2005/06	2006/07
Residential	10,453	10,640
Commercial	775	775
Industrial	121	124
Farm Land	3,786	3,830
Vacant Land	2,426	2,400
Cultural & Recreational Lands	21	22
Total number of assessments	17,582	17,791

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

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

Type of Property	2005/06 \$	2006/07 \$
Residential	1,996,773,000	2,322,917,000
Commercial	205,737,000	230,804,500
Industrial	45,548,000	57,063,000
Farm Land	1,784,926,700	2,078,448,300
Vacant Land	224,100,500	256,155,000
Cultural & Recreational Lands	5,928,000	6,775,000
Total	4,263,013,200	4,952,162,800



2.7 The proposed unit amount to be levied for each type of charge under section 162 of the Act:

Type of Charge	Per Rateable Property 2005/06 \$	Per Rateable Property 2006/07 \$
Municipal	212.45	227.80
Kerbside Garbage Collection (Residential)	143.10	153.10
Kerbside Garbage Collection (Commercial)	212.00	226.85
2 nd Kerbside Garbage Collection (Residential)	143.10	153.10
Recycling charge	143.10	153.10

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

Type of Charge	2005/06 \$	2006/07 \$
Municipal	3,552,801	3,857,051
Kerbside Garbage Collection (Residential)	1,107,234	1,207,045
Kerbside Garbage Collection (Commercial)	28,620	31,758
2 nd Kerbside Garbage Collection (Residential)	17,887	20,518
Recycling charge	nil	1,531
Total	4,706,542	5,117,903

2.9 The estimated amount to be raised by rates and charges: \$20,546,460.

2.10 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;
- Changes of use of land such that vacant land becomes residential, commercial or industrial; farmland becomes residential land or other changes in land use.



3. Differential Rates

Rates levied

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

- A general rate of 0.315258% (0.315258 cents in the dollar of CIV) for all rateable residential and rural living properties;
- A general rate of 0.283732% (0.283732 cents in the dollar of CIV) for all rateable farm land properties;
- A general rate of 0.315258% (0.315258 cents in the dollar of CIV) for all rateable commercial properties;
- A general rate of 0.315258% (0.315258 cents in the dollar of CIV) for all rateable industrial properties;
- A general rate of 0.504413% (0.504413 cents in the dollar of CIV) for all rateable vacant residential, commercial, rural living or industrial properties;
- A general rate of 0.126103% (0.126103 cents in the dollar of CIV) for all rateable cultural and recreational lands act properties;

Each differential rate will be determined by multiplying the Capital Improved Value of each rateable land (categorized 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 uses of each differential rate, are set out below.

Residential Land

Residential land is any land, which is:

- Land located within the municipality that is residential, meaning rateable land upon which is erected a private dwelling which is used primarily for residential purposes,
- Land located within the municipality that is rural living, meaning land which is generally outside the established townships and which is primarily used and developed for residential purposes in a rural location.

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

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services; and
- Provision of general support services.

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

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of rate for land in this category is



considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

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

The use of land within this differential rate is any use of land.

The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.

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

Commercial Land

Commercial land is any land, which is:

Land located within the municipality that is commercial, meaning rateable land, which is used primarily for business or commercial purposes, including structures, which are used in conjunction with or for purposes ancillary to business or commercial purposes.

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

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services; and
- Provision of general support services.

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

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

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

The use of land within this differential rate is any use of land.

The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.

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



Cultural and Recreational Land

Cultural and Recreational land is any land, which is:

Land located within the municipality that is cultural or recreational land, as defined in Section 2 of the Cultural and Recreational Land Act 1960

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

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services; and
- Provision of general support services.

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

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

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

The use of land within this differential rate is any use of land.

The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.

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

Industrial Land

Industrial land is any land, which is:

Land located within the municipality that is industrial, meaning land upon which is erected a factory or workshop which is primarily used for industrial purposes and includes any land which is used in conjunction with or for purposes ancillary to industrial purposes for which the factory or workshop is being used, industry including but not being limited to the operations included in the definition of industry in the South Gippsland Shire Council Planning Scheme.



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

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services; and
- Provision of general support services.

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

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

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

The use of land within this differential rate is any use of land.

The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.

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

Vacant Land

Vacant land is any land, which is:

Land located within the municipality that is vacant, meaning land upon which no improvements have been made, improvements being work actually done or material use on and for the benefit of the land, so far as the work done or material used increases the value of the land which is capable of being developed for residential, commercial, rural living or industrial purposes.

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

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services; and
- Provision of general support services.

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



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

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

The use of land within this differential rate is any use of land.

The classification of land which is un-improved will be determined by the occupation of that land and have reference to the planning scheme zoning.

Farm Land

Farmland is any land, which is:

Land located within the municipality that is farm land as defined in Section 2 of the Valuation of Land Act 1960.

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

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services; and
- Provision of general support services.

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

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

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

The use of land within this differential rate is any use of land.

The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.



APPENDIX C

Long Term Financial Plan

Income Statement

Balance Sheet

Cash flow Statement

This section includes Council's forecast financial performance and financial and cash positions for the years 2006/2007 to 2015/2016.



	Projected 2005/06 \$'000	Budget 2006/07 \$'000	Budget 2007/08 \$'000	Budget 2008/09 \$'000	Budget 2009/10 \$'000	Budget 2010/11 \$'000	Budget 2011/12 \$'000	Budget 2012/13 \$'000	Budget 2013/14 \$'000	Budget 2014/15 \$'000	Budget 2015/16 \$'000
INCOME STATEMENT											
REVENUES FROM ORDINARY ACTIVITIES											
Rates	19,224	20,719	21,984	23,239	24,682	25,975	27,427	28,818	30,366	31,851	33,400
Operating grants	8,225	9,566	8,565	9,046	9,323	9,791	9,716	10,199	10,129	10,627	10,548
Capital grants	2,307	832	525	357	0	0	0	0	0	0	0
Reimbursements	328	294	292	299	308	316	325	333	343	352	362
Contributions	64	288	24	24	25	25	26	27	27	28	29
Interest	352	319	238	238	237	237	236	236	236	236	236
User charges	1,660	1,792	1,863	1,939	2,017	2,099	2,184	2,274	2,368	2,466	2,567
Statutory fees	309	319	333	347	362	377	393	410	428	446	466
Other	825	732	775	796	818	840	863	887	911	936	961
TOTAL REVENUE	33,294	34,861	34,599	36,285	37,772	39,660	41,170	43,184	44,808	46,942	48,569
EXPENSES FROM ORDINARY ACTIVITIES											
Employee costs	11,561	12,304	12,705	13,067	13,484	13,867	14,304	14,710	15,174	15,604	16,097
Materials & consumables	11,957	13,446	11,914	12,229	12,972	13,429	13,454	14,228	14,416	14,823	15,398
Utilities	491	510	524	536	549	562	576	591	605	620	635
Depreciation	6,507	6,866	7,650	8,010	8,805	9,186	9,769	10,130	10,750	11,142	11,676
Other	1,780	1,899	1,952	2,001	2,053	2,097	2,145	2,192	2,244	2,294	2,347
Borrowing cost expenses	797	726	569	344	240	147	77	23	4	0	0
TOTAL EXPENSES	33,093	35,751	35,314	36,187	38,103	39,288	40,325	41,874	43,193	44,483	46,153
NET RESULT FOR REPORTING PERIOD	201	(890)	(715)	98	(331)	372	845	1,310	1,615	2,459	2,416
MOVEMENTS IN EQUITY											
Net gain/ (loss) on disposal of assets	149	31	(56)	(77)	(72)	(50)	(50)	(50)	(50)	(50)	(933)
Net increase in Asset Revaluation Reserve	26,930	0	31,875	2,913	33,138	1,873	39,526	0	41,620	3,504	42,876
Donated / Granted Assets	0	0	0	0	0	0	0	0	0	0	0
Previously unrecognised assets	0	0	0	0	0	0	0	0	0	0	0
Total Changes in Equity for the year	27,280	(859)	31,104	2,934	32,735	2,195	40,321	1,260	43,185	5,913	44,359



SOUTH GIPPSLAND SHIRE COUNCIL Budgeted 'Standard Statement'	Projected 2005/06 \$'000	Budget 2006/07 \$'000	Budget 2007/08 \$'000	Budget 2008/09 \$'000	Budget 2009/10 \$'000	Budget 2010/11 \$'000	Budget 2011/12 \$'000	Budget 2012/13 \$'000	Budget 2013/14 \$'000	Budget 2014/15 \$'000	Budget 2015/16 \$'000
BALANCE SHEET											
Current Assets											
Cash assets	7,262	5,998	1,984	2,707	3,030	2,964	4,124	4,433	5,177	4,827	4,586
Receivables	1,811	1,801	1,791	1,781	1,771	1,761	1,751	1,741	1,730	1,720	1,720
Other financial assets	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,500
Land held for resale	0	0	0	0	0	0	0	0	0	0	0
Other	169	169	169	169	169	169	169	169	169	169	169
Total Current Assets	10,742	9,568	5,644	6,457	6,870	6,894	8,144	8,543	9,376	9,116	8,975
Non Current Assets											
Receivables	85	79	75	70	64	58	51	43	35	33	24
Investments	762	762	762	762	762	762	762	762	762	762	762
Fixed Assets	76,326	75,819	84,246	83,886	93,420	93,351	104,748	105,493	117,739	119,115	131,737
Roads Streets & Bridges	250,830	250,285	271,582	272,008	293,461	294,676	321,402	321,385	351,542	356,522	388,603
Total Non Current Assets	328,003	326,945	356,665	356,726	387,707	388,847	426,963	427,683	470,078	476,432	521,126
Total Assets	338,745	336,513	362,309	363,183	394,577	395,741	435,107	436,226	479,454	485,548	530,101
Current Liabilities											
Payables	2,144	1,734	1,724	1,714	1,704	1,694	1,684	1,674	1,664	1,654	1,654
Trust funds	213	213	213	213	213	213	213	213	213	213	213
Provisions	1,839	1,739	1,739	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239
Interest bearing liabilities	981	4,689	1,458	1,509	1,202	1,128	317	135	0	0	0
Total Current Liabilities	5,177	8,375	5,134	4,675	4,358	4,274	3,453	3,261	3,116	3,106	3,106
Non Current Liabilities											
Provisions	2,334	2,451	1,842	1,750	1,928	2,109	2,292	2,478	2,666	2,857	3,051
Interest bearing liabilities	10,437	5,749	4,291	2,782	1,580	452	135	0	0	0	0
Total Non Current Liabilities	12,771	8,200	6,133	4,532	3,508	2,561	2,427	2,478	2,666	2,857	3,051
Total Liabilities	17,948	16,575	11,267	9,207	7,866	6,835	5,880	5,739	5,782	5,963	6,157
Net Assets	320,797	319,938	351,042	353,976	386,711	388,906	429,227	430,487	473,672	479,585	523,944
Equity											
Accumalated Surplus	121,384	119,677	122,083	122,083	121,658	122,624	123,396	124,633	126,242	128,627	130,086
Reserves	199,413	200,261	228,959	231,893	265,053	266,282	305,831	305,854	347,430	350,958	393,858
Total Equity	320,797	319,938	351,042	353,976	386,711	388,906	429,227	430,487	473,672	479,585	523,944
SOUTH GIPPSLAND SHIRE COUNCIL Budgeted 'Standard Statement'	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget



CASH FLOW STATEMENT

	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000
Operating											
Receipts from Customers	22,619	23,899	25,411	26,644	28,212	29,632	31,218	32,749	34,443	36,079	37,785
Interest Received	352	319	238	238	237	237	236	236	236	236	236
Government Receipts	10,323	10,243	8,950	9,403	9,323	9,791	9,716	10,199	10,129	10,627	10,548
Payments to Suppliers	(15,658)	(16,718)	(15,729)	(15,871)	(15,814)	(16,235)	(16,252)	(17,034)	(17,269)	(17,737)	(18,380)
Payments to Employees	(11,513)	(12,250)	(12,644)	(12,998)	(13,406)	(13,786)	(14,221)	(14,624)	(15,086)	(15,513)	(16,003)
Net cash from Operating	6,123	5,493	6,226	7,416	8,552	9,639	10,697	11,526	12,453	13,692	14,186
Investing											
Proceeds from sale of plant property & Equipment	3,467	1,980	1,569	1,670	1,841	1,790	1,861	1,887	2,033	1,965	2,132
Payments for property, plant & equipment	(6,610)	(7,763)	(7,124)	(6,910)	(8,567)	(10,299)	(10,277)	(12,795)	(13,616)	(16,009)	(16,568)
Net cash from Investing	(3,143)	(5,783)	(5,555)	(5,240)	(6,726)	(8,509)	(8,416)	(10,908)	(11,583)	(14,044)	(14,436)
Financing											
Proceeds from borrowing	0	0	0	0	0	0	0	0	0	0	0
Repayment of loans and advances	8	6	4	5	6	6	7	8	8	2	9
Repayment of borrowings	(1,081)	(980)	(4,689)	(1,458)	(1,509)	(1,202)	(1,128)	(317)	(134)	0	0
Loan advances to community groups	0	0	0	0	0	0	0	0	0	0	0
Net cash from Financing	(1,073)	(974)	(4,685)	(1,453)	(1,503)	(1,196)	(1,121)	(309)	(126)	2	9
Net Cash increase (decrease)	1,907	(1,264)	(4,014)	723	323	(66)	1,160	309	744	(350)	(241)
Cash at beginning	5,355	7,262	5,998	1,984	2,707	3,030	2,964	4,124	4,433	5,177	4,827
Cash at end	7,262	5,998	1,984	2,707	3,030	2,964	4,124	4,433	5,177	4,827	4,586



APPENDIX D

Capital works program

This section provides some details of the forward capital works program



10 Year Capital Works Program

Cost Centre	06/07 Budget	07/08 Budget	08/09 Budget	09/10 Budget	10/11 Budget	11/12 Budget	12/13 Budget	13/14 Budget	14/15 Budget	15/16 Budget
<u>Capital Expenditure for Community Projects</u>										
9602 - Future Unplanned Works (SRV Grants)	69,415	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000
8581 - Tarwin Lower Bike Track	145,730	0	0	0	0	0	0	0	0	0
8582 - Better Pools - Toora Upgrade and Refurbish	50,000	0	0	0	0	0	0	0	0	0
8584 - Small Towns Skate Park Project	41,000	0	0	0	0	0	0	0	0	0
Total for Community Projects	306,145	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	190,000

Capital Expenditure for Engineering Services

8770 - Capital Works Design	89,881	102,179	108,242	114,652	121,431	128,600	136,182	144,202	152,685	109,070
Total for Engineering Services	89,881	102,179	108,242	114,652	121,431	128,600	136,182	144,202	152,685	109,070

Capital Expenditure for Information Services

8030 - Information Services	49,740	75,000	75,000	275,000	275,000	275,000	75,000	75,000	75,000	75,000
8035 - Information Services Capital	0	0	0	0	0	0	0	0	0	0
Total for Information Services	49,740	75,000	75,000	275,000	275,000	275,000	75,000	75,000	75,000	75,000

Capital Expenditure for Operations Management

8045 - Asset Management	0	368,000	185,647	104,246	218,573	166,703	117,972	121,512	125,157	128,912
Total for Operations Management	0	368,000	185,647	104,246	218,573	166,703	117,972	121,512	125,157	128,912

Cost Centre	06/07 Budget	07/08 Budget	08/09 Budget	09/10 Budget	10/11 Budget	11/12 Budget	12/13 Budget	13/14 Budget	14/15 Budget	15/16 Budget
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Capital Expenditure for Parks and Gardens

9545 - Foster Showgrounds Regional Playground	90,000	0	0	0	0	0	0	0	0	0
9563 - Playground Replacement Program	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
1210 - 1355 - Open Space Reserve Expense	0	0	0	0	116,049	0	0	67,895	0	0
1210 - 1360 - Industrial Land Reserve Expense	0	0	0	0	550,000	0	0	0	0	0
Total for Parks & Gardens	280,000	190,000	190,000	190,000	856,049	190,000	190,000	257,895	190,000	190,000

Capital Expenditure for Plant

8050 - Plant Purchases	936,546	641,690	769,153	1,266,834	1,091,744	1,123,337	792,254	1,126,564	869,004	1,086,876
Total for Plant	936,546	641,690	769,153	1,266,834	1,091,744	1,123,337	792,254	1,126,564	869,004	1,086,876

Capital Expenditure for Property and Fleet

8040 - Purchases and Sales	2,011,600	2,061,890	2,113,437	2,166,273	2,220,430	2,275,941	2,332,840	2,391,161	2,450,940	2,512,214
8064 - Sundry Land Purchases	0	0	0	0	0	0	0	0	0	0
8106 - Waratah Bay Caravan Park Toilet	0	0	0	0	0	0	0	0	0	180,000
9405 - Korumburra Caravan Park Tennis Court	0	0	0	0	0	0	0	61,387	0	0
9408 - Yanakie Caravan Park Toilet Block	0	0	0	260,153	0	0	0	0	0	0
9410 - Port Welshpool Caravan Park Toilet Block	0	0	246,591	0	0	0	0	0	0	0
9412 - Foster Showgrounds Toilet Block Upgrade	180,000	0	0	0	0	0	0	0	0	0
9413 - Venus Bay Fisherman Jetty Toilet Block Replacement	0	0	211,363	0	0	0	0	0	0	0
9418 - Leongatha Public Hall Exterior Paint	0	72,347	0	0	0	0	0	99,755	0	0
9419 - Mirboo North Public Hall Exterior Paint	0	0	0	0	0	48,259	0	0	0	0
9420 - Mirboo North Public Hall Replace Windows	45,000	0	0	0	0	0	0	0	0	0
9423 - Mardan Public Hall Internal and External Paint	0	0	0	42,120	0	0	0	0	0	0
9424 - Foster Public Hall Flooring	0	0	0	0	31,072	0	0	0	0	0

Cost Centre	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
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	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
9425 - Dumbalk Public Hall Air Conditioning	0	0	0	0	0	0	0	46,041	0	0
9427 - Tarwin Lower Neighbourhood Centre Interior Paint	0	0	0	0	27,446	0	0	0	0	0
9428 - Allambee South Neighbourhood Amenties	0	0	0	0	0	0	0	0	108,479	0
9429 - Korumburra Senior Citizens Flooring	0	0	0	0	0	0	26,184	0	0	0
9430 - Leongatha Senior Citizens Internal Paint	0	0	0	0	0	0	27,639	0	0	0
9431 - Leongatha Council Offices Internal Paint	0	0	0	74,329	0	0	0	0	97,146	0
9434 - Port Welshpool Ferry Terminal Internal Paint	0	0	0	0	0	0	0	36,832	0	0
9435 - Foster Stockyard Gallery Internal Paint	0	0	0	0	33,981	0	0	0	0	0
9437 - Port Welshpool Museum Storage Unit	0	0	0	0	0	0	0	0	41,449	0
9440 - Korumburra Sports Centre Roof Replacement	20,000	0	0	0	0	0	0	0	0	0
9441 - Meeniyana Sports Centre Repair Floor	0	0	0	30,971	0	0	0	0	0	0
9443 - Korumburra Swimming Pool Alternative Wet Deck	0	0	0	0	156,835	0	0	0	0	0
9446 - Mirboo North Swimming Pool Changerooms	0	0	0	0	0	344,711	0	0	0	0
9447 - Mirboo North Swimming Pool Capital Renewal	0	0	0	0	0	115,823	0	0	0	0
9448 - Mirboo North Swimming Pool New Shell	0	0	0	0	0	1,034,132	0	0	0	0
9449 - Poowong Swimming Pool Retile	0	0	117,424	0	0	0	0	0	0	0
9452 - Toora Swimming Pool Capital Renewal	0	66,782	0	0	0	0	0	0	0	0
9453 - Foster Depot Office Accommodation	0	0	0	0	0	0	0	116,636	0	0
9454 - Leongatha Depot RSJ Paint	0	0	0	0	0	0	26,184	0	0	0
9455 - Leongatha Main Office Replace Carpet	0	50,086	0	0	0	0	0	0	0	0
9456 - Walter J Tuck Public Replace Toilets	0	178,084	0	0	0	0	0	0	0	0
9457 - Leongatha Memorial Hall Kitchen Upgrade	0	0	46,970	0	0	0	0	0	0	0
9458 - Mossvale Park Sound Shell Replace Roof	0	0	0	99,106	0	0	0	0	0	0
9459 - Toora Swimming Pool Replace Tiles	0	0	0	123,882	0	0	0	0	0	0
9460 - Toora Pre School Kitchen Upgrade	0	0	0	0	88,873	0	0	0	0	0
9461 - Waratah Bay Caravan Park New Toilet Block	0	0	0	0	287,531	0	0	0	0	0
9462 - Disabled Access To Foster Football Clubrooms	0	0	0	0	0	0	174,561	0	0	0
9463 - Mirboo North Hall Upgrade Male Toilets	0	0	0	0	0	0	232,749	0	0	0
9464 - Foster Showgrounds Install New Sheds	0	0	0	0	0	0	0	61,387	0	0

Cost Centre	06/07 Budget	07/08 Budget	08/09 Budget	09/10 Budget	10/11 Budget	11/12 Budget	12/13 Budget	13/14 Budget	14/15 Budget	15/16 Budget
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9465 - Mechanics Institute Extension	0	0	0	0	0	0	0	0	110,098	0
Total for Property and Fleet	2,256,600	2,429,189	2,735,785	2,796,834	2,846,168	3,818,866	2,820,157	2,813,199	2,808,112	2,692,214

Capital Expenditure for Waste

9610 - Transfer Station - Nyora	0	0	0	0	0	0	0	1,000,000	0	0
8563 - Koonwarra Construction	70,112	0	0	0	0	0	0	0	0	0
Total for Waste	70,112	0	0	0	0	0	0	1,000,000	0	0

Capital Expenditure for Local Roads

1210 - Unallocated projects	0	0	0	34,000	0	169,335	5,722,000	5,003,000	8,718,000	9,600,000
8772 - Rural Reseals	1,168,746	1,200,049	1,231,128	1,263,017	1,505,278	1,329,306	1,363,753	1,399,096	1,435,362	1,472,572
8774 - Reseal Preparation	808,230	625,350	641,974	659,044	676,571	694,567	713,047	732,020	751,503	771,509
8841 - Footpath Kerb and Channel Renewal	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
9130 - Princes Street Korumburra	50,000	0	0	0	0	0	0	0	0	0
9562 - Korumburra Drill Hall	180,000	0	0	0	0	0	0	0	0	0
9652 - Dyrings Road	0	63,038	0	0	0	0	0	0	0	0
9653 - Foster Mt Best	440,000	0	0	0	0	0	0	0	0	0
9654 - Clear Creek	0	0	0	448,030	0	0	0	0	0	0
9655 - Yarragon Road Marks Bridge	0	0	53,845	110,381	509,134	0	0	0	0	0
9656 - Bena Kongwak (Road Alignment for Bridge)	0	0	215,378	0	0	0	0	0	0	0
9657 - Bridge / Culvert Rehabilitation - To Be Determined	150,000	0	26,800	0	0	0	0	0	0	0
9671 - Devils Pinch Road Bridge	21,538	0	0	0	0	0	0	0	0	0
9673 - Gwythers Siding Road Bridge	0	0	21,931	0	0	0	0	0	0	0
9674 - Wooreen Road Mirboo North Bridge Rails	0	0	0	23,041	0	0	0	0	0	0
9678 - Guard Rails - To Be Determined	0	0	0	0	40,347	42,389	44,535	46,790	0	0

Cost Centre	06/07 Budget	07/08 Budget	08/09 Budget	09/10 Budget	10/11 Budget	11/12 Budget	12/13 Budget	13/14 Budget	14/15 Budget	15/16 Budget
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9681 - Timms Road Near Treadwells Road	18,307	0	0	0	0	0	0	0	0	0
9682 - McCartneys Road - 1km from Falls Road	0	19,715	0	0	0	0	0	0	0	0
9684 - Olsons Road Culvert Replacement	0	0	0	0	0	0	0	0	0	0
9685 - Culverts - To Be Determined	0	0	0	0	228,631	26,898	29,690	31,194	0	0
9686 - Loch Poowong Culvert Construction	170,000	0	0	0	0	0	0	0	0	0
9688 - Andersons Inlet	0	209,543	0	0	651,970	0	0	0	0	0
9711 - Hudsons Road - Leongatha South	0	0	0	811,761	0	0	0	0	0	0
9712 - Simons Lane - Leongatha	0	0	0	0	0	1,130,379	0	0	0	0
9713 - Walkerville South Road	0	0	0	110,381	791,986	0	0	0	0	0
9714 - Farmers Road	250,000	0	0	0	0	0	0	0	0	0
9715 - Bena Road	315,000	0	0	0	0	0	0	0	0	0
9716 - Main South Road	0	0	0	0	0	811,785	416,040	0	0	0
9717 - Grandridge Road Sealing	0	200,000	0	0	0	0	0	0	0	0
9722 - Unallocated Future Capex for Roads	0	650,000	300,000	0	121,419	0	0	487,361	499,545	51,204
Total for Local Roads	3,771,821	3,167,695	2,691,056	3,659,655	4,725,336	4,404,659	8,489,065	7,899,461	11,604,410	12,095,285

Total Capital Works	7,760,845	7,123,753	6,909,883	8,567,221	10,299,301	10,277,165	12,795,630	13,617,833	16,009,368	16,567,357
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APPENDIX E

Key Strategic Activities

This section sets out program initiatives to be undertaken by Council in 2006/2007, including appropriate measures and targets that are subject to audit at year end.



Key Strategic Activities 2006/2007

Team	KSA Description	KSA Measures	KSA Target	How the data is reported
Finance	Achieving the budgeted operating result	The difference between the budgeted operating result and the actual operating result for the financial year, not including; <ul style="list-style-type: none"> • Net gain/ (loss) on disposal of assets • Net increase in Asset Revaluation Reserve • Donated / Granted Assets • Previously unrecognised assets 	Equal to or better than budget	Audited Financial Statements
Engineering and Public Works	Completing the Capital Works program	The number of capital projects (not including plant / fleet purchases) that are completed (within the overall capital budgets) at the conclusion of the financial year	95%	Audited Financial Statements
	Open Space Strategy	Open Space Strategy adopted by Council	March 2007	Council minutes
Planning & Environment	Urban Design Framework	Urban Design Framework completed and adopted by Council	October 2006	Council minutes
	Domestic Waste Water Management Plan	Domestic Waste Water Management Plan adopted and implementation commenced	Dec 2006	Council minutes
Community Services	Public Health and Wellbeing Strategy	Public Health and Wellbeing Strategy adopted by Council and implementation commenced	August 2006	Council minutes



Development	Economic Development Five Year Plan	Economic Development Five Year Plan adopted by Council	June 2007	Council minutes
Property	Industrial land development	Industrial land development plan completed and sales commenced by December 2006	Dec 2006	Audited financial statements
Business & External Services	Apply for grants on behalf of Council	Number of successful grant submissions	Greater than 50%	Audited financial statements
Chief Executive	Improving community perceptions	Increase in Community Satisfaction survey for overall performance in key service areas and responsibilities	Greater than 60%	State Government Community Satisfaction Survey
Executive Services	Contract management review	Contract management review implementation Plan agreed to by Executive Management Group.	June 2007	Executive Management Group minutes.



APPENDIX F

Fees and Charges

This section sets out all fees and Statutory charges of Council



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees (fees highlighted in green are full cost recovery fees)	(fees	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Animal Control			
Access - All Records		\$ 8.50	\$ -
Access - Additional Records		\$ 4.50	\$ -
Sustenance Cat & Dog		\$ 6.50	\$ 1,477
Sustenance Stock		\$ 8.50	\$ 232
Exotic Animals (Subsequent animals)		\$ 3.20	\$ -
Exotic Animals (First animal)		\$ 30.00	\$ -
Other (Per animal)		\$ 1.60	\$ -
Sheep (Subsequent animals)		\$ 1.60	\$ -
Sheep (First animal)		\$ 15.50	\$ -
Goats & Pigs (Subsequent animals)		\$ 3.20	\$ -
Grazing Other Livestock - daily fee per head		\$ 0.50	\$ -
Grazing Sheep - daily fee per head		\$ 0.30	\$ -
Grazing Cattle - daily fee per head		\$ 0.50	\$ -
Grazing of Livestock - Application Fee (no refund)		\$ 65.00	\$ -
Droving Other Livestock - daily fee per head		\$ 1.50	\$ -
Droving Sheep - daily fee per head		\$ 0.70	\$ -
Droving Cattle - daily fee per head		\$ 1.50	\$ -
Droving of Livestock - Bond		\$ 1,170.00	\$ -
Droving of Livestock - Application fee (no refund)		\$ 130.00	\$ -
Late Application for Cattle Crossing		\$ 225.00	\$ -
Goats & Pigs (First animal)		\$ 30.00	\$ -
Vic Roads (Stock Control on Declared Roads)		\$ 375.00	\$ 23,864
Cattle (Subsequent animals)		\$ 3.50	\$ 32
Cattle (First animal)		\$ 75.00	\$ 409
Dogs / Cats - Subsequent Offence		\$ 75.00	\$ 2,045
Dogs / Cats - First Offence		\$ 48.00	\$ 3,927
Domestic Animal Business Registration		\$ 155.00	\$ 1,550
Dog / Cat Registration New Applications - Sterilised inc. Working Dogs - Pension		\$ 14.00	\$ 2,100
Dog / Cat Registration New Applications - Sterilised inc. Working Dogs		\$ 28.00	\$ 11,200
Dog / Cat Registration New Applications - Unsterilised - Pension		\$ 42.00	\$ 840
Dog / Cat Registration Renewals - Sterilised inc. Working Dogs - Pension		\$ 14.00	\$ 19,600
Dog / Cat Registration Renewals - Sterilised inc. Working Dogs		\$ 28.00	\$ 117,600
Dog / Cat Registration Renewals - Unsterilised - Pension		\$ 42.00	\$ 2,520
Dog / Cat Registration Renewals - Unsterilised		\$ 84.00	\$ 9,240
Failure to display permit - Port Welshpool Boat Ramp		\$ 108.10	\$ -
Infringement - Fail to register		\$ 214.00	\$ 1,070
Infringement - Dog at large (nighttime)		\$ 214.00	\$ 642
Infringement - Dog at large (daytime)		\$ 159.00	\$ 2,385
Infringement - No tag displayed		\$ 53.00	\$ -
Animal control Total			\$ 200,733



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees (fees highlighted in green are full cost recovery fees)	(fees)	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Asset Management			
ROAD RESERVE ACTIVITY PERMIT (Road RAP)		\$ 55.00	\$ 13,200
Asset Management Total			\$ 13,200
Building Services			
Report & Consent		\$ 200.00	\$ 17,000
Permit Fees		Various	\$ -
Final Inspection		\$ 138.00	\$ 125
Search / Certificate Fees		\$ 86.00	\$ 3,909
BCC Levy		percentage of total works	\$ -
Demolition Fees		\$ 50.00	\$ 1,000
Building Approval Lodgment - Commercial		\$ 30.00	\$ 900
Building Approval Lodgment - Residential		\$ 15.00	\$ 12,000
Form 2.10 Application/Property Information Requests		\$ 30.00	\$ 15,000
Building Services Total			\$ 49,935
Community Services Private Works			
Private Works PAC		\$ 35.00	\$ 24,500
Community Services Private Works Total			\$ 24,500
Community Transport			
Community Transport Cars		\$ 6.00	\$ 15,398
HACC Bus Run		\$ 5.00	\$ 5,941
Bus Self Drive Hire		\$ 0.55	\$ 11,200
Community Bus - Tarwin		\$ -	\$ -
Community Car - Korumburra		\$ -	\$ -
Community Car - Leongatha (Disability Wagon)		\$ -	\$ -
Community Car - Leongatha		\$ -	\$ -
Community Car - Foster		\$ -	\$ -
Community Bus - Leongatha		\$ -	\$ -
Community Bus - Foster		\$ -	\$ -
Community Transport Total			\$ 32,539
Depot			
Mulch		\$ 85.00	\$ 17,077
Depot Total			\$ 17,077
Environmental Health and Immunisation			
Pnumococcal		\$ 125.00	\$ -
Flu		\$ 20.00	\$ 2,000
Twinrix Adult		\$ 60.00	\$ 60
Twinrix Paediatric		\$ 42.00	\$ -
Hep A Adult		\$ 73.00	\$ 73
Hep B Adult		\$ 21.00	\$ 420
Hep B Paediatric		\$ 21.00	\$ -
Varicella		\$ 65.00	\$ 325
Conveyancing Inquiry (50%rego fee plus GST)		\$ -	\$ 940
Excess Food Handlers (\$10.00 per EFT over 5)		\$ -	\$ -



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees) (fees highlighted in green are full cost recovery fees)	(fees	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Registration fee for premises opening post 30 June (50% of rego fee)		\$ -	\$ -
Transfer of Registrations (50% of rego fee)		\$ -	\$ 940
Prescribed Accommodation - Health Act		\$ 106.00	\$ 4,982
Combined Hairdresser/Skin Penetration - Health Act		\$ 150.00	\$ 1,200
Skin Penetration - Health Act		\$ 150.00	\$ 150
Health Act Premises - Hairdresser - Health Act		\$ 120.00	\$ 2,880
Other Food Businesses - Food Act Premises		\$ 41.00	\$ 2,214
Class 2 Low Risk - Food Act Premises		\$ 257.00	\$ 14,135
Class 2 Medium Risk - Food Act Premises		\$ 402.00	\$ 77,586
Class 2 High Risk - Food Act Premises		\$ 402.00	\$ 2,814
Class 1 Food Act Premises		\$ 402.00	\$ 3,618
Caravan Parks Transfer - Residential Tenancies Act		\$ 50.00	\$ -
Caravan Parks - Residential Tenancies Act		\$ 2.50	\$ 1,688
Environmental Health and Immunisation Total			\$ 116,025
Fire Prevention			
Block Clearing (Fire Prevention / Hazards)		\$ 60.00	\$ 1,909
Interest on Fire Notices		\$ -	\$ -
Fire Fines		\$ 214.00	\$ 4,280
Fire Prevention Total			\$ 6,189
Home Care			
Homecare		\$ 5.30	\$ 106,249
Home Care Total			\$ 106,249
Home Maintenance			
Home Maintenance		\$ 6.90	\$ 8,280
Home Maintenance Total			\$ 8,280
Information Centres			
Brochure Fee - Non PCRT Member (Prom Country)		\$ 60.00	\$ 1,091
Brochure Fee - Non Member		\$ 70.00	\$ 318
Central Booking Service - Computer Software		\$ -	\$ -
VTO sign up fee		\$ -	\$ -
Brochure Fee - Member		\$ 50.00	\$ 2,727
Central Booking Service		\$ -	\$ 17,400
Travel Diaries		\$ 3.95	\$ 36
Prom Country t shirts		\$ -	\$ -
Postcards		\$ 1.50	\$ 68
Bags Wholesale		\$ -	\$ -
Bags		\$ 5.00	\$ 91
Maps		\$ 6.95	\$ 95
Information Centres Total			\$ 21,826
Landfills Operations			
Tree Stumps		\$ 26.00	\$ 213
Commercial Waste by weight		\$ 66.00	\$ 369,300
Prescribed Waste		\$ 110.00	\$ -
Concrete (over 300mm)		\$ 47.00	\$ 9,315
Concrete (over 300mm)		\$ -	\$ -



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees (fees highlighted in green are full cost recovery fees)	(fees	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Asbestos	\$	66.00	\$ 3,180
Glass (window etc)	\$	-	\$ -
Landfills Operations Total			\$ 382,007
Legal and Contracts			
201 plus pgs	\$	-	\$ -
101 - 200 pgs	\$	-	\$ -
50 - 100 pgs	\$	-	\$ -
1 -49 pgs	\$	-	\$ -
Legal and Contracts Total			\$ -
Leisure Centre Operations			
Casual Off Peak Training (By Negotiation)	\$	2.00	\$ -
Casual Lane Hire	\$	25.00	\$ -
Regular User Group Lane Hire	\$	10.00	\$ -
School Holiday Program	\$	26.00	\$ -
Indoor Soccer Team Registration (Senior)	\$	65.00	\$ -
Indoor Soccer Team Registration (Junior)	\$	40.00	\$ -
Indoor Soccer Teamsheet (Junior)	\$	25.00	\$ -
Indoor Soccer Teamsheet (Senior)	\$	35.00	\$ -
Schools Rental Per Hour	\$	34.00	\$ -
Netball Rental Per Hour	\$	34.00	\$ -
Basketball Rental Per Hour	\$	34.00	\$ -
Volleyball Teamsheet Fee	\$	16.00	\$ -
Movement to Music - Term Fee	\$	55.00	\$ -
Healthy Kids - Term Fee	\$	80.00	\$ -
Children's Birthday Parties (per participant)	\$	14.00	\$ -
Ed Gym - Term Fee	\$	80.00	\$ -
Soccer Clinic	\$	4.60	\$ -
Netta / Fun Net	\$	4.60	\$ -
Basketball Clinic	\$	4.60	\$ -
Stadium Entry Fee - Spectator	\$	-	\$ -
Stadium Entry Fee - Player	\$	2.00	\$ -
Carnival Hire	\$	550.00	\$ -
Fun Days - Per Participant	\$	10.00	\$ -
Swim Lesson (School Instructor) - Per Participant	\$	2.60	\$ -
Swim Lesson (YMCA Instructor) - Per Participant	\$	4.80	\$ -
Aquatic Education Membership Monthly Fee (Concession)	\$	37.00	\$ -
Aquatic Education Membership Monthly Fee	\$	41.00	\$ -
Aquatic Membership Start-Up Fee (Concession)	\$	36.00	\$ -
Aquatic Membership Monthly Fee (Concession)	\$	29.00	\$ -
Aquatic Membership Start-Up Fee	\$	41.00	\$ -
Aquatic Membership Monthly Fee	\$	36.00	\$ -
Aquatic Family Membership Start-Up Fee	\$	82.00	\$ -
Aquatic Family Membership Monthly Fee	\$	72.00	\$ -
Gentle Exercise	\$	5.50	\$ -
Aqua Movers	\$	5.50	\$ -
Group Fitness (Concession)	\$	7.80	\$ -
Group Fitness	\$	9.80	\$ -



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees (fees highlighted in green are full cost recovery fees)	(fees)	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Aqua Aerobics (Concession)		\$ 7.80	\$ -
Aqua Aerobics		\$ 9.80	\$ -
Spectator		\$ 2.00	\$ -
Family Rec Swim		\$ 13.00	\$ -
Concession Rec Swim		\$ 3.70	\$ -
Child Rec Swim		\$ 3.70	\$ -
Adult Rec Swim		\$ 4.60	\$ -
Single Season Ticket		\$ 150.00	\$ -
Leisure Centre Operations Total			\$ -
Local Laws			
Consume Liquor in Public Place		\$ 107.00	\$ 3,745
Drainage Tappings		\$ 60.00	\$ -
Scavenging at Tip		\$ 60.00	\$ -
Recreation Vehicles		\$ 60.00	\$ 60
Animal permit - Excess animals		\$ 30.00	\$ 300
Advertising on Council properties permit		\$ 60.00	\$ -
Burning off offensive material permit		\$ 235.00	\$ -
Storage of machinery or second hand goods - permit		\$ 60.00	\$ -
Bulk rubbish container release		\$ 75.00	\$ -
Bulk rubbish container permit		\$ 75.00	\$ -
Outdoor eating facility permit		\$ 75.00	\$ -
Display of goods for sale permit		\$ 32.00	\$ 2,240
Roadside trading release		\$ 75.00	\$ -
Door to Door trading permit		\$ 255.00	\$ -
Advertising sign release		\$ 75.00	\$ -
Camping permit		\$ 60.00	\$ 300
Impounded vehicle release		\$ 120.00	\$ 109
Outdoor eating facility release		\$ 32.00	\$ 756
Goods for sale release		\$ 75.00	\$ -
Roadside trading permit		\$ 375.00	\$ 375
Advertising sign permit		\$ 32.00	\$ 5,120
Local Laws Total			\$ 13,005
Meals on Wheels			
Private Works Meals		\$ 9.10	\$ 22,750
Meals on Wheels		\$ 5.20	\$ 135,200
Meals on Wheels Total			\$ 157,950
Personal Care			
Personal Care		\$ 2.90	\$ 10,475
Personal Care Total			\$ 10,475
Property and Revenue			
Data Sales		\$ 45.00	\$ 327
Land Information Certificates		\$ 20.00	\$ 20,000
Property and Revenue Total			\$ 20,327
Public Halls			
Commercial - Korumburra Office Meeting Room 1/2 Day / night		\$ 48.00	\$ -
Commercial - Korumburra Office Meeting Room Full Day		\$ 87.00	\$ -



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees) (fees highlighted in green are full cost recovery fees)	(fees	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Commercial - Hall Bond where liquor is not served (refundable)		\$ 161.00	\$ -
Commercial - Hall Bond where liquor is served (refundable)		\$ 650.00	\$ -
Commercial - Behind Stage 1/2 day		\$ 50.00	\$ -
Commercial - Behind Stage full day		\$ 82.00	\$ -
Commercial - Balcony Seating 1/2 day		\$ 82.00	\$ -
Commercial - Balcony Seating full day		\$ 162.00	\$ -
Commercial - Leongatha Memorial Hall Crockery Hire per setting		\$ 3.20	\$ -
Commercial - Leongatha Memorial Hall Kitchen 1/2 day		\$ 82.00	\$ -
Commercial - Leongatha Memorial Hall Kitchen full day		\$ 130.00	\$ -
Commercial - Leongatha Memorial contractor Set up Costs (if used)		\$ 25.00	\$ -
Commercial - Leongatha Memorial Hall Meeting Rm 2 - 1/2 day		\$ 65.00	\$ -
Commercial - Leongatha Memorial Hall Meeting Rm 2 - full day		\$ 130.00	\$ -
Commercial - Leongatha Memorial Hall Meeting Rm 2 - Full week hire 7 days		\$ 580.00	\$ -
Commercial - Leongatha Memorial Hall Meeting Rm 1 - 1/2 day		\$ 82.00	\$ -
Commercial - Leongatha Memorial Hall Meeting Rm 1 - full day		\$ 161.00	\$ -
Commercial - Leongatha Memorial Hall meeting Rm 1 full week hire 7 days		\$ 727.00	\$ -
Commercial - Leongatha Memorial Hall Full week hire 7 days		\$ 2,330.00	\$ -
Commercial - Leongatha Memorial Hall Rehearsals 1-4 hours		\$ 45.00	\$ -
Commercial - Leongatha Memorial Hall set up where hall deemed unusable by other parties (Weddings Expos Lyric Theatre Catwalks) full day		\$ 390.00	\$ -
Commercial - Leongatha Memorial Hall 1/2 day use set up rehearsals		\$ 260.00	\$ -
Commercial - Leongatha Memorial Hall Rental - full day or evening		\$ 520.00	\$ -
Commercial - Whole Complex Hire 1/2 Day		\$ 380.00	\$ -
Commercial - Whole Complex Hire		\$ 727.00	\$ -
Non Commercial - Korumburra Office Meeting Room 1/2 Day / night		\$ 38.00	\$ -
Non Commercial - Korumburra Office Meeting Room Full Day		\$ 69.00	\$ 251
Non Commercial - Hall Bond where liquor is not served (refundable)		\$ 130.00	\$ -
Non Commercial - Hall Bond where liquor is served (refundable)		\$ 520.00	\$ -
Non Commercial - Behind Stage 1/2 day		\$ 40.00	\$ 364
Non Commercial - Behind Stage full day		\$ 66.00	\$ -
Non Commercial - Balcony Seating 1/2 day		\$ 66.00	\$ 360
Non Commercial - Balcony Seating full day		\$ 130.00	\$ -
Non Commercial - Leongatha Memorial Hall Crockery Hire per setting		\$ 2.60	\$ 2,836
Non Commercial - Leongatha Memorial Hall Kitchen 1/2 day		\$ 66.00	\$ 900
Non Commercial - Leongatha Memorial Hall Kitchen full day		\$ 103.00	\$ 1,873
Non Commercial - Leongatha Memorial contractor Set up Costs (if used)		\$ 18.50	\$ 2,439
Non Commercial - Leongatha Memorial Hall Meeting Rm 2 - 1/2 day		\$ 52.00	\$ 2,364
Non Commercial - Leongatha Memorial Hall Meeting Rm 2 - full day		\$ 103.00	\$ 749
Non Commercial - Leongatha Memorial Hall Meeting Rm 2 - Full week hire 7 days		\$ 465.00	\$ -
Non Commercial - Leongatha Memorial Hall Meeting Rm 1 - 1/2 day		\$ 66.00	\$ 4,500
Non Commercial - Leongatha Memorial Hall Meeting Rm 1 - full day		\$ 130.00	\$ 4,727
Non Commercial - Leongatha Memorial Hall meeting Rm 1 full week hire 7 days		\$ 580.00	\$ -
Non Commercial - Leongatha Memorial Hall Full week hire 7 days		\$ 1,865.00	\$ 1,695



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees (fees highlighted in green are full cost recovery fees)	(fees)	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Non Commercial - Leongatha Memorial Hall Rehearsals 1-4 hours		\$ 35.00	\$ 191
Non Commercial - Leongatha Memorial Hall set up where hall deemed unusable by other parties (Weddings Expos Lyric Theatre Catwalks) full day		\$ 315.00	\$ -
Non Commercial - Leongatha Memorial Hall 1/2 day use set up rehearsals		\$ 208.00	\$ 2,269
Non Commercial - Leongatha Memorial Hall Rental - full day or evening		\$ 415.00	\$ 4,150
Non Commercial - Whole Complex Hire 1/2 Day		\$ 305.00	\$ -
Non Commercial - Whole Complex Hire		\$ 585.00	\$ -
Public Halls Total			\$ 29,668

Records

Applicant B&W Photocopying (Amount per A1 page)	\$ 8.00	\$ 368
Applicant B&W Photocopying (Amount per A3 page)	\$ 1.70	\$ 51
FOI Applicant B&W Photocopying (Amount per A4 page)	\$ 0.20	\$ 20
FOI Supervision Search Fee	\$ 5.00	\$ 20
FOI Council Search Fee	\$ 21.00	\$ 147
FOI Application Fee	\$ 20.00	\$ 140
Records Total		\$ 746

Recreation Facilities

Family Season Ticket	\$ 100.00	\$ -
Single Season Ticket	\$ 50.00	\$ -
Adult Entry	\$ 4.00	\$ -
Child Entry	\$ 3.00	\$ -
School Single Entry	\$ 2.00	\$ -
Spectator	\$ 1.00	\$ -
Single Season Ticket Child - Toora	\$ 65.00	\$ -
Weekly Family Ticket - Toora	\$ 38.00	\$ -
Single Season Ticket Adult - Toora	\$ 90.00	\$ -
Spectator - Toora	\$ 1.00	\$ -
School Single Entry - Toora	\$ 8.00	\$ -
Child Entry - Toora	\$ 3.50	\$ -
Adult Entry - Toora	\$ 4.50	\$ -
Family Season Ticket - Toora	\$ 190.00	\$ -
Community Mobile Skate Equipment Refundable Bond	\$ 200.00	\$ -
Community Mobile Skate Equipment Cancellling Fee	\$ 25.00	\$ -
Community Mobile Skate Equipment - Non Profit SGSC Community Groups	\$ 25.00	\$ -
Community Mobile Skate Equipment - Non Profit SGSC Community Groups	\$ 50.00	\$ -
Community Mobile Skate Equipment - Non Profit SGSC Community Groups	\$ 100.00	\$ 1,000
Community Mobile Skate Equipment - Other Groups	\$ 250.00	\$ -
Community Mobile Skate Equipment - Other Groups	\$ 165.00	\$ -
Community Mobile Skate Equipment - Other Groups	\$ 385.00	\$ -
Community Mobile Skate Equipment - Other Groups	\$ 550.00	\$ -
Recreation Facilities Total		\$ 1,000

Respite HACC

Respite Care	\$ 1.80	\$ 5,040
Respite HACC Total		\$ 5,040

Statutory and Strategic Planning

S.6 (3) - Adoption of an amendment	\$ 471.00	\$ -
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Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees) (fees highlighted in green are full cost recovery fees)	(fees	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
S.6 (2) - Consideration of submissions and assisting the panel		\$ 717.00	\$ -
S.6 (1) - Considering a request to amend planning scheme		\$ 717.00	\$ -
Requests for documents less than 10 pages		\$ -	\$ -
Pre site inspection (If applicant applies for permit \$50 will be removed from the permit fee.		\$ -	\$ -
Copy of Issued permits and plans to applicant / owner only A4		\$ -	\$ -
Copy of Planning Application >30 pages A4 and <100 pages.		\$ -	\$ -
Copy of Planning Application >10 pages A4 and <30 pages.		\$ -	\$ -
Copy of Planning Application 10 pages A4 or less		\$ -	\$ -
Copy of plans of Subdivision with no number.		\$ -	\$ -
Extensions of time for planning permits		\$ 66.00	\$ -
Amendments of planning permits and endorsed plans		\$ 66.00	\$ -
Requests for documents greater than 10 pages		\$ 54.00	\$ 4,762
Copy of plans of Subdivision with applicant providing number.		\$ -	\$ -
Certificate of Compliance		\$ 133.00	\$ -
Certification of Plans - Charged per lot (Base Fee)		\$ 100.00	\$ -
Certification of Plans - Charged per lot		\$ 20.00	\$ -
Planning Certificates (1 day)		\$ 52.00	\$ -
Planning Certificates (3 days)		\$ 31.00	\$ 20,615
Planning Certificates (7 - 14 days)		\$ 16.40	\$ -
Remove restriction (Subdiv Act 1988) over land if the land has been used or developed for more than 2 yrs before date of applications (Plan & Enviro Act 1987) but for the existence of the restriction		\$ 225.00	\$ -
Create vary remove a restriction (Subdivision Act 1988) or create or remove a right of way.		\$ 486.00	\$ -
Use and Change of Use		\$ 451.00	\$ -
Create vary remove easement right-of-way Crown Land or vary remove a condition in the nature of an easement other than a right of way in a Crown Grant.		\$ 363.00	\$ -
Subdivision of Land		\$ 702.00	\$ -
To effect a realignment of a common boundary between lots or to consolidate two or more lots.		\$ 348.00	\$ -
Subdivision of existing building / land into two lots		\$ 348.00	\$ -
Development of Land < \$50M		\$14,473.00	\$ 203,925
Development of Land < \$10M - \$50M		\$ 7,236.00	\$ -
Development of Land < \$7M - \$10M		\$ 4,340.00	\$ -
Development of Land < \$1M - \$7M		\$ 1,035.00	\$ -
Development of Land < \$500000 - \$1 M		\$ 732.00	\$ -
Development of Land < \$250000 to \$500000		\$ 635.00	\$ -
Development of Land < \$10000 - \$250000		\$ 543.00	\$ -
Development of Land > \$10000		\$ 92.00	\$ -
Single Dwellings per lot and/or extensions > \$100000		\$ 440.00	\$ -
Single Dwellings per lot and/or extensions < \$10000 - \$100000		\$ 215.00	\$ -
Single Dwellings per lot and/or extensions < \$10000		\$ -	\$ -
Statutory and Strategic Planning Total			\$ 229,301

Traffic Control



Fees & Charges 2006/07

Description (fees highlighted in yellow are Statutory Fees) highlighted in blue are pool & leisure centre fees (fees highlighted in green are full cost recovery fees)	(fees)	2006/07 Fee (Incl GST)	2006/07 Revenue Budget (Excluding GST)
Disabled Parking Permits		\$ 25.00	\$ 6,250
Infringement - Overtime Parking		\$ 50.00	\$ 12,500
Infringement - Permit Zone / Loading Zone		\$ 64.00	\$ 2,880
Infringement - No Standing / Disabled Parking		\$ 107.00	\$ 9,095
Traffic Control Total			\$ 30,725
Transfer Stations			
Extra Charge for Tyre on Rim		\$ 6.00	\$ 818
Earthmoving Tyre		\$ 150.00	\$ 136
Large Truck Tyre		\$ 25.00	\$ 23
Small Truck / Four Wheel Drive Tyres		\$ 12.00	\$ 295
Car Tyres		\$ 4.00	\$ 1,629
Car Bodies		\$ 30.00	\$ 355
Concrete Bricks Fill up to one m3		\$ 20.00	\$ 2,891
Silage Wrap bundled		\$ 10.00	\$ 391
Other Domestic		\$ 20.00	\$ 104,764
Ute - up to one cubic meter		\$ 20.00	\$ 44,782
120 L Bin		\$ 2.50	\$ 732
240L Bin		\$ 5.00	\$ 10,559
Car Boot		\$ 10.00	\$ 15,155
Garbage Bag up to 120L		\$ 2.50	\$ 65,634
Transfer Stations Total			\$ 248,162
Waste Water Management			
Permit amendment requiring inspection		\$ 120.00	\$ -
Minor permit amendment		\$ 65.00	\$ -
Assessment of Plumber report		\$ 130.00	\$ -
Renewal of expired Septic Tank permit to current EPA requirements.		\$ 235.00	\$ -
Request for Assessment of the waste water disposal system for a constructed dwelling or extra initial construction or Final Inspection.		\$ 120.00	\$ -
Request for copies of plans for septic.		\$ 80.00	\$ -
Request for Assessment of the waste water disposal system for a constructed dwelling		\$ -	\$ -
Request for Consent for proposed shed after septic permit has been issued.		\$ -	\$ -
Request for Consent for proposed shed if no septic permit has been issued.		\$ -	\$ -
Request for Consent for proposed dwelling after septic permit has been issued.		\$ -	\$ -
Request for Consent for proposed dwelling if no septic permit has been issued.		\$ -	\$ -
Permit to alter a septic tank - Minor Works		\$ 245.00	\$ -
Permit to alter a septic tank system - Major Works		\$ 310.00	\$ -
Permit to install a septic tank application made prior to or at the same time as Planning Permit application.		\$ 430.00	\$ 87,290
Permit to Install a septic tank application made after a Planning Permit application.		\$ 485.00	\$ -
Fast Track pre building approval (Setic Report & Consent)		\$ 200.00	\$ -
Waste Water Management Total			\$ 87,290
Grand Total			\$1,812,250



GLOSSARY

Act	Local Government Act 1989
Activities and initiatives	Section 127 of the Act requires a budget to contain a description of the activities and initiatives to be funded by the budget, along with a statement as to how they will contribute to the achievement of the Council's strategic objectives as specified in the Council Plan.
AIFRS	Australian equivalents to International Financial Reporting Standards.
Annual budget	This document is framed within the Council's strategic resource plan and sets out the short term goals and objectives as part of the overall strategic planning framework
Annual operating budget (<i>Budgeted income statement</i>)	The budgeted income statement shows the expected operating result in the forthcoming year with a distinction made between revenue received for operating purposes and revenue received for capital purposes.
Annual report	The annual report prepared by a Council under section 131 of the Act
Annual reporting requirements	Annual reporting requirements include the financial reporting requirements of the Act, Accounting Standards and other mandatory professional reporting requirements.
Australian Accounting Standards	Accounting standards are issued from time to time by the professional accounting bodies and are applicable to the preparation of general purpose financial reports. Australian Accounting Standard AAS 27 - Financial Reporting by Local Governments, is applicable to all general purpose financial reports prepared by Councils. AAS27 is currently the subject of review by the AASB with the release of Exposure Draft ED 125 - Financial Reporting by Local Governments.
Borrowing strategy	A borrowing strategy is the process by which the Council's current external funding requirements can be identified, existing funding arrangements managed and future requirements monitored.
Budgeted balance sheet (<i>Budgeted balance sheet</i>)	The budgeted balance sheet shows the expected net current asset, net non-current asset and net asset positions in the forthcoming year compared to the forecast actual in the current year.



GLOSSARY

	<p>The budgeted balance sheet should be prepared in accordance with the requirements of AASB 101 - Presentation of Financial Statements.</p>
<p>Budgeted cash position (Budgeted cash flow statement)</p>	<p>The budgeted cash flow statement shows the expected net cash inflows and outflows in the forthcoming year in the form of reconciliation between opening and closing balances of total cash and investments for the year. Comparison is made to the current year's expected inflows and outflows.</p> <p>The budgeted cash flow statement should be prepared in accordance with the requirements of AASB 107 Cash Flow Statements.</p>
<p>Budget preparation requirement</p>	<p>Under the Act, a Council is required to prepare and adopt an annual budget by 31 August each year.</p>
<p>Capital expenditure</p>	<p>Capital expenditure is relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. A pre determined 'threshold' may be used which indicates the level of expenditure deemed to be material in accordance with Council's policy. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and upgrade expenditures, the total project cost needs to be allocated accordingly.</p> <p>Capital expenditure is recorded in the balance sheet as additions to the value of the asset (that is, it is capitalised). This accounting treatment reflects the fact that this expenditure has resulted in the creation of additional value in an asset of discernable magnitude (materiality) which will benefit the community over several years and which has not been 'used up' in the year.</p> <p>The asset value is then progressively 'expensed' or written off to the income statement (operating statement), as its life (or service potential) is used up through the depreciation charge. In this way the total cost/value of the asset is spread over the periods in which it is used, the operating result in each period reflecting the consumption of assets and service potential during that period.</p> <p>This best practice guide recommends that capital expenditure be distinguished between new assets (upgrade, expansion, new assets) and asset renewal.</p>
<p>Capital performance statement (<i>Impact of current year on 2006/2007 budget</i>)</p>	<p>This statement shows the internal and external funds for the budget year and forecast which will be used to fund capital works projects and the total capital works expected to be completed in comparison to the budget.</p>
<p>Capital renewal</p>	<p>Capital renewal expenditure is expenditure on an existing asset, which returns the service potential or the life of the asset, up to, that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components of the asset being renewed.</p>



GLOSSARY

	As capital renewal expenditure reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.
Capital works budget <i>(Budgeted capital works statement)</i>	The capital works budget shows the expected internal and external funding for capital works program and the total proposed capital works program for the forthcoming year with a comparison with forecast actual for the current year.
Capital works program	Capital works projects that will be undertaken during the 2006/2007 year
Carry forward surpluses	Inappropriately recognised by many Councils at the end of the current year as the critical starting point in the development of the budget for the following year. The recognition of carry forward surpluses is contrary to the interpretation of the Australian Accounting Standard AAS 27 Financial Reporting by Local Government.
Cash performance statement <i>(Impact of current year on 2006/2007 budget)</i>	This statement shows the expected net cash inflows and outflows as compared to the budget for the current year.
Council plan	This document sets out the medium term goals and objectives as part of the overall strategic planning framework and strategic resource plan and is prepared under section 125 of the Act. The resources required to achieve the Council plan are detailed in the strategic resource plan. As a minimum, a Council plan must include: -the strategic objectives of the Council -strategies for achieving those objectives for at least the next four years -strategic indicators for monitoring the achievement of those objectives -strategic resource plan
Community satisfaction survey	A survey conducted on an annual basis by every Council.
Current year rate increase <i>(Rating strategy)</i>	A statement included in the budget quantifying the amount of the rate change for the forthcoming year and disclosing any significant factors influencing the rate change.
Differential rates	When a Council intends to declare a differential rate (eg business and residential), information prescribed by the Act under section 161 must be disclosed in the Council budget.
Discretionary reserves	Discretionary reserves are funds earmarked by Council for various purposes. Councils can by resolution change the purpose of these reserves.
Executive summary	Opening section of report designed to give the reader an overview and high level "snapshot" of the information



GLOSSARY

	provided in the report.
External funding sources (<i>Analysis of capital budget</i>)	External funding sources relate to capital grants or contributions, which will be received from parties external to the Council. It also includes the proceeds of assets sold to fund the capital works program.
External influences in the preparation of a budget	Matters arising from third party actions over which Council has little or no control eg change in legislation
Financial sustainability	A key outcome of the strategic resource plan. Longer term planning is essential in ensuring that a Council remains financially sustainable in the long term.
Financing activities	Financing activities means those activities which relate to changing the size and composition of the financial structure of the entity, including equity, and borrowings not falling within the definition of cash.
Guidelines for Evaluation of Local Government Capital Projects (Infrastructure strategy)	A publication, released in 1998 by the then Department of Infrastructure that provides a framework for the development of a capital works program.
Infrastructure	Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services.
Infrastructure strategy	<p>An infrastructure strategy is the process by which the Council's current infrastructure and ongoing maintenance requirements can be identified, budgeted capital works implemented and future developments monitored.</p> <p>The key objective of an infrastructure strategy is to maintain or preserve Council's existing assets at desired condition levels. If sufficient funds are not allocated to asset preservation then Council's investment in those assets will reduce, along with the capacity to deliver services to the community.</p>
Internal funding sources (<i>Analysis of capital budget</i>)	Internal sources relate to cash and investments held in reserves or which are uncommitted and cash that will be generated from the operations of Council during the budget year. The latter should equate to the cash inflows from operating activities less capital revenue.
Internal influences in the preparation of a budget	Matters arising from Council actions over which there is some element of control (eg approval of unbudgeted capital expenditure).
International Financial Reporting Standards	Australian reporting entities are currently addressing the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing on or after 1 January 2005. A Council must prepare accounting data for comparative purposes for the 30 June 2006 financial reports. Refer also AIFRS.



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Investing activities	Investing activities means those activities which relate to acquisition and disposal of non-current assets, including property, plant and equipment and other productive assets, and investments not falling within the definition of cash.
Key assumptions	When preparing a budgeted balance sheet of financial position, key assumptions upon which the statement has been based should be disclosed in the budget to assist the reader when comparing movements in assets, liabilities and equity between budget years.
Key budget outcomes	The key activities and initiatives that will be achieved in line with the Council plan.
Key financial indicators	A range of ratios and comparisons of critical financial data over a period of years allowing a reader to gain a better understanding of key measures, such as indebtedness and liquidity which are often undisclosed when financial information is presented in standard statement format.

Operating expenses / Assessment

This ratio measures the average operational spending (as drawn from the income statement) on a per assessment basis. It should be noted that for this ratio to be meaningful, operational expenditure should be adjusted to remove non-operational items such as granted assets from developers any budgeted revaluation income.

Rate revenue/ Total revenue

This ratio measures Council's reliance on rate revenue as its principal source of funding. Increasing trends in this ratio will highlight that growth in rate revenue is frequently higher than what is able to be achieved in Fees and Grant revenue.

Rate revenue / Assessment

This ratio provides an illustration of the average rates paid on a per assessment basis across the municipality. It should be noted that this measure does not differentiate between residential and commercial ratepayers and does not represent either an average residential or commercial rate.

Debt servicing / Total revenue

This ratio contrasts the amount of interest expense that Council is incurring on its interest bearing liabilities as a percentage of the total revenue base. The Department of Victorian Communities (DVC) has established a prudential maximum of 5% in this indicator.

Grants/ Total revenue

This ratio provides an indication of the percentage of total revenue that is comprised of grant income. Falling percentages will indicate that grant revenue is not keeping pace with growth in total revenue and will most probably link to increasing reliance on rate revenue.



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	<p><i>Fees & charges / Total revenue</i></p> <p>This ratio provides an indication of the percentage of total revenue that is comprised of fees & charges income. Falling percentages will indicate that fees & charges revenue is not keeping pace with growth in total revenue and will most probably link to increasing reliance on rate revenue.</p>
Key financial indicators (continued)	<p><i>Indebtedness / Rate revenue</i></p> <p>This ratio measures the total amount of interest bearing liabilities compared to the annual rates levy. This debt indicator is one of the three debt measures used by DVC when considering applications for loan borrowings. The prudential limit is 80%.</p> <p><i>Underlying surplus / Total assets</i></p> <p>This ratio indicates the contribution the underlying operational position makes to the net asset base of Council. Deficit ratios will highlight the percentage of total assets that is being eroded on annual basis by the operational activities of Council. Surplus ratios will highlight the additional contribution that is made to net asset base. Underlying surplus refers to the operational outcome as assessed in the income statement, adjusted for non-operational items such as; capital income, granted assets, revaluation income and expenses, asset write offs and the net gain/loss on sale of assets.</p> <p><i>Total assets / Assessment</i></p> <p>This ratio expresses the total assets that Council holds on a per assessment basis.</p> <p><i>Current assets / Current liabilities</i></p> <p>Otherwise known as the working capital ratio, this indicator expresses Council's short-term ability to meet its liquidity requirements within the current financial year. Ratio's below or nearing 100% indicate that Council may not be able to meet short-term liabilities.</p> <p><i>Total liabilities / Assessment</i></p> <p>This ratio expresses the sum total of current liabilities and non current liabilities expressed on a per assessment basis.</p> <p><i>Capital outlays / Total cash outflows</i></p> <p>This ratio draws the amount of projected cash outflows from the cash flow statement to be expended on the acquisition of property, plant and equipment (inclusive of infrastructure expenditure) as a percentage of all cash outflows. Declining trends may indicate that Council is not or will not in the future be able to adequately fund asset renewal as required or deliver required new facilities.</p> <p><i>Capital outlays / Rate revenue</i></p> <p>This ratio represents the capital outlays as a percentage of rate revenue and therefore Council's relative ability to convert rate revenue into capital works. The outcomes in this ratio will be influenced by capital grants.</p>



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	<p><i>Capital renewal expenditure / Total depreciation</i></p> <p>As distinct from other capital ratios, this indicator looks solely at capital renewal expenditure and excludes capital spending on new assets. By contrasting this ratio against total depreciation, the outcome provides a broad level overview on whether Council is able to achieve a result in excess of 100%. This is a useful indicator but given depreciation may not always represent asset consumption on an annual basis, care should be used in its interpretation.</p>
Key strategic activities	<p>The key strategic activities of a Council are those which will directly contribute to the achievement of the Council Plan during the current year.</p> <p>A statement (or schedule) for the budget year is required by section 127 of the Act to be included in the budget, identifying the key strategic activities to be undertaken during the financial year and performance targets and measures in relation to each key strategic activity.</p>
Legislative framework	<p>The Act, Regulations and other laws and statutes which set a Council's governance and reporting requirements.</p>
Local Government (Finance and Reporting) Regulations 2004	<p>The objective of these Regulations, made under section 243 of the local Government Act 1989 and which came into operation on 20 April 2004, is to prescribe for the purposes of the Local Government Act 1989:</p> <ul style="list-style-type: none"> (a) the manner in which the standard statements and financial statements of a Council are to be prepared and their contents (b) the information to be included in a Council Plan, budget, revised budget and annual report (c) other matters required to be prescribed under Parts 6 and 7 of the Act.
Local Government (Long Service Leave) Regulations 2002	<p>These Regulations require sufficient cash and investments to be maintained to meet the total liability for long service leave calculated in accordance with these Regulations.</p>
New assets	<p>New assets or capital expenditure does not have any element of expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for Council and will result in an additional burden for future operation, maintenance and capital renewal.</p>
Non financial resources	<p>Resources of a non financial nature (such as human resources, information systems and processes, asset management systems) which are consumed by a Council in the achievement of its strategic resource plan goals</p>
Operating activities	<p>Operating activities means those activities that relate to the provision of goods and services.</p>
Operating budgeted income statement	<p>The budgeted income statement shows the expected operating result in the forthcoming year compared to the forecast actual result in the current year.</p>



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	<p>The budgeted statement income statement should be prepared in accordance with the requirements of AASB 101 - Presentation of Financial Statements in accordance in the new International Financial Reporting Standard.</p>
Operating expenditure	<p>Operating expenditure is defined as consumptions or losses of future economic benefits, in the form of reductions in assets or increases in liabilities; and that result in a decrease in equity during the reporting period.</p>
Operating performance <i>(Impact of current year on 2006/2007 budget)</i>	<p>This statement shows the expected operating result as compared to the budget result in the current year separating operating and capital components of revenue and expenditure.</p>
Operating revenue	<p>Operating revenue is defined as inflows or other enhancements, or savings in outflows of future economic benefits, in the form of increases in assets or reductions in liabilities; and that result in an increase in equity during the reporting period.</p>
Performance statement	<p>Required by section 132 of the Act, a performance statement must be included in the annual report of a Council and include:</p> <ul style="list-style-type: none"> -the key strategic activities and performance measures specified in the budget under section 127 for that financial year -the actual results achieved for that financial year having regard to those performance targets and measures.
Prudential ratios and thresholds <i>(Borrowing strategy)</i>	<p>Used by the Department for Victorian Communities in assessing a Council's borrowing capacity as part of the annual Australian Loan Council borrowing allocation.</p>
Rate structure <i>(Rating strategy)</i>	<p>Site value (SV), capital improved value (CIV) or net annual value (NAV) are the main bases upon which rates will be levied. These should be detailed in the budget statement.</p>
Rating strategy	<p>A rating strategy is the process by which the Council's rate structure is established and how the quantum of rate change has been determined, taking into consideration longer term philosophy issues and framework.</p>
Regulations	<p>Local Government (Finance and Reporting) Regulations 2004.</p>
Restricted funds and discretionary reserves	<p>Monies set aside for statutory and discretionary purposes.</p>



GLOSSARY

Revised budget	Section 128 of the Act permits a Council to prepare a revised budget if circumstances arise which cause a material change in the budget and which affects the financial operations and position of the Council.
Road Management Act	The purpose of this Act which came into operation from 1 July 2004 is to reform the law relating to road management in Victoria and to make relating amendments to certain Acts, including the local Government Act 1989.
Service delivery (<i>in strategic resource plan</i>)	A key outcome of a strategic resource plan, service delivery must be linked with performance strategies in order to assess the adequacy of service delivery and the impact on long term budget preparation.
Standard statements	<p>Prepared under section(s) 126(2)(a), 127(2)(a) and / or 131(1)(b) of the Act, standard statements are required in the:</p> <ul style="list-style-type: none"> -Strategic resource plan -Budget -Annual report <p>Whilst the same set of statements (detailed below) is required in each of these reports, they have different focuses due to the differing purposes of each report. The formats of these statements therefore need to reflect these different focuses being strategic, management and reporting, whilst remaining comparable.</p> <p>The standard statements are the</p> <ul style="list-style-type: none"> -Standard Income Statement -Standard Balance Sheet -Standard Cash Flow Statement -Standard Capital Work Statement
“Standard Statements, A Guide”	Publication by the Department for Victorian Communities in 2004 which provides guidance on the preparation of the four standard statements as required by the Act.
Statutory disclosures	Section 127 of the Act and the Regulations require certain information relating to projected results, borrowings, capital works and rates and taxes to be disclosed within the budget.
Statutory reserves	Statutory reserves are funds set aside for specified statutory purposes in accordance with various legislative and contractual requirements. These reserves are not available for other purposes.
Strategic planning framework	A “community owned” document or process which identifies the long term needs and aspirations of the Council, and the medium and short term goals and objectives which are framed within the long term plan.
Strategic resource plan (SRP)	The Act requires that a Council plan should include a strategic resource plan that includes financial and non-financial resources including human resources.



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The strategic resource plan outlines the resources required to achieve the Council plan. As a minimum a strategic resource plan must include in respect of at least the next four years:

- standard statements describing the required financial resources
- statements describing the required non-financial resources – including human resources.

Such planning is essential in ensuring that an organisation remains financially sustainable in the long term. The annual budget should be consistent with the first projected year of a strategic resource plan.

Sustainability index
(*Infrastructure strategy*)

The sustainability index is a means of measuring a Council's performance in the area of infrastructure preservation. This is the proportion of the total asset value consumed compared to the amount spent in preserving the asset on an annual basis.

Three way budgeting methodology
(*Strategic resource plan*)

The linking of the income statement, balance sheet and cash flow statement to produce forecast financial statements based on assumptions about future movements in key revenues, expenses, assets and liabilities.

Underlying operating result

The underlying operating result is a measure of financial sustainability of the Council which can be masked by non-recurring or capital related items.

Valuations of Land Act 1960

The Valuations of Land Act 1960 requires a Council to revalue all rateable properties every two years.

Working capital

Working capital represents funds that are free of all specific Council commitments and are available to meet daily cash flow requirements and unexpected short term needs.



South Gippsland
S h i r e C o u n c i l

Come for the beauty, Stay for the lifestyle

South Gippsland Shire Council Annual Budget – 2006 / 2007

Council Meeting 7 June 2006

Prepared by: **Tom Lovass**
Finance Manager