

MITCHELL SHIRE COUNCIL STRATEGIC RESOURCE PLAN 2017 – 2020

Revised June 2016



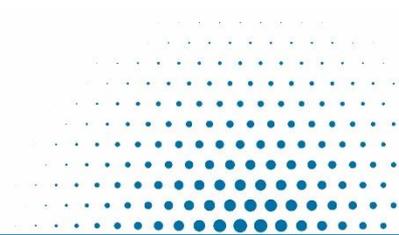
Together with our community, create a sustainable future

MITCHELL SHIRE COUNCIL



STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council





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Introduction

All Councils in Victoria are required to prepare a Strategic Resource Plan (SRP) as part of the Planning and Accountability Framework in the *Local Government Act 1989*.



One of Mitchell Shire Council's five key strategic objectives in the Council Plan is 'excellent and innovative performance underpinned by good governance and responsible financial management'. We are committed to operating with probity, transparency and accountability and to ensuring sound and sustainable financial management.

The SRP is a core part of this commitment and is developed with four primary objectives:

- Long term financial sustainability
- Delivering quality services to the community and planning to meet the needs of future communities in our growth areas
- Community capacity to contribute through rates
- Probity, transparency and accountability.

The SRP sets financial targets and helps guide financially sustainable decision making over the next four years. The SRP shows what resources will be needed over the next four years (both financial and non-financial) to implement on Council's commitments through adopted plans and strategies and to meet community aspirations and needs. The SRP helps assess these commitments and aspirations against Council's capacity to resource them and identifies areas where adjustments may be needed to these commitments or to Council's financial plans.

Council's financial plans must remain flexible and be able to adapt to changes in circumstances outside of our control, eg. rate capping, reduced grant funding, natural disasters, a sector-wide defined benefits superannuation call. Therefore this plan is reviewed and adapted annually to incorporate any changes to assumptions and external factors.

Mitchell Shire Council has undergone major changes in the last three years to improve our financial sustainability over the medium and long term. Last year, we set some ambitious targets to achieve this based on 4.5% rate rises and redirecting \$4 million over 2016/17 and 2017/18 from operating to capital.

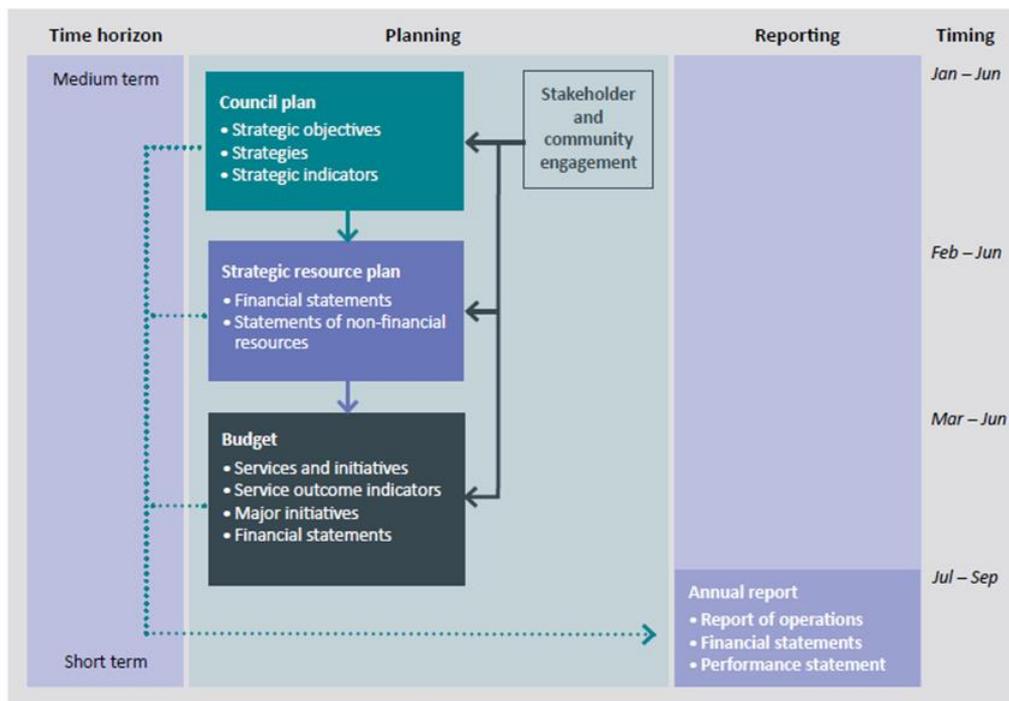
Council's aim is to be financially sustainable over the long term to ensure that sufficient funds are generated to provide the community with agreed levels of service and infrastructure. This plan has been developed based on a 2.5% rate cap. Our long term goal of financial sustainability has not changed, but we have adjusted the SRP to reflect this new operating environment. This work will continue in 2016/17 as we work with the community to define core services, set service standards and develop a new four-year Council Plan for 2017/18 and beyond.

Planning and Reporting Framework

The diagram below details the relationship between the key planning and reporting documents that make up the planning and accountability framework for local government. At each stage of the planning and reporting cycle there are opportunities for community and stakeholder input. This is important to ensure transparency and accountability to residents and ratepayers.

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Plan Development

Council has prepared this SRP for the four years 2016/17 to 2019/20. The SRP takes the strategic objectives and strategies as specified in the Council Plan and expresses them in financial terms for the next four years. In preparing the SRP, Council has also been mindful of the need to comply with the following principles of sound financial management as contained in the Act:

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

The four years represented in this SRP have been developed taking into consideration a longer period. Council maintain and revise each year a financial model inclusive of 10 years. This longer modelling has been developed assuming a continual 2.5% rate cap.

Through the review and redevelopment of this plan, Council has remained focused on addressing legacy financial challenges including, low cash levels, underlying operating deficits, renewing existing assets, addressing the need for capital upgrades and expansions, as well as servicing an existing community whilst addressing the needs of a growing community.

This plan is prepared with the best known information to affect Mitchell Shire Council at this time. An important part of the plan are the assumptions used to inform the financial modelling. Council's previous SRP had indicated future rate increases in the order of 4.5 per cent. Council has committed to meeting an assumed 2.5% rate cap. In order to continue to meet service and infrastructure needs Council will maintain an underlying deficit until 2023/24. Councils' financial sustainability will be achieved over the longer term.

Mitchell Shire Council continues to have a number of key challenges. Our Shire comprises both rural and urban areas with continued strong growth, particularly in the South which brings a



requirement to plan appropriately, build new infrastructure for our new communities as well as to then provide appropriate services to these communities. Other challenges include supporting general development across the shire which often requires a substantial financial or in-kind contribution, addressing pockets of socio economic disadvantage, providing support to communities that are prone to natural disasters and offsetting the continued reduction in grants commission funding.

Financial Objectives and Resources

Council's modelling set out the strategies to be employed to support the achievement of Council Plan objectives within a sustainable financial framework. The outcomes of this plan are reflected in the Budgeted Standard Statements, and form part of the overall SRP. The following provides a summary of the key strategies identified in Council's modelling.

FINANCIAL AREA and STRATEGY

Financial Sustainability

A key driver in the development of the long-term financial plan is maintaining a path to financial sustainability. This involves four key pillars:

- Eliminating the underlying deficit and returning Council to an underlying surplus, including a focus on reviewing existing services provided;
- Increasing the amount of money spent on renewing existing assets, to ensure that those assets continue to deliver the level of service which the community expects;
- Building back up the level of cash to adequate levels;
- Supporting existing and future communities.

These objectives will not be achieved over the four years of this plan but are set to be achieved over the coming 10 years.

Rates

Rate capping will commence 1 July 2016 and has been set at 2.5% in the first year. The SRP has been prepared assuming that Mitchell Shire Council will work within the Rate Cap.

Council remains focused on minimising rate increases to the community and this 2.5% rise is a 2% decrease compared to the previous adopted SRP of 4.5%. This has removed \$633,000 from forecast revenue for 2016/17 and \$44 million over 10 years. The remaining long term plan has also been built on a reduced annual rate increase of 2.5%; however this is subject to formal notification of future rate caps as well as further work to understand long term impacts and projections in partnership with the community as we prepare our new four-year Council Plan and associated future budget deliberations.

The waste management component of the rate reflects the cost of providing waste collection services to the community, including provision for the substantial cost to rehabilitate landfill sites at the end of their useful life. This charge is not subject to the annual rate cap.

Differential rates will be applied to ensure appropriate allocation of rates considering the use of land. Refer to the current Rating Strategy for further information on Council's rate strategy.



FINANCIAL AREA and STRATEGY

Rates as a key challenge is discussed on page 15.

Government Funding

Council will continue to strongly advocate for government funding, particularly to support the development of infrastructure to meet the growing needs of the population in the South of the Shire. Reduced Government funding and the challenges it presents are discussed on page 16.

Fees and Charges

Fees and charges are reviewed for appropriateness annually as part of the budget process. The review considers the cost of the service, the price charged by comparable service providers (including other councils and private operators where applicable) and the extent to which Council is prepared to provide the service at less than full cost recovery.

Fees and charges were benchmarked against similar Councils as part of service reviews conducted last year. In most cases, Mitchell Shire Council's fees and charges were well below the average for similar sized Councils and did not reflect the full cost of providing the service. Council has made some adjustments this year to ensure fees and charges better reflect the cost of providing these services where feasible. Council has also introduced a number of new categories for fees and charges this year based on benchmarking with other Councils and service providers.

Loan Borrowings

Borrowings will be used to fund capital projects of a magnitude that could not otherwise be funded from ongoing income sources and that provide benefit across generations. Council borrowings will be set at a financially sustainable level and within agreed limits.

The Strategic Resource Plan includes potential borrowings for the Seymour Flood Levee, Land Purchase in the South of the Shire as well as capital expenditure associated with growth and developer contributions.

Recurrent Operating Expenditure

Funding for recurrent operating expenditure will be increased annually in line with general cost movements. Services provided by Council have been reviewed in light of rate capping, community expectations, shifting demand for services and the desire to lower rate increases.

In order to meet the rate cap and increase expenditure in infrastructure Council has achieved in 2016/17 a reduction of \$2.6 million in the net recurrent operating costs (\$2 million will be redirected to capital works and \$633,000 reflects reduced services and initiatives to meet the rate cap). Council also plans to decrease recurrent operating expenditure in 2017/18 by a further \$2 million and 2018/19 and 2019/20 by \$750 thousand each year to adjust to the rate cap, continue to invest more in capital and absorb increased demands from growth.



FINANCIAL AREA and STRATEGY

New Initiatives and Cost Pressures

Where achievable, allocations of funding will be available annually specifically for recurrent new initiatives and one-off projects that do not form part of the recurrent operating budget but benefit the community and / or increase the effective and efficient operations within council.

Capital Works

Council aims to dedicate sufficient resources to maintain and in some instances, improve the existing asset base in the long term, with remaining funds being allocated to acquire new assets.

In 2016/17 and 2017/18 an additional \$2 million each year has been redirected to capital works. Future operating reductions each subsequent year will also be required to ensure that capital works funding is not eroded in meeting the rate cap.

This SRP sees lower than required funds available for the purpose of new and renewed capital works which increases the gap between the required asset renewal expense and the financially achievable expense. Council is working towards increasing renewal spend over the coming years to address this shortfall.

A continued focus will be on identifying additional funding sources in addition to reviewing current services, assets and associated standards to reduce this substantial burden.

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Key Financial Results

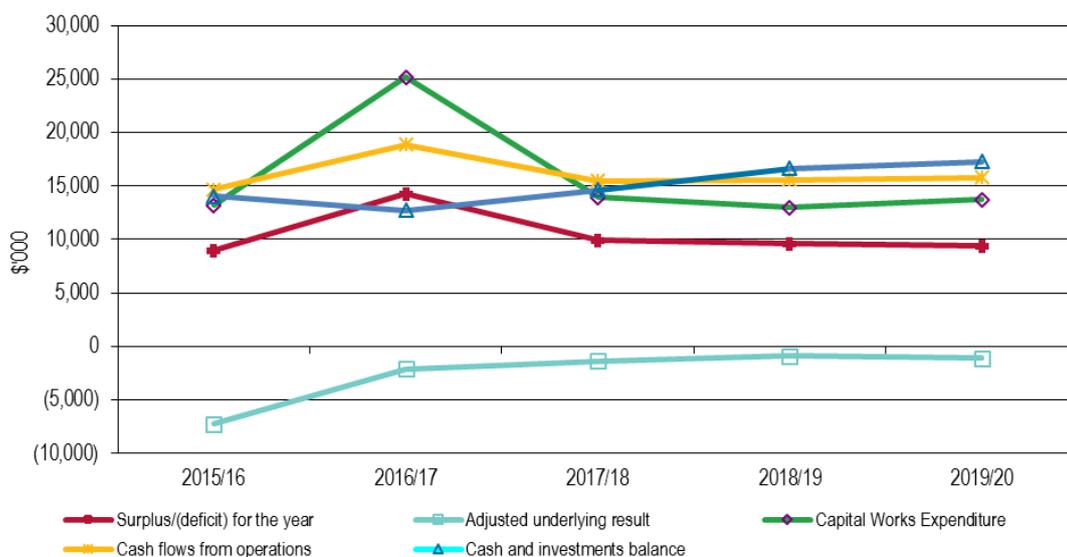
The following table summarises the key financial results for the next four years as set out in the SRP. The Standard Budget Statements commencing on page 21 provide a more detailed analysis of the financial resources to be used over the next four years.

Indicator	Actual	Forecast	Budget	Strategic Resource Plan			Trend
	2014/15	2015/16	2016/17	Projections			+/-
	\$'000	\$'000	\$'000	2017/18	2018/19	2019/20	
Surplus/(deficit) for the year	15,324	8,935	14,275	9,935	9,613	9,386	+
Adjusted underlying result	985	(7,247)	(2,117)	(1,360)	(867)	(1,094)	+
Cash and investments balance	13,884	14,016	12,707	14,637	16,628	17,283	+
Cash flows from operations	16,718	14,660	18,876	15,471	15,569	15,803	+
Capital works expenditure	10,922	13,194	25,182	13,935	12,960	13,720	+

Key to Forecast Trend:

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

The following graph of the financial indicators over the next four years illustrates the trends.

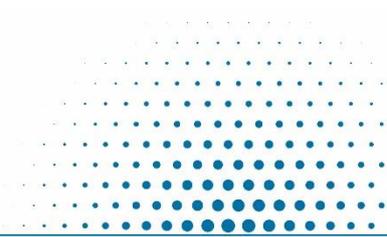


The financial indicators above show a decrease in the annual surplus in the later three years following the 2016/17 budget year. The higher than average surplus in 2016/17 is due to an increase in confirmed capital grants and contributions of \$5.96M, in the later years only recurrent roads to recovery grant of \$823K per annum (plus \$815K non-recurrent roads to recovery allocation in 2017/18) is included. Capital funding projects include additional Roads and Bridges projects from Roads to Recovery \$1.89M, other bridge funding \$0.184M, Seymour Flood Levee \$1.32M, Recreation and Leisure projects \$0.47M and Mandalay Community Centre contribution \$2.9M.

When reviewing the variance in actuals 2014/15 to forecast in 2015/16 the prepayment of the Victorian Grants Commission grant must be taken into account. \$3.2M of 2015/16 funding was paid at the end of 2014/15. Adjusting for this payment brings more consistency to the indicators.

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The adjusted underlying result removes non-recurrent capital grants, non-monetary asset contributions and capital contributions from other sources from the operating surplus / (deficit) result. This indicator shows a slight improvement over the term of the SRP. Council plan for this deficit to reduce to nil over the longer term and have factored in operating efficiencies to ensure this will be achieved.

Note, the actual underlying result for 2014/15 and forecast result for 2015/16 are both impacted by the unexpected early receipt of \$3.2M in relation to the 2015/16 Victorian Grants Commission in June 2015, as well as the deferral of expenditure funded from the 2014/15 budget to 2015/16 in relation to strategic planning projects (\$312K), unspent operational grants (\$274K) and other year end adjustments such as depreciation, loss on sale of assets and expensing of works unable to be capitalised (2014/15 only).

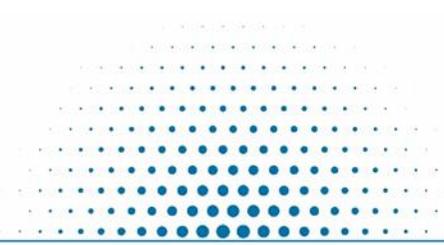
Cash and investments are moving in a positive direction to meet the objective of improving current unsatisfactory cash levels and improving liquidity. Council must maintain a minimum of around \$10 million in cash and investments to meet the day to day requirements of Council business.

This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e. Developer Contribution Funds, trust money and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.

Council will continue to advocate strongly for additional external funding to increase council's ability to increase capital funding.

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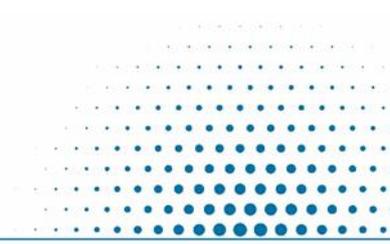
Key Financial Indicators

The table to follow highlights Council's current and projected performance across a range of key financial indicators (KFI). KFIs provide a useful analysis of Council's financial position and performance and should be used in the context of setting the organisation's long term financial planning.

Indicator	Measure	Notes	Actual 2014/15	Forecast 2015/16	Budget 2016/17	Strategic Resource Plan Projections			Trend +/-
						2017/18	2018/19	2019/20	
Operating position									
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	1.8%	-14.4%	-3.8%	-2.3%	-1.4%	-1.8%	+
Liquidity									
Working Capital	Current assets / current liabilities	2	155.1%	155.9%	141.3%	152.8%	194.3%	183.8%	+
Unrestricted cash	Unrestricted cash / current liabilities		35.7%	15.6%	9.0%	31.3%	59.5%	57.2%	+
Obligations									
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	44.4%	37.1%	51.1%	50.8%	49.4%	46.2%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		6.9%	6.2%	7.4%	7.8%	8.1%	8.4%	-
Indebtedness	Non-current liabilities / own source revenue		50.3%	39.5%	45.2%	40.0%	38.4%	34.9%	+
Asset renewal	Asset renewal expenditure / depreciation	4	52.8%	63.8%	53.0%	61.2%	61.2%	35.7%	-
Stability									
Rates concentration	Rate revenue / adjusted underlying revenue	5	60.1%	72.3%	67.8%	68.6%	68.7%	68.7%	o
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.50%	0.53%	0.54%	0.57%	0.58%	0.59%	-
Efficiency									
Expenditure level	Total expenditure / no. of property assessments		\$2,988	\$3,061	\$3,032	\$3,111	\$3,146	\$3,223	-
Revenue level	Residential rate revenue / No. of residential property assessments		\$1,698	\$2,184	\$2,239	\$2,356	\$2,404	\$2,452	-
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year		19.6%	17.6%					o

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Key to Forecast Trend:

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

The Victorian Auditor General's Office assess each Council annually in terms of sustainability. Council is expected to be assessed as a low risk council in 2015/16 and 2016/17 and will be expected to then decline to a medium risk due to the renewal gap and low amount of funding available for capital replacement.

Notes to indicators

1 Adjusted underlying result – An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. The declining trend follows a surplus in 2014/15 where an early payment was received by the Victorian Grants Commission of \$3.2M. This prepayment also impacts the 205/16 year forecast through overstating the deficit. Removing this payment would show a slight improvement in trend. On our current long term planning assumptions it is believed that the underlying result will peak at 0.1% in 2023/24.

2 Working Capital – With a focus on building cash and investments Council's working capital will improve over the coming years. Current assets will sufficiently cover Council operations and current liabilities.

3 Debt compared to rates – Council's current plan includes future borrowings for developer contribution capital expenditure in the growth areas including Wallan, Beveridge and Lockerie as well as Land Acquisition in the South and funds for the Seymour Flood Levee. These additional borrowings cause a slight increase in loans and borrowings in 2016/17 compared to rate revenue however declines throughout the SRP.

It is expected that Council's indebtedness ratio will peak in the 2016/17 year at 45.9% and then reduce over the longer term. This ratio will be dependent upon Council's capital works requirements and will be refined each year as the growth is realised and further borrowings are identified.

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

Council's expenditure on asset renewal will increase gradually over the SRP, a project to redirect \$4 million over the 2016/17 and 2018/19 years from operating costs into capital has allowed further funding for the renewal of assets.

Mitchell Shire has a mix of urban, peri-urban and rural communities. Balancing the needs of our growth, interface and rural communities adds pressure for new assets and renewal as

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Council strives to balance these needs across the municipality and support the unique needs and aspirations of each of our communities.

The level of investment needed to maintain our existing assets and the new assets needed for our growing communities is unsustainable in the long term. Strategies are being developed and services reviewed to enable increased funds to be directed to the renewal of assets in addition to retiring assets no longer required and consolidating assets across communities.

5 Rates concentration - Reflects extent of reliance on rate revenues to fund all of Council's on-going services. Trend indicates Council will become more reliant on rate revenue compared to all other revenue sources. This increase in trend is due to an anticipated reduction in Grants and Contributions being received from other levels of Government. During 2016/17 the Financial Assistance Grants will not increase in line with CPI for the second consecutive year. There is a direct correlation between the loss of funding and the decline in asset renewal funding.

Non-Financial Resources

Human Resources

Council recognises that our staff are a valuable asset and critical to the delivery of quality services and facilities to our community.

A summary of Council's anticipated human resources requirements for the 2016/17 year and beyond is shown below:

Indicator	Actual	Forecast	Budget	Strategic Resource Plan Projections		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Employee costs (\$'000)						
- Operating	22,674	22,860	22,820	24,419	25,456	26,919
- Capital	462	327	459	477	496	516
Total	23,136	23,187	23,279	24,896	25,952	27,435
Employee numbers (FTE)	281	266	261	270	272	279

Capital works employee costs are lower than usual in the 2015/16 forecast due to vacancies in the roads maintenance crew in the operating budget being backfilled by the capital works team.

Forecast dollars and EFT for 2015/16 is based on actual hours paid, they include a reduction for periods of staff vacancies. For some roles, vacancies are backfilled with labour hire (agency staff or contractors) to meet service requirements. In the Quarter 2 forecast, the estimated annual cost of labour hire for 2015/16 is \$317K.

A restructure commencing in late 2015/16, to be completed within early 2016/17, has been incorporated in the budgets and FTE numbers.

It is not envisaged that staffing numbers will alter greatly following the 2016/17 year. However, future decreases may result as a direct impact of service reductions or cessation with future service reviews to be undertaken to ensure Council are able to work within the rate capping framework. Increases will rely on community growth and need. Mitchell Shire

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Council is committed to being a high performing organisation, with continuous improvement activities across the organisation.

Over two thirds of our staff live within the Mitchell Shire offering a unique quality and bringing local perspectives, community networks and strong local knowledge to the organisation. These qualities strengthen the services we provide to our community.

Council is one the largest employers in the Shire (Puckapunyal Army Base being the largest), an onus Council takes seriously.

Mitchell Shire Council is committed to being a high performing organisation, with continuous improvement activities across the organisation. Staff turnover is high and this is something Council is committed to turning around. The coming 12 months will see a significant focus on making Mitchell Shire Council a great place to work with engaged, motivated and efficient staff.

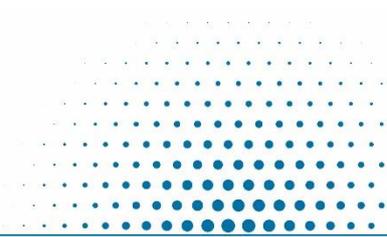
Infrastructure

Infrastructure refers to the assets that Council manages and maintains for the community. These include:

- local roads, footpaths, kerb and channel and drainage
- buildings such as community halls, maternal and child health centres, pre-schools, child care centres and civic properties
- sports reserves, bushland reserves, parks and open space
- street and park furniture
- waste management facilities located at :
 - Seymour/Hilldene Landfill
 - Seymour Resource Recovery Centre
 - Pyalong Resource Recovery Centre
 - Broadford Resource Recovery Centre
 - Wallan Resource Recovery Centre

The assets and buildings detailed below are maintained by Council (as at 2 April 2016):

Sealed roads	654 km	Sporting Pavilions	24
Unsealed roads	923 km	Aquatic Centres	2
Kerb and Channel	403 km	Outdoor pools	3
Footpaths (Concrete)	178 km	Public Toilets	26
Footpaths (Non-Concrete)	46 km	Buildings	104
Drainage Under ground	235 km	Playgrounds	46
Number of Drainage Pits	8602	Libraries (+ 1 leased)	3
Community Halls	16	Kindergartens (8 Council run)	9



KEY CHALLENGES

Rate Capping

Rate capping commences on 1 July 2016 at 2.5%. The introduction of a rate cap on top of existing efficiency savings has placed further constraints on Council's financial position from 2016/17 onwards. The goal of long term financial sustainability has not changed, but in order to reduce the underlying deficit, grow cash to safer levels and continually increase our infrastructure spend, an additional \$750,000 reduction in recurrent operating expenses will be needed in 2018/19 and \$750,000 in 2019/20. This is in addition to the \$2 million already committed for 2016/17 and \$2 million for 2017/18.

This will require service levels and standards be reviewed at the same time as seeking to maximise efficiencies where possible. This may result in some services being reduced, provided through different service models or ceased.

Population and Growth

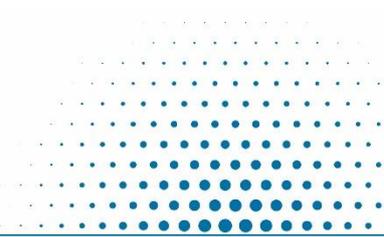
In 2015, Mitchell was estimated to be home to just over 39,900 residents across a mix of urban and rural communities and is forecast to grow at around 3-4% per annum. By 2036 the population is forecast to grow to 89,214, which will see 49,314 new residents move to Mitchell Shire between 2015 and 2036. More than 80% of this growth is expected to occur around Wallan and Beveridge, and in the new suburbs of Donnybrook, Lockerbie and Lockerbie North. Our Shire is comprised of 35% of residents aged below 25 whilst less than 19% of the population are aged over 60 years. In preparing our capital programs we must balance service pressure, and asset renewal against upgrade and new infrastructure to meet the needs of our growing and changing communities.

Infrastructure

There is a continued significant focus throughout the Local Government sector on the level of spending on infrastructure, and particularly the level of funding for protecting existing infrastructure as distinct from creating new assets. Measuring the actual 'renewal gap', (i.e. the difference between the required level of spending on asset protection and the actual level), is inherently subjective. Regardless protection and renewal of existing infrastructure is a key long-term issue for local government.

The level of capital works funding available in this plan is insufficient to meet renewal requirements. In addition a tension exists in allocating scarce capital funds between renewal and new or upgrade projects.

Council is taking steps to minimise the impact of rate capping and restricted funding, however the existing standard and extent of assets within the municipality remains a significant issue. Many of Council's buildings were built 40 to 50 years ago as single purpose buildings with little integration with other Council activities. This ageing infrastructure requires significant investment if it is to meet the rising expectations of the community. Ensuring that the networks of roads, footpaths, bridges and drainage are maintained and renewed into the future is also a key challenge for a municipality such as Mitchell due to the geographic spread and significant growth in the South of the Shire.



Efforts to address this will continue with work on service planning and reviews of direct services and may result in reduction or consolidation of services to community or retiring assets that no longer fit within council's service delivery model.

Risk Management

The broad focus on risk management across the industry has resulted in a number of additional costs for Council. These costs include internal effort and attention allocated to dealing with risk and occupational health and safety matters, and costs passed on by contractors in their meeting of similar obligations. Some of the areas significantly impacted from a cost perspective include waste management and the broad area of tree maintenance and fire protection work. Risk management effort is likely to continue to increase in future years.

Service Delivery and growing community expectations

While growth brings some additional rate revenue, it does not cover the cost of maintaining new infrastructure, planning for future growth or providing new services needed in our new communities. In addition, government funding for many services such as school crossings and libraries does not cover the full cost of service provision, the freezing of Financial Assistance Grants and cost shifting are placing increased demands on Councils to fund important community services.

These challenges, combined with high community expectations for services means Council's current service provision mix is unsustainable in the longer term. Council will be working with the community to redefine core services and set service levels. This will assist with prioritising service investment, particularly as our community continues to grow and for those areas where Council has a social responsibility to provide services to address socio-economic disadvantage and ensure access to services across the municipality.

These priorities will need to be continually reviewed, particularly in light of likely funding trends in future years and changes in community and demographics, along with the growth in the southern part of the Shire.

Government Funding

The largest source of government funding to Council is through the annual Victorian Grants Commission allocation. The overall State allocation is determined by the Federal Financial Assistance Grants to which a freeze on general indexation has been applied resulting in a loss of expected revenue to Council. Furthermore the level of State and Federal Government funding towards recurring services such as school crossing or libraries services has lost pace in real terms, as cost increases are higher than revenue increases, resulting in a further reliance on rates revenue to meet service delivery expectations.

Cost shifting remains a real concern for local government. As other tiers of government change or implement new legislation it creates a need for council to allocate resources accordingly, which in turn can mean a real impact is felt at a local level. Together with reduction in revenues, the shift of service or reporting responsibilities onto local government without adequate funding places additional strain on council finances and staffing resources.



Municipal emergency planning and preparedness

Council's budget addresses the significant costs of emergency planning and preparedness, including bushfire preparation works. Financial pressure in this area will continue as Council continues to respond to the recommendations of the Bushfires Royal Commission and Floods Inquiry, and as we continue to reduce and mitigate a range of emergency related risks. The increased frequency and severity of extreme weather events also continues to have a significant impact on Council's financial resources. We have supported a number of these emergencies over the last few years including flood and fire emergencies in 2009, 2010 and 2011 with an associated cost of \$1.66 million. In addition, there was a significant grass fire in 2014 for which there was an associated expense of \$1.7 million over 2014 and 2015, the majority of which was reimbursed by State Government.

Accessibility

It is our plan to make Mitchell Shire a place where all residents can continue to engage in the community. This includes those with a disability and the older generation, where their contribution to the day to day life of the community is valued, their experience and wisdom are respected, their advice sought and active participation in community life is ongoing. In this Strategic Resource Plan, Council is putting more money into improving footpaths, improving the standard of its disabled car parks, and improving accessibility to all its buildings for the use of all including parents with prams.

Key Assumptions

A range of assumptions were used in the development of this SRP and applied to both revenue and expenditure.

Income / Expenditure Item	Assumption
Rates	Council has planned for a 2.5% rate increase in 2016/17 and each year thereafter. In addition to this annual increase is an allowance factored in for continued growth across the shire.
User Charges	User Charges and Fees have been extensively reviewed, in addition to an annual increase, new fees have been introduced as well as some fees being discontinued. User Charge revenue will increase around 12% in 2016/17. For a detailed listing of all charges please see Council's Fees and Charges Schedule. From 2017/18 onwards an increase of 2% has been assumed.
Grants Recurrent	A 2% increase has been assumed.
Grants Non Recurrent	Grants Non Recurrent are based on the known \$ value of specific grants and are not increased each year.
Contributions	Contributions are difficult to forecast and are external to Council's control, no annual increase has been assumed. The plan has been developed holding the 2015/16 forecast amount.
Proceeds from sale of assets	An amount of \$360k is forecast in 2016/17 and is offset by the written down value of the asset. 2017/18 and onwards has been increased to \$500k to reflect better

STRATEGIC RESOURCE PLAN 2017 – 2020.

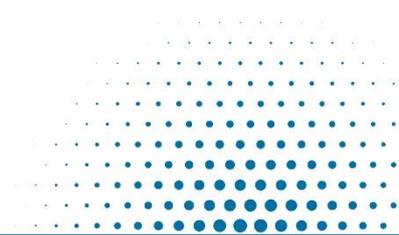
Mitchell Shire Council



Income / Expenditure Item	Assumption
	returns and an expected increase in the annual turnover in plant and fleet.
<i>Other Revenue</i>	All other revenue has been assumed to increase by 2.5% annually.
<i>Employee Costs</i>	<p>Employee costs are driven by the Enterprise Bargaining Agreement and the plan includes a 4% increase inclusive of annual increments in 2016/17 which is assumed to decrease from 2017/18 to 3.5%. A new EBA will be negotiated for 2017/18 and the impact of rate capping will form part of these negotiations.</p> <p>EBA required increases in 2016/17 have been offset by a reduction in staff numbers as part of the \$2 million operating cost reductions.</p>
<i>Contractors, materials and utilities</i>	Utility costs are forecast to increase by 5% each year, whilst materials, contractors and consultants 3%. Consultants and contractors are reviewed in detail each financial year as part of the annual budget process.
<i>Bad and doubtful debts</i>	Council has assumed a slight decrease to bad and doubtful debts and continues to focus on strong debt recovery to reduce Council's receivables.
<i>Finance Costs</i>	<p>Principal and Interest forecasts have been based on existing loan schedules and an interest rate of 5.91% for the following new borrowings,</p> <ul style="list-style-type: none">• 2016/17 \$7.41M• 2017/18 \$3.00M• 2018/19 \$2.20M• 2019/20 \$1.65M <p>At the time of borrowing Council will undertake a competitive process seeking to minimise interest rates as best as possible.</p>
<i>Depreciation</i>	Depreciation has been forecast on a calculation utilising the % depreciation rate specific to each asset class and the assumed value of assets within these classes each year.
<i>Other</i>	All other costs have assumed no increase.

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council



Strategic Resource Plan Model

The following financial statements have been prepared and form Council's four year Strategic Resource Plan.

- Standard Income Statement
- Standard Balance Sheet
- Statement of Changes in Equity
- Standard Cash Flow Statement
- Standard Capital Works Statement
- Statement of Human Resources

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council

Budgeted Standard Income Statement

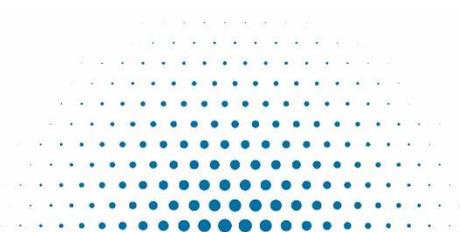
For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Income					
Rates and charges	36,378	37,596	39,944	41,157	42,399
Statutory fees and fines	464	488	497	507	518
User fees	5,367	6,019	6,125	6,311	6,505
Grants - Operating	6,601	9,795	10,102	10,373	10,707
Grants - Capital	8,994	3,835	1,638	823	823
Contributions - monetary	511	3,380	480	480	480
Contributions - non-monetary	7,500	10,000	10,000	10,000	10,000
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	12.00	-	-	-	-
Fair value adjustments for investment property	-	-	-	-	-
Share of net profits/(losses) of associates and joint ventures	-	-	-	-	-
Other income	690	716	722	738	755
Total income	66,517	71,829	69,508	70,389	72,187
Expenses					
Employee costs	22,860	22,820	24,419	25,456	26,919
Materials and services	19,500	18,491	20,015	20,582	21,542
Bad and doubtful debts	42	24	24	24	24
Depreciation and amortisation	12,452	13,514	14,324	14,767	15,243
Borrowing costs	810	1,075	1,198	1,174	1,160
Other expenses	1,918	1,630	1,649	1,679	1,715
Net cost reduction target *	-	-	(2,056)	(2,906)	(3,802)
Total expenses	57,582	57,554	59,573	60,776	62,801
Surplus/(deficit) for the year	8,935	14,275	9,935	9,613	9,386
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods:					
Net asset revaluation increment /(decrement)	-	-	-	-	-
Share of other comprehensive income of	-	-	-	-	-
Items that may be reclassified to surplus or deficit in future periods					
(detail as appropriate)	-	-	-	-	-
Total comprehensive result	8,935	14,275	9,935	9,613	9,386

* This represents the cumulative effect of \$2M in 2017/18, \$750K in 2018/19, \$750K in 2019/20 adjusted for inflation.

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council



Budgeted Standard Balance Sheet

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Assets					
Current assets					
Cash and cash equivalents	14,016	12,707	14,637	16,628	17,283
Trade and other receivables	6,014	6,014	6,014	6,014	6,014
Other financial assets	-	-	-	-	-
Inventories	130	130	130	130	130
Non-current assets classified as held for sale	-	-	-	-	-
Other assets	222	222	222	222	222
Total current assets	20,382	19,073	21,003	22,994	23,649
Non-current assets					
Trade and other receivables	23	23	23	23	23
Investments in associates and joint ventures	5	5	5	5	5
Property, infrastructure, plant & equipment	449,826	469,135	476,046	481,539	490,110
Investment property	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total non-current assets	449,854	469,163	476,074	481,567	490,138
Total assets	470,236	488,236	497,077	504,561	513,787
Liabilities					
Current liabilities					
Trade and other payables	3,633	3,647	3,660	3,674	3,689
Trust funds and deposits	2,209	2,209	2,209	2,209	2,209
Provisions	5,536	5,736	5,736	3,536	4,351
Interest-bearing loans and borrowings	1,698	1,908	2,144	2,414	2,619
Total current liabilities	13,076	13,500	13,749	11,833	12,868
Non-current liabilities					
Provisions	5,159	2,959	759	759	539
Interest-bearing loans and borrowings	11,794	17,296	18,152	17,938	16,965
Total non-current liabilities	16,953	20,255	18,911	18,697	17,504
Total liabilities	30,029	33,755	32,660	30,530	30,372
Net assets	440,207	454,481	464,417	474,031	483,415
Equity					
Accumulated surplus	212,273	227,028	238,123	248,481	257,532
Reserves	227,934	227,453	226,294	225,550	225,883
Total equity	440,207	454,481	464,417	474,031	483,415

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council



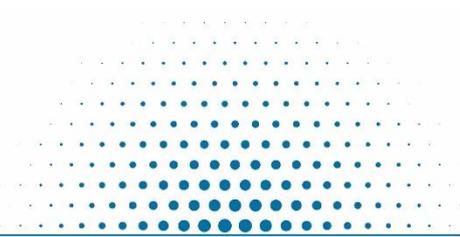
Budgeted Statement of Changes in Equity

For the four years ending 30 June 2020

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2017				
Balance at beginning of the financial year	440,207	212,273	215,957	11,977
Surplus/(deficit) for the year	14,275	14,275	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,621)	-	1,621
Transfer from other reserves	-	2,100	-	(2,100)
Balance at end of the financial year	454,482	227,027	215,957	11,498
2018				
Balance at beginning of the financial year	454,480	227,027	215,957	11,496
Surplus/(deficit) for the year	9,935	9,935	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,540)	-	1,540
Transfer from other reserves	-	2,701	-	(2,701)
Balance at end of the financial year	464,415	238,123	215,957	10,335
2019				
Balance at beginning of the financial year	464,415	238,123	215,957	10,335
Surplus/(deficit) for the year	9,613	9,613	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,456)	-	1,456
Transfer from other reserves	-	2,201	-	(2,201)
Balance at end of the financial year	474,028	248,481	215,957	9,590
2020				
Balance at beginning of the financial year	474,028	248,481	215,957	9,590
Surplus/(deficit) for the year	9,386	9,386	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(1,370)	-	1,370
Transfer from other reserves	-	1,035	-	(1,035)
Balance at end of the financial year	483,414	257,532	215,957	9,925

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council



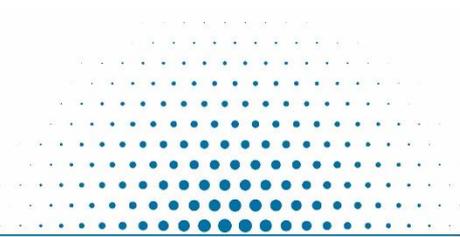
Budgeted Standard Cash Flow Statement

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan		
	2015/16	2016/17	Projections		
	\$'000	\$'000	2017/18	2018/19	2019/20
	Inflows	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Cash flows from operating activities					
Rates and charges	36,378	37,596	39,944	41,157	42,399
Statutory fees and fines	464	488	497	507	518
User fees	5,367	6,019	6,125	6,311	6,505
Grants - operating	6,601	9,795	10,102	10,373	10,707
Grants - capital	9,921	3,835	1,638	823	823
Contributions - monetary	511	3,380	480	480	480
Interest received	400	515	571	630	671
Dividends received	-	-	-	-	-
Trust funds and deposits taken	-	-	-	-	-
Other receipts	290	201	151	108	84
Net GST refund / payment	-	-	-	-	-
Employee costs	(22,847)	(22,807)	(24,405)	(25,441)	(26,905)
Materials and services	(19,500)	(18,491)	(20,015)	(20,582)	(21,542)
Service Reduction savings	-	-	2,056	2,906	3,802
Trust funds and deposits repaid	(965)	-	-	-	-
Other payments	(1,960)	(1,655)	(1,673)	(1,703)	(1,739)
Net cash provided by/(used in) operating activities	14,660	18,876	15,471	15,569	15,803
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(13,194)	(25,182)	(13,935)	(12,960)	(13,720)
Proceeds from sale of property, infrastructure, plant and equipment	931	360	500	500	500
Payments for investments	-	-	-	-	-
Proceeds from sale of investments	-	-	-	-	-
Loan and advances made	-	-	-	-	-
Payments of loans and advances	-	-	-	-	-
Net cash provided by/ (used in) investing activities	(12,263)	(24,822)	(13,435)	(12,460)	(13,220)
Cash flows from financing activities					
Finance costs	(810)	(1,075)	(1,198)	(1,174)	(1,160)
Proceeds from borrowings	0	7,410	3,000	2,200	1,646
Repayment of borrowings	(1,455)	(1,698)	(1,908)	(2,144)	(2,414)
Net cash provided by/(used in) financing activities	(2,265)	4,637	(106)	(1,118)	(1,928)
Net increase/(decrease) in cash & cash equivalents	132	(1,309)	1,930	1,991	655
Cash and cash equivalents at the beginning of the financial year	13,884	14,016	12,707	14,637	16,628
Cash and cash equivalents at the end of the financial year	14,016	12,707	14,637	16,628	17,283

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council

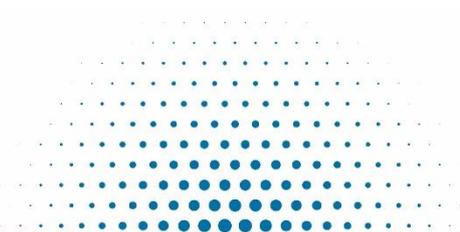


Budgeted Standard Capital Works Statement For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Property					
Land	0	7480	0	2210	250
Land improvements	-	-	-	-	-
Total land	0	7480	0	2210	250
Buildings	1,344	7,200	105	0	3,560
Heritage buildings	-	-	-	-	-
Building improvements	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
Total buildings	1,344	7,200	105	0	3,560
Total property	1,344	14,680	105	2,210	3,810
Plant and equipment					
Heritage plant and equipment	-	-	-	-	-
Plant, machinery and equipment	1,399	1,210	1,400	2,200	1,568
Fixtures, fittings and furniture	-	150	225	250	100
Computers and telecommunications	555	580	620	255	820
Library books	150	150	150	150	150
Total plant and equipment	2,104	2,090	2,395	2,855	2,638
Infrastructure					
Roads	3744	2,715	2,835	2,633	4,321
Bridges	1285	368	560	0	300
Footpaths and cycleways	378	520	775	280	611
Drainage	170	294	3,752	0	150
Recreational, leisure and community facilities	2300	2383	355	1982	512
Waste management	1869	2000	2700	2200	1035
Parks, open space and streetscapes	-	82	315	800	343
Aerodromes	-	-	-	-	-
Off street car parks	-	-	25	-	-
Other infrastructure	-	50	118	-	-
Unallocated capital \$ included in modelling	-	-	-	-	-
Total infrastructure	9,746	8,412	11,435	7,895	7,272
Total capital works expenditure	13,194	25,182	13,935	12,960	13,720
Represented by:					
New asset expenditure	4,203	16,885	4,258	2,905	6,867
Asset renewal expenditure	7,948	7,157	8,760	9,035	5,443
Asset expansion expenditure	30	20	622	135	10
Asset upgrade expenditure	1,013	1,120	295	885	1,400
Total capital works expenditure	13,194	25,182	13,935	12,960	13,720

STRATEGIC RESOURCE PLAN 2017 – 2020.

Mitchell Shire Council



Budgeted Statement of Human Resources

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Staff expenditure					
Employee costs - operating	22,860	22,820	24,419	25,456	26,919
Employee costs - capital	327	459	477	496	516
Total staff expenditure	23,187	23,279	24,896	25,952	27,435
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	266	261	270	272	279
Total staff numbers	266	261	270	272	279

Capital works employee costs are lower than usual in the 2015/16 forecast due to vacancies in the roads maintenance crew in the operating budget being backfilled by the capital works team.

Forecast dollars and EFT for 2015/16 are based on actual hours paid, they include a reduction for periods of staff vacancies. For some roles, vacancies are backfilled with labour hire (agency staff or contractors) to meet service requirements. In the Quarter 2 forecast, the estimated annual cost of labour hire for 2015/16 is \$317K.

A restructure commencing in late 2015/16, to be completed within early 2016/17, has been incorporated in the budgets and FTE numbers.

The dollar and FTE projections in years 2017/18 and beyond are likely to reduce as net cost reduction targets are realised.

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MITCHELL SHIRE COUNCIL

