

2016-2017 Budget



Delivering on our promises

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Executive summary

Council has prepared a Budget for 2016/17 which is aligned to the vision in the Council Plan 2013/17. It seeks to maintain services and infrastructure as well as deliver projects and services that are valued by our community, and do this within the rate increase mandated by the State Government.

This Budget projects a surplus of \$0.6m for 2016/17, however, it should be noted that the adjusted underlying result is a deficit of \$1.9m after adjusting for capital grants and contributions.

Budget Highlights

I Key things we are funding

- Ongoing delivery of services to the Bass Coast community funded by a budget of \$72.3m. These services are summarised in Section 5.
- Continued investment in Infrastructure assets (\$7.4m) primarily for renewal works. This includes roads (\$4.5m); bridges (\$0.05m); footpaths and bicycle paths (\$0.7m); drainage (\$0.7m); recreational, leisure and community facilities (\$1.3m); and off street car parks (\$0.1m). The Statement of Capital Works can be found in Appendix I and further details on the capital works budget can be found in Appendix 3.

Strategic Objective 1: Natural environment

- 1) Implement Year One of the Natural Environment Sustainability Strategy
- 2) Finalise contracts for waste services, including kerbside services and management of waste facilities

Strategic Objective 2: Sustainable development and growth

- 3) Complete preparation of the Wonthaggi North East Precinct Structure Plan
- 4) Complete the review of the Wonthaggi Dalyston Structure Plan
- 5) Complete the review of the Road Management Plan
- 6) Commence preparation of a Municipal Recreation Plan
- 7) Review the Asset Management Strategy and Policy

Strategic Objective 3: Healthy communities

- 8) Prepare a new Municipal Public Health and Wellbeing Plan
- 9) Commence construction of the Bass Valley Children's Centre

Strategic Objective 4: Effective governance

- 10) Develop and adopt the Council Plan 2017/2020
- 11) Conduct the 2016 Council Election

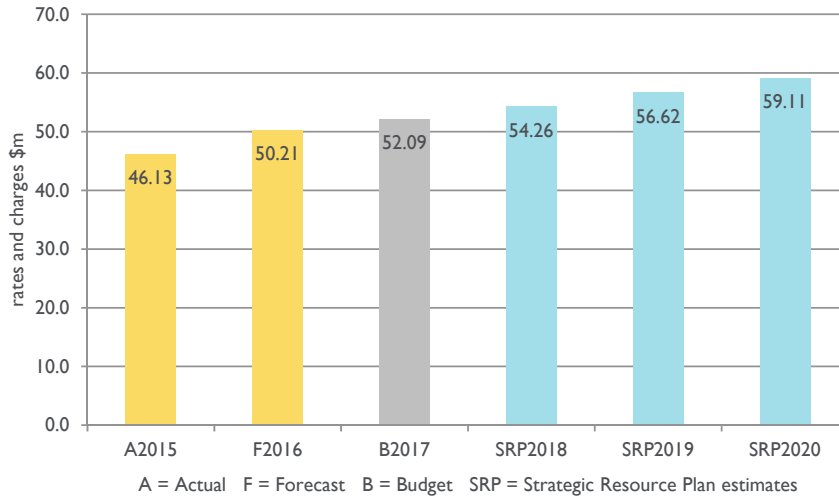
Strategic Objective 5: Economic development

- 12) Implement Year One of the Economic Development Strategy
- 13) Complete the Phillip Island and San Remo Tourism Strategy 2035
- 14) Secure funding and undertake detailed design for the Cowes Revitalisation Project

2 Summary of financial position

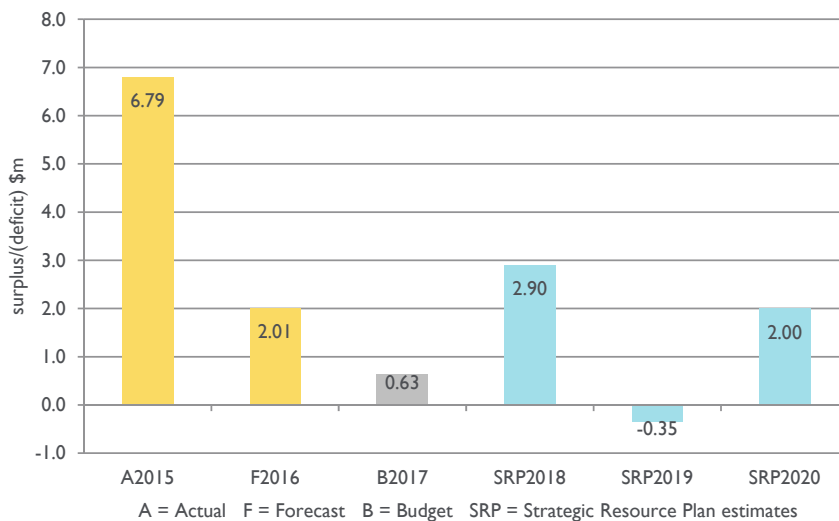
Council has prepared a Budget for the 2016/17 financial year which seeks to balance the demand for services and infrastructure with the community's capacity to pay. Key budget information is provided below about the rate increase, operating result, services, cash and investments, capital works, financial position, financial sustainability and strategic objectives of the Council.

2.1 Total rates and charges



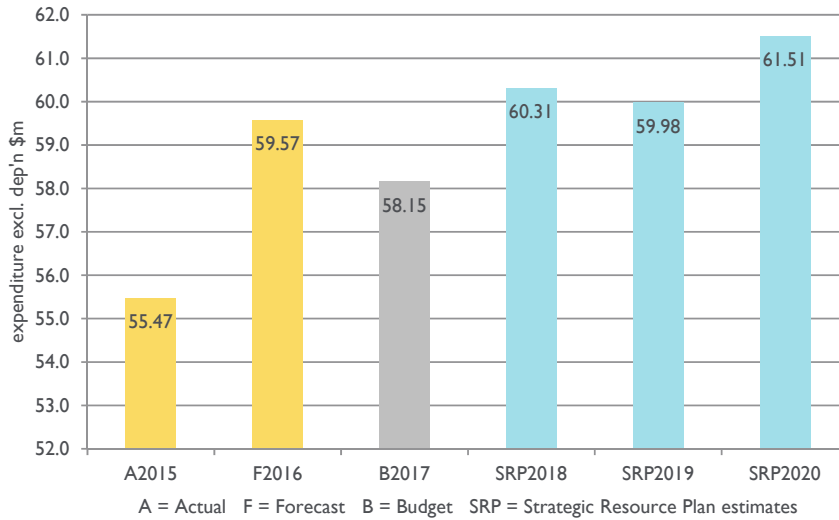
It is proposed that the average rate increase by 2.5% for the 2016/17 year, raising total rates of \$52.1 million, including \$0.57 million generated from supplementary rates and charges. This will result in an increase in total revenue from rates and service charges of 3.7%. The average rate increase is in line with the 2.5% rate cap set by the Minister for Local Government (the rate increase for the 2015/16 year was 6.3%). Refer also Section 8 for more information.

2.2 Operating result



The expected operating result for the 2016/17 year is a surplus of \$0.63 million, which is a decrease of \$1.38 million from 2015/16. The change in operating result is due mainly to external funding for capital works which is forecast to decrease by \$5.6 million to \$4.2 million.

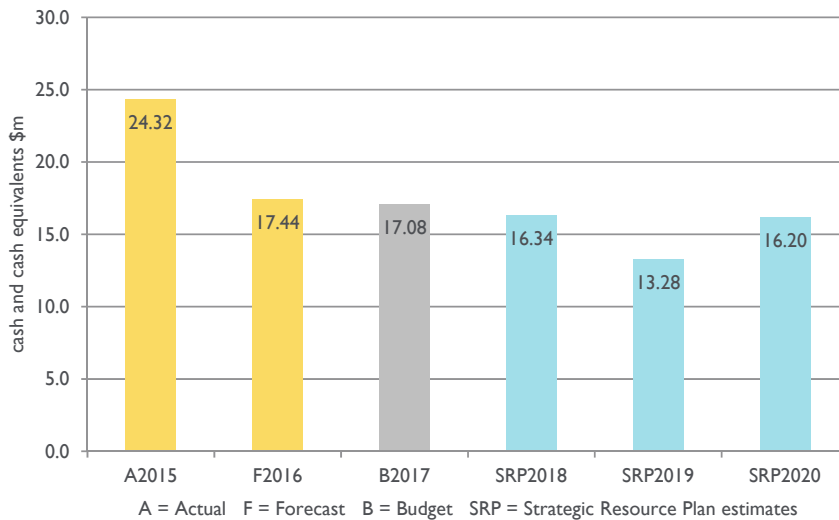
2.3 Expenditure excluding depreciation



Expenditure excluding depreciation for the 2016/17 year is expected to be \$58.15 million which is a decrease of \$1.42 million from 2015/16. This reduction is the result of the continued service review program which has resulted in efficiencies throughout Council, along with responding to the community's desire to see Council contain costs and adhere to the rate cap.

Refer to Section 5 for a list of services.

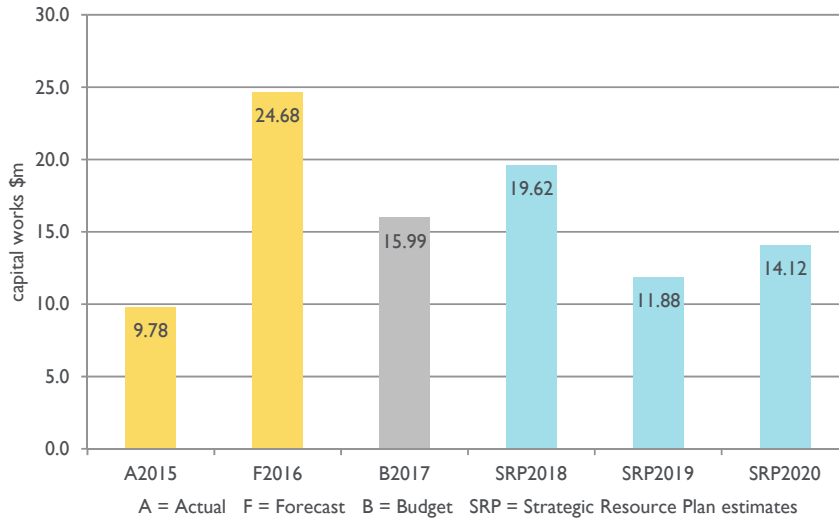
2.4 Cash and investments



Cash and investments are expected to decrease by \$0.24 million during the year to \$17.08 million as at 30 June 2017. The stable level of cash and investments is in line with Council's Strategic Resource Plan. (Cash and investments are forecast to be \$17.44 million as at 30 June 2016).

Refer also to Appendix I for the Statement of Cash Flows.

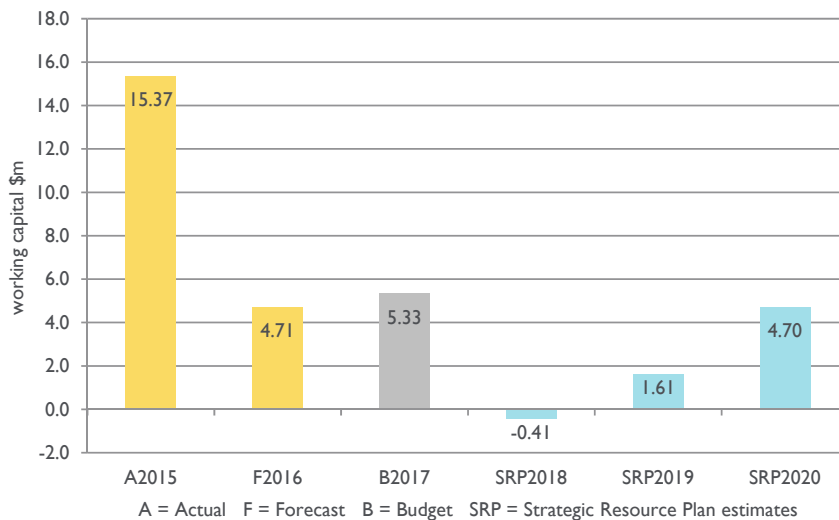
2.5 Capital works



The capital works program for the 2016/17 year is expected to be \$15.99 million. The program will be funded by capital grants of \$4.02 million, contributions of \$0.41 million, borrowings of \$2.9 million and the remainder from Council cash. 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. The 2016/17 program includes a number of major projects including the construction of the Bass Valley Children's Centre, Cowes Revitalisation projects (subject to State and Commonwealth Governments contributions) and Principle Bicycle Network. Capital works is forecast to be \$24.68 million for the 2015/16 year, which includes works carried forward from 2014/15 of approximately \$5.3 million.

Refer also to Appendix I for the Statement of Capital Works and Appendix 3 for the detailed capital works program for 2016/17.

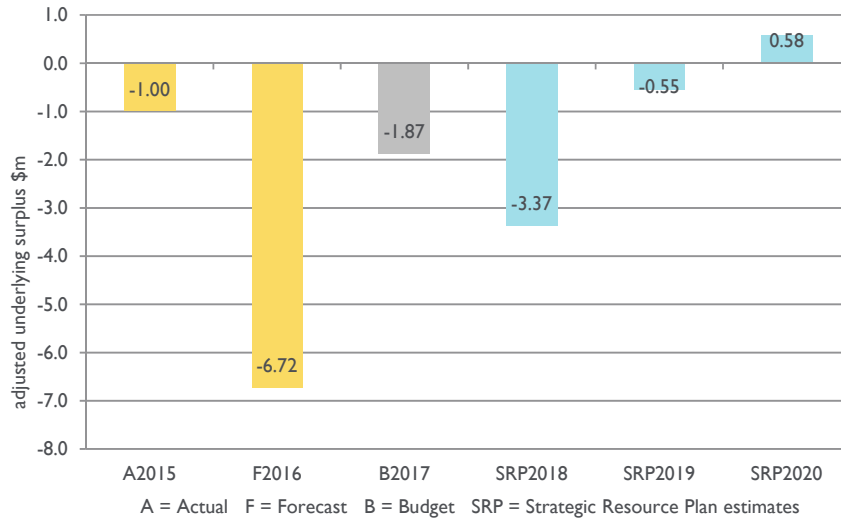
2.6 Financial position



The financial position is expected to remain stable with net assets (net worth) to increase by \$0.63 million to \$579.67 million at 30 June 2017, and further increasing to \$584.23 million by 30 June 2020. As illustrated in the graph above, net current assets (working capital) will reduce to -\$0.41 million as at 30 June 2018, due to a large portion of borrowings becoming current. The repayment of the borrowings has been funded through the use of cash reserves.

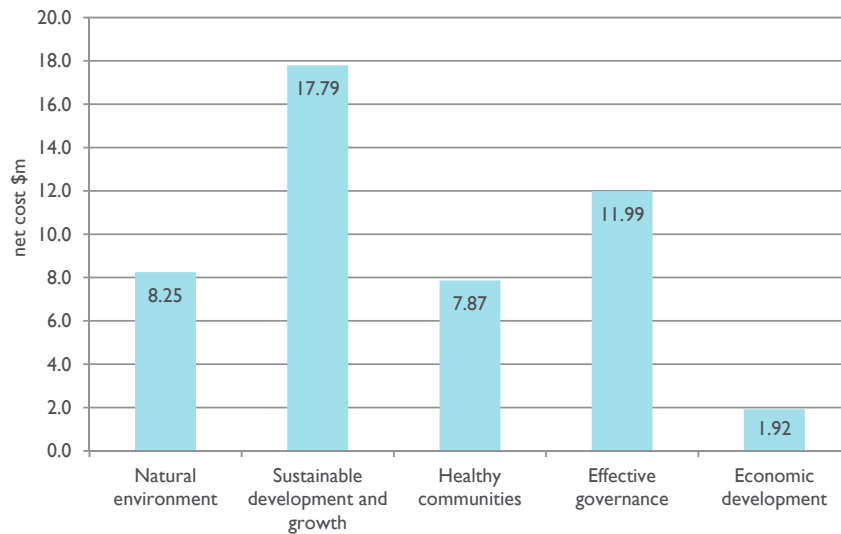
Refer also Appendix I for the Balance Sheet.

2.7 Financial sustainability



A Long Term Financial Plan has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the Council's strategic objectives as specified in the Council Plan. The adjusted underlying result, which is a measure of financial sustainability, shows a decreasing deficit over the four year period, achieving a surplus of \$0.58 million in 2019/20. The adjusted underlying result for 2016/17, which excludes items such as non-recurrent capital grants and non-cash contributions is a deficit of \$1.87 million, which is an improvement of \$4.85 million over 2015/16.

2.8 Strategic objectives



The Annual Budget includes a range of services and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2016/17 year.

The services that contribute to these objectives are set out in Section 5.

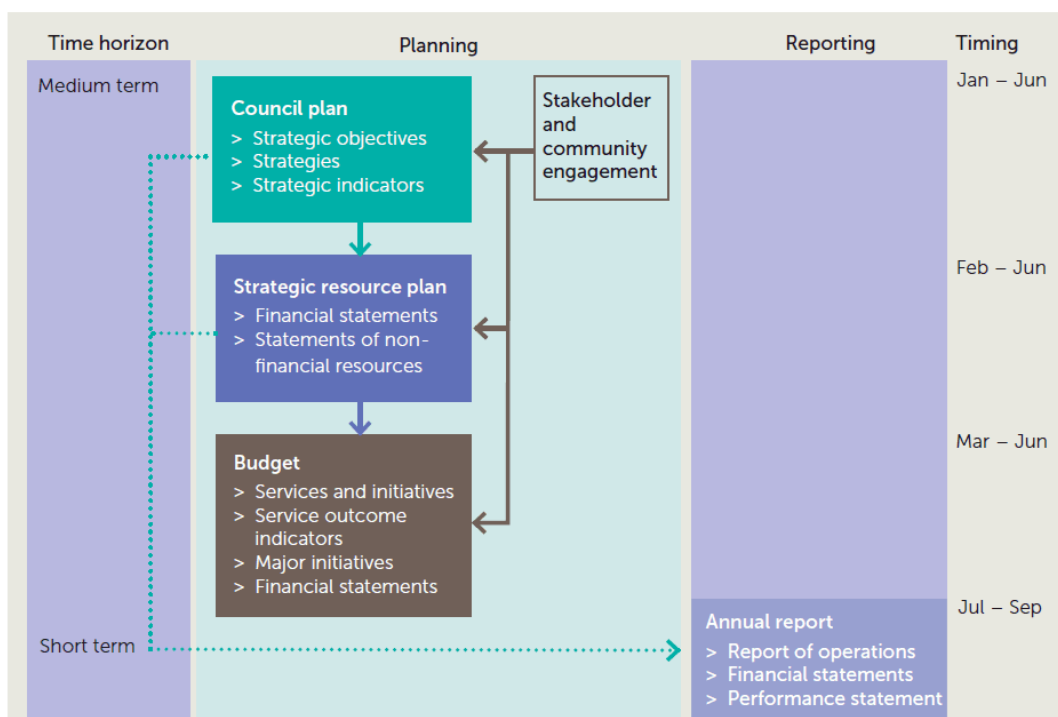
Overview

3 Link to the Council Plan

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

3.1 Planning and accountability framework

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



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

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

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

3.2 Budget Processes

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

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

The 2016/17 budget, is for the year 1 July 2016 to 30 June 2017 and is prepared in accordance with the Act and Regulations. The budget includes financial statements being a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Statement of Capital Works. These statements have been prepared for the year ending 30 June 2017 in accordance with the Act and Regulations, and consistent with the annual financial statements which are prepared in accordance with Australian Accounting Standards and the Local Government Model Accounts. The budget also includes information about the rates and charges to be levied, the capital works program to be undertaken, the human resources required, and other financial information Council requires in order to make an informed decision about the adoption of the budget.

A 'proposed' budget is prepared in accordance with the Act and submitted to Council in April for approval 'in principle'. Council is then required to give 'public notice' that it intends to 'adopt' the budget. It must give 28 days notice of its intention to adopt the proposed budget and make the budget available for inspection at its offices and on its web site. A person has a right to make a submission on any proposal contained in the budget and any submission must be considered before adoption of the budget by Council.

With the introduction of the State Governments Rate Capping legislation in 2015 Councils are now subject to a rate cap as determined by the Minister for Local Government, which is announced in December for application in the following financial year.

If a Council wishes to seek a rate increase above the rate cap, it must submit a rate variation request to the Essential Services Commission (ESC). The ESC will determine whether the rate increase variation submission has been successful by 31 May. In many cases this will require Councils to undertake 'public notice' on two separate proposed budgets simultaneously, i.e. the Ministers' maximum rate increase and the Council's required rate increase.

The final step is for Council to adopt the budget after receiving and considering any submissions from interested parties. The budget is required to be adopted by 30 June and a copy submitted to the Minister within 28 days after adoption. The key dates for the budget process are summarised below:

Budget process	Timing
1. Minister of Local Government announces maximum rate increase	Dec
2. Officers update Council's long term financial projections	Dec
3. Council to advise ESC if it intends to make a rate variation submission	Jan
4. Officers prepare draft operating and capital budgets	Jan/Feb
5. Council submits formal rate variation submission to ESC (if required)	Mar
6. Proposed budget(s) submitted to Council for approval	Apr
7. Public notice advising intention to adopt budget	Apr
8. Budget available for public inspection and submissions	Apr/May
9. ESC advises whether rate variation submission is successful (if variation sought)	May
10. Submissions period closes (28 days)	May
11. Submissions considered by Council/Committee	Jun
12. Budget presented to Council for adoption	Jun
13. Copy of adopted budget submitted to the Minister	Jul
14. Revised budget where a material change has arisen	

3.3 Our purpose

Our vision

Bass Coast Shire will be recognised as a unique place of environmental significance where our quality of life and sense of community is balanced by sustainable and sensitive development, population and economic growth.

Our mission

Bass Coast Shire Council will take a leading role in partnership with other levels of government, businesses, community groups and individuals to make our community's vision a reality.

Our values

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

- **Customer focus** – We will continue to develop effective relationships with customers.
- **Continuous improvement** - We are committed to improving our processes and service delivery.
- **Pride** - We take pride in and promote our achievements, our staff and our organisation.
- **Integrity** - We act and make decisions that are fair, honest, open and accountable.
- **Respect** - We treat people with dignity and respect.
- **Commitment** - We value and recognise contributions towards achieving the Bass Coast Vision. We listen, understand, consult and respond to our community and staff. We provide accurate, timely and relevant information.

3.4 Strategic objectives

Council delivers services and initiatives under 35 major service categories. Each contributes to the achievement of one of the five Strategic Objectives as set out in the Council Plan for the years 2013-17. The following table lists the five Strategic Objectives as described in the Council Plan. Further detail of services is provided in Section 5.

Strategic Objective	Description
1. Natural environment	Our unique natural environment is protected, maintained and enhanced for the enjoyment of all.
2. Sustainable development and growth	Our built environment complements our landscape, lifestyle and climate.
3. Healthy communities	Our community feels connected, safe and strong.
4. Effective governance	Our leadership will be achieved through good governance, community engagement and excellence in service delivery.
5. Economic development	Our economy is supported by diverse, local and innovative businesses and employment.

4 Budget influences

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

4.1 Snapshot of Bass Coast Shire Council

Bass Coast Shire Council is located in south-eastern Victoria, about 130 kilometres south-east of Melbourne. Bass Coast Shire is bounded by Westernport Bay in the north and west, Cardinia Shire in the north-east, South Gippsland Shire in the east and Bass Strait to the south.

Bass Coast's main centres are Wonthaggi, Cowes (Phillip Island), Inverloch, San Remo and Grantville. In addition, the Shire comprises a further 28 towns.

Population

The new Estimated Resident Population (ERP) data for Bass Coast to June 2016 has just been released.

The new figure for Bass Coast's ERP is 32,784. This is a net increase of 463 people since June 2015 or an increase of 1.4% for the year.

Growth for Bass Coast is forecast as follows:

- Wonthaggi-South Dudley-Cape Paterson – +1.6%, or +146 people
- Phillip Island – +1.4%, or +144 people
- Inverloch-Pound Creek – +1.7%, or +90 people
- Waterline – +1.3%, or +51 people
- Balance – +0.8%, or +29 people

Although Inverloch had the greatest proportional growth, the greatest numerical growth was in the Wonthaggi-South Dudley-Cape Paterson region.

Recent population forecasts, prepared by ID Consulting, show that by 2026 Bass Coast's population is set to reach 38,646. This translates to a net gain of 5,862 residents, or +17.9% in the decade 2016-2026. The full set of population projections to 2036 can be accessed here: <http://forecast.id.com.au/bass-coast>.

The proximity of Bass Coast Shire to Melbourne makes the region a popular tourist destination. During peak periods the population swells to over 80,000, and welcomes more than 3.4 million visitors every year.

Reflecting the appeal of the Shire as a holiday destination, approximately half of all ratepayers reside outside the Shire.

Ageing population

The municipality has a very significant ageing resident population, with 32% of residents aged over 60 at the 2011 Census, being the eighth highest in the State. The median age for Bass Coast residents is 9 years older than the Australian average, reflecting that Bass Coast is well represented in the older working age brackets. The existence of a large stock of second homes within the Shire could be seen to be indicative of an intent for a section of those owners to relocate permanently to the area on retirement and so there is a strong potential for the median age to continue to increase.

Cultural diversity

The Shire has a comparatively high Australian born population, with 79.2% of residents born in Australia, compared with 69.8% nationwide (Source: Australian Bureau of Statistics, Census of Population and Housing).

Housing

The Shire has seen significant appreciation in its property valuation in the last ten years. This has mainly resulted from a combination of the relative value compared to neighbouring Mornington Peninsula for second homes and increased accessibility to the south eastern suburbs of Melbourne. For long standing residents this has led to a strengthening of their net wealth, but not necessarily their disposable income.

Education and occupation

Tourism is the major industry in Bass Coast Shire, with approximately 8.1% of working age residents working in cafés, restaurants and provided accommodation in the off-peak season. This figure is considerably inflated during the high season, meaning that the workforce is focussed on being flexible enough to deal with significant

variations in demand. A combination of the relatively low skill based industries in Bass Coast and the significant aged population means that the average household wage of \$855 per week is over 40% less than that of the Victorian average of \$1,216. (Source: Australian Bureau of Statistics, Census of Population and Housing).

Budget implications

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

- The appreciation of house prices over the last ten years has seen a growth in the wealth of Bass Coast residents, however a large proportion of residents are relatively cash poor, with wealth tied up in long term investments or housing.
- Whilst the influx of 3.4 million visitors per year contributes to the strength of the tourism sector and supports 3,200 jobs, the Council generates a comparatively insignificant income from those non-household owning visitors. In contrast, Council invests a significant amount of cash in attracting the visitors and also in delivering services which they benefit from.

4.2 External influences

The preparation of the budget is influenced by the following external factors:

- The Victorian State Government has introduced a cap on rate increases from 2016/17. The cap for 2016/17 has been set at 2.5%.
- Consumer Price Index (CPI) increases on goods and services of 1.7% through the year to December quarter 2015 (ABS release 28 January 2015). State-wide CPI is forecast to be 2.5% for the 2016/17 year (Victorian Budget Papers 2015/16).
- Australian Average Weekly Earnings (AWE) growth for Public Sector full-time adult ordinary time earnings in the 12 months to May 2015 was 1.7% (ABS release 13 August 2015). The Wages Price Index in Victoria is projected to be 3.25% per annum in 2016/17 and the subsequent two years (Victorian Budget Papers 2015/16). Council is currently renegotiating a new Collective Agreement anticipated to be in effect for the 2016/17 year.
- A freeze on indexation of the Victoria Grants Commission funding allocation. The Commonwealth announced in its 2014/15 Budget that it will pause indexation of the total national pool of financial assistance grants to local government for three years from 2014/15 to 2016/17. Victorian Councils will be adversely impacted by an estimated \$200 million during the pause as well as lowering the base from which indexation will be resumed by approximately 12.5%. Receipt of capital works funding of \$2.16 million for completion of Roads to Recovery projects, \$1.42 million to fund Black Spot projects, and funding to contribute to the Bass Valley Children's Centre, Wonthaggi Netball Courts Upgrade and Thompson Reserve Lighting projects.
- Increases of 3% in the levy payable to the State Government upon disposal of waste into landfill, resulting in additional waste tipping costs of \$0.03 million. The levy has increased by 38% in the 4 years from 2011/12 to 2015/16 and has added \$1.28 million to Council's costs.
- Cost shifting occurs where Local Government provides a service to the community on behalf of the State and Federal Government. Over time the funds received by local governments do not increase in line with real cost increases. Examples of services that are subject to cost shifting include school crossing supervision, library services and home and community care for aged residents. In all these services the level of payment received by Council from the State Government does not reflect the real cost of providing the service to the community.
- Councils across Australia raise approximately 3.5% of the total taxation collected by all levels of Government in Australia. In addition Councils are entrusted with the maintenance of more than 30% of all Australian public assets including roads, bridges, parks, footpaths and public buildings. This means that a large proportion of Council's income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.

- The Fire Services Property Levy will continue to be collected by Council on behalf of the State Government with the introduction of the *Fire Services Property Levy Act 2012*.

4.3 Internal influences

As well as external influences, there are also a number of internal influences which are expected to have a significant impact on the preparation of the 2016/17 Budget. These matters have arisen from events occurring in the 2015/16 year resulting in variances between the forecast actual and budgeted results for that year and matters expected to arise in the 2016/17 year. These matters and their financial impact are set out below:

- The completion of service reviews for various services provided by Council – these have resulted in changes to the structure of service delivery, generating savings, efficiencies and reductions in the number of employees.

4.4 Budget principles

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

- Existing fees and charges to be increased in line with CPI or market levels.
- Grants to be based on confirmed funding levels.
- New revenue sources to be identified where possible.
- Service levels to be maintained at 2015/16 levels with the aim to use less resources with an emphasis on innovation and efficiency.
- Salaries and wages to be increased in line with shifts in Average Weekly Earnings.
- Contract labour to be minimised.
- Construction and material costs to increase in line with the Engineering Construction Index (refer 'Rawlinsons Australian Construction Handbook')
- New initiatives or employee proposals to be justified through a business case.
- Real savings in expenditure and increases in revenue identified in 2015/16 to be preserved
- Operating revenues and expenses arising from completed 2015/16 capital projects to be included.

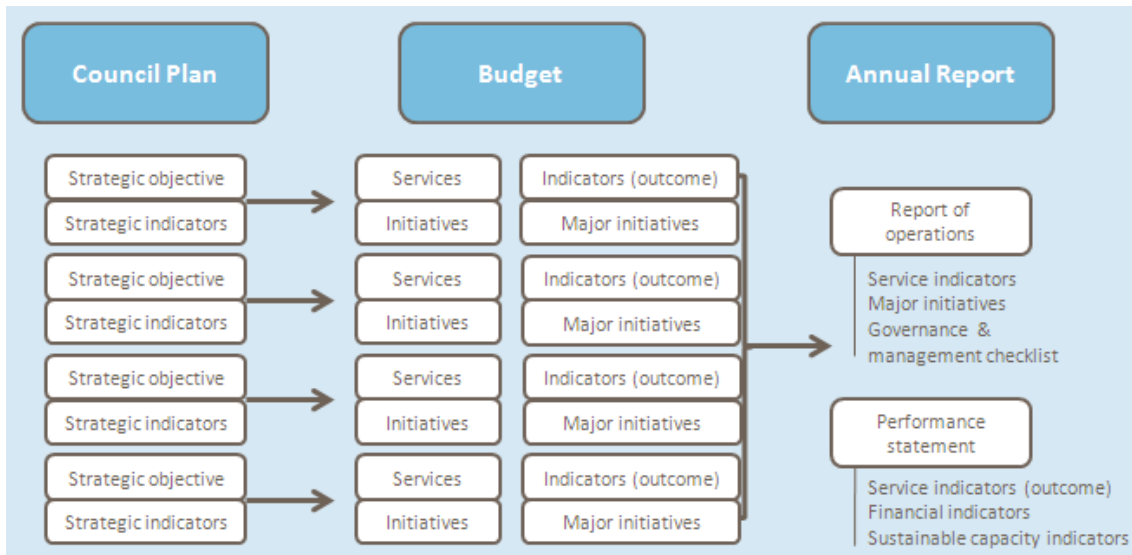
4.5 Long term strategies

The budget includes consideration of a number of long term strategies and contextual information to assist Council to prepare the Budget in a proper financial management context. These include a Strategic Resource Plan for 2016/17 to 2019/20 (Section 7), Rating Strategy (Section 8) and Other Strategies (Sections 9 and 10) including borrowings and infrastructure.

Services Provided by Council

5 Services and service performance indicators

This section provides a description of the services and initiatives to be funded in the Budget for the 2016/17 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan. It also describes a number of major initiatives, initiatives and service performance outcome indicators for key areas of Council's operations. Council is required by legislation to identify major initiatives, initiatives and service performance outcome indicators in the Budget and report against them in their Annual Report to support transparency and accountability. The relationship between the accountability requirements in the Council Plan, the Budget and the Annual Report is shown below.



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

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

5.1 Strategic Objective I: Natural environment

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

Services

Service area	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Coastal and Bushland Management	This service manages coast and bushland reserves to ensure safe use and enjoyment by the community and conservation of biodiversity.	1,646 <u>(178)</u> 1,468
Climate Change and Sustainability	This service helps to maintain and improve the local natural environment by complying with environmental regulations, mitigating and adapting to the effects of climate change, providing environmental education for staff and the community, and recording and reporting on the organisations greenhouse emissions and water use.	344 <u>(10)</u> 334

Service area	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Waste Services	This service provides the effective management of Council's waste services including the contracted collection of domestic, smaller commercial, public place garbage and recycling and domestic hard waste. This service monitors and investigates reports of illegally dumped rubbish and litter including issuing compliance notices and infringements, and aims to reduce waste to landfill in accordance with the State Government's "Towards Zero Waste" strategy through waste and recycling education programs.	7,521 <u>(2,181)</u> 5,340
Landfill Rehabilitation	This service is responsible for rehabilitating closed landfill sites and cells throughout the Shire in accordance with environmental regulations.	946 <u>(0)</u> 946
Sustainable Environment Management	This service is responsible for managing the activities to deliver the Natural Environment strategic objective.	165 <u>(0)</u> 165

Major Initiatives

- 1) Implement Year One of the Natural Environment Sustainability Strategy
- 2) Finalise contracts for waste services, including kerbside services and management of waste facilities

Initiatives

- i. Commence preparation of Council's Bio-links Plan
- ii. Commence the review of the Foreshore Use Policy
- iii. Commence rehabilitation of Wonthaggi Landfill
- iv. Complete the design of Grantville Landfill Cell 7

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Waste collection	Waste diversion	Kerbside collection waste diverted from landfill (Percentage of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill)	$\left[\frac{\text{Weight of recyclables and green organics collected from kerbside bins}}{\text{Weight of garbage, recyclables and green organics collected from kerbside bins}} \right] \times 100$

5.2 Strategic Objective 2: Sustainable development and growth

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

Services

Service area	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Infrastructure Management	This service is responsible for managing the infrastructure activities to deliver the sustainable development and growth strategic objective.	1,019 <u>(0)</u> 1,019
Asset Management	This service plans for the preservation, protection and expansion of existing and future infrastructure assets for their maximum possible design life and minimum ongoing life-cycle cost, while responding to the community's changing needs and expectations. This service also provides advice to Planning Approvals and Strategic Planning on new developments across Bass Coast.	1,134 <u>(0)</u> 1,134
Asset Management Systems	This service protects the value of Council's assets through effective asset management systems and processes to deliver the best outcome for the community.	457 <u>(0)</u> 457
Geographic Information Systems (GIS)	This service provides Geographic Information Systems for Council including the management of software architecture and tools to enable strategic planning across the organisation.	350 <u>(1)</u> 349
Civil Construction and Design	This service undertakes design, tendering, contract management and supervision of various works within Council's capital works program to ensure delivery to a quality standard, to scope, on time and on budget.	916 <u>(215)</u> 701
Building Maintenance	This service maintains Council buildings in accordance with the building asset management plan.	679 <u>(0)</u> 679
Parks	This service maintains open spaces including parks, gardens, reserves, foreshores and sporting ovals.	4,781 <u>(30)</u> 4,751
Plant	This service provides plant and vehicle management services to the infrastructure maintenance department.	105 <u>(0)</u> 105
Roads	This service maintains Council's roads and road related infrastructure.	5,930 <u>(10)</u> 5,920
Sustainable Development and Growth Management	This service is responsible for managing the sustainable development and growth activities to deliver the sustainable development and growth strategic objective.	772 <u>(0)</u> 772
Building Services	This service is responsible for the assessment and determination of building applications, conducting building inspections, advising residents on building-related matters and implementing pool safety and essential safety audits.	301 <u>(165)</u> 136

Service area	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Enforcement	This service enforces the Bass Coast Planning Scheme including the management and investigation of complaints, liaison and negotiation to achieve positive outcomes after breaches have occurred and the legal activities associated with Planning Enforcement.	107 <u>(20)</u> 87
Statutory Planning	This service provides assessment of planning permit applications against the various requirements of the Bass Coast Planning Scheme and the <i>Planning and Environment Act</i> to ensure that development across the Shire is appropriately planned and controlled.	1,205 <u>(290)</u> 915
Strategic Planning	This service maintains the Bass Coast Planning Scheme by development and delivery of key Strategic Planning projects and policies, and the assessment of planning scheme amendments. This service also plans for recreation facilities and services to meet the current and future needs of the community.	975 <u>(209)</u> 766

Major Initiatives

- 3) Complete preparation of the Wonthaggi North East Precinct Structure Plan
- 4) Complete review of the Wonthaggi Dalyston Structure Plan
- 5) Complete review of the Road Management Plan
- 6) Commence preparation of a Municipal Recreation Plan
- 7) Review the Asset Management Strategy and Policy

Initiatives

- v. Develop a Tree Management Policy
- vi. Commence preparation of the Open Space Asset Management Plan
- vii. Undertake the Community Engagement Process for Pioneer Bay Road and Drainage Improvement Project

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Statutory planning	Decision making	Council planning decisions upheld at VCAT (Percentage of planning application decisions subject to review by VCAT and that were not set aside)	[Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100
Roads	Satisfaction	Satisfaction with sealed local roads (Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads)	Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads.

5.3 Strategic Objective 3: Healthy communities

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

Services

Service area	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Healthy Communities Management	This service is responsible for managing the activities to deliver the healthy communities strategic objective.	720 <u>(0)</u> 720
Local Laws and Emergency Management	This service assists the organisation to ensure Council and the municipality is in a state of preparedness to fulfil its responsibilities in Emergency Management. The service also implements Council's responsibilities under legislation including the Domestic Animals Act and Council's Local Laws, to promote community safety and promulgate harmonious community relationships.	1,758 <u>(741)</u> 1,017
Environmental Health	This service provides Environmental Health services such as immunisation programs and monitoring compliance with health regulations to the community and businesses to promote health and wellbeing.	671 <u>(406)</u> 265
Aged Disability Services	This service provides a range of home and community care services for the aged and disabled including home delivered meals, personal care, and home maintenance.	3,932 <u>(2,871)</u> 1,061
Community Strengthening	This service provides support services to enable our diverse community to be strong and healthy, including senior citizens support, maternal and child health, kindergartens and housing support.	333 <u>(97)</u> 236
Social and Community Planning	This service has the responsibility to frame and respond to the challenges of social inclusion that present to Council. This service provides and gives support to community development, community planning, community grants, youth and social planning, rural access and Inter Council Aboriginal Consultative Committee.	1,334 <u>(109)</u> 1,225
Recreation and Culture	This service supports, encourages and develops leisure projects, programs and services which will benefit the community and enhance the quality of life for those living and working in and visiting Bass Coast Shire.	569 <u>(0)</u> 569
Libraries	This service provides library services that cater for the expectations and needs of residents.	2,007 <u>(0)</u> 2,007
Leisure Centres	This service provides a range of recreational facilities including an aquatic centre, fully equipped Gymsnasiums, and an extensive range of recreational programs and opportunities accessible to individuals of all ages, sexes and abilities.	772 <u>(0)</u> 772

Major Initiatives

- 8) Prepare a new Municipal Public Health and Wellbeing Plan
- 9) Commence construction of the Bass Valley Children's Centre

Initiatives

- viii. Review the Domestic Animal Management Plan
- ix. Implement Year One of the Municipal Early Years Plan
- x. Implement Year Three of the Education Plan
- xi. Implement Year One of the Youth Action Plan
- xii. Implement Year Two of the Arts and Culture Plan
- xiii. Implement Year One of the Disability Action Plan

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Home and Community Care	Participation	Participation in HACC service (Percentage of the municipal target population who receive a HACC service)	[Number of people that received a HACC service / Municipal target population for HACC services] x100
		Participation in HACC service by CALD people (Percentage of the municipal target population in relation to CALD people who receive a HACC service)	[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100
Maternal and Child Health	Participation	Participation in the MCH service (Percentage of children enrolled who participate in the MCH service)	[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100
		Participation in MCH service by Aboriginal children (Percentage of Aboriginal children enrolled who participate in the MCH service)	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100
Libraries	Participation	Active library members (Percentage of the municipal population that are active library members)	[Number of active library members / municipal population] x100
Aquatic Facilities	Utilisation	Utilisation of aquatic facilities (Number of visits to aquatic facilities per head of municipal population)	Number of visits to aquatic facilities / Municipal population
Animal Management	Health and safety	Animal management prosecutions (Number of successful animal management prosecutions)	Number of successful animal management prosecutions
Food safety	Health and safety	Critical and major non-compliance notifications (Percentage of critical and major non-compliance notifications that are followed up by Council)	[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100

5.4 Strategic Objective 4: Effective governance

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

Services

Service areas	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Councillors and Chief Executive	This area of governance includes the Mayor, Councillors, Chief Executive Officer and associated support.	1,201 <u>(0)</u> 1,201
Governance Management	This service is responsible for managing the activities to deliver the governance strategic objective.	1,025 <u>(0)</u> 1,025
Accounting	This service provides responsive and reliable accounting services and reporting to enable the organisation to make effective and timely decisions; ensures the organisation meets its financial legislative and statutory compliance obligations; and accurately accounts for and reports on the activities of Council.	1,133 <u>(337)</u> 796
Procurement and Fleet	This service provides contract management support services, coordinates the tender process, prepares tender and quote documentation; monitors officer obligations under the <i>Competition and Consumer Act</i> and monitors spending with suppliers to ensure legislative compliance; maintains and administers procurement systems; and provides fleet management services (including services for plant management).	200 <u>(0)</u> 200
Revenue	This service is responsible for raising and collecting ratepayer revenue and special charges; maintaining property data including street and property addressing; providing valuation services, including revaluation of all properties in the municipality every two years and supplementary valuations as required.	899 <u>(904)</u> (5)
Communications and Engagement	This service informs staff and community on key Council issues; provides professional advice on consultation and engagement within Council; and assists and educates Council staff on effective and professional communication with the community and stakeholders in order to raise the profile of Council and protect Council's image.	608 <u>(0)</u> 608
Corporate Planning, Performance and Reporting	This services provides an oversight to Council's Corporate Planning and Business Planning and improvement processes that integrate with risk management and insurance; ensures Council has the appropriate process, authorisations and delegations in order to make transparent and accountable decisions; provides support and compliance to Committees of Management and the Wonthaggi and San Remo Cemetery Trusts; manages Council's property portfolio including Crown Land where Council is the appointed Committee of Management; and oversees Council's Service Review Program.	2,485 <u>(738)</u> 1,747
Customer Service and Facility Management	This service provides frontline customer service to our customers and ratepayers to provide services and to enable contact with Council staff about services provided by Council. This service also provides a coordinated approach for the Wonthaggi Civic Centre for the amenity of staff and the	1,488 <u>(56)</u> 1,432

Service areas	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
	community.	
Corporate Information	This service assists the organisation to ensure records are captured efficiently and accurately; provides usable data and statistical support for organisation decision making; accurately digitises physical records into a compliant electronic format; and conducts staff training and inductions in Information Management Awareness, Information Privacy, Freedom of Information and Confidentiality.	668 <u>(0)</u> 668
Information Technology	This service provides, supports and maintains reliable and cost effective communications and computing systems, facilities and infrastructure to Council staff enabling them to deliver services in a smart, productive and efficient way.	2,329 <u>(0)</u> 2,329
Human Resources	This service delivers workforce planning and recruitment, employee relations, human resources information and reporting, and payment of salaries and wages to Council employees.	718 <u>(16)</u> 702
Organisation Development	This service provides leadership, advice, programs and support to the whole organisation in the areas of OHS, WorkCover, health and wellbeing, payroll, leadership and organisation culture, and learning and development.	1,286 <u>(0)</u> 1,286

Major Initiatives

- 10) Develop and adopt the Council Plan 2017/2020
- 11) Conduct the 2016 Council Election

Initiatives

- xiv. Commence implementation of the Property Strategy
- xv. Manage the transition to a new Council
- xvi. Commence the upgrade to Council's website
- xvii. Develop a Revenue Strategy
- xviii. Commence investigation of shared services initiatives
- xix. Commence implementation of the Core System replacement
- xx. Commence implementation of a workforce attraction, diversification and retention strategy
- xxi. Finalise development of the Asset Recognition and Valuation Guidelines
- xxii. Develop and adopt a new Councillor Code of Conduct

Service Performance Outcome Indicators

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

5.5 Strategic Objective 5: Economic development

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

Services

Service areas	Description of services provided	Expenditure (Revenue)
		Net Cost \$'000
Economic Development Management	This service is responsible for managing the activities to deliver the economic development strategic objective.	178 <u>(0)</u> 178
Economic Development	This service supports local business operators to build their skills and run more efficient business operations leading to increased investment and employment opportunities.	279 <u>(12)</u> 267
Events	This service is responsible for coordinating Council involvement in event activities in the Shire.	645 <u>(118)</u> 527
Tourism	This service assist with tourism development for the region, provides visitor services through the operation of Visitor Information Centres and provides management of the Inverloch Community Hub.	1,486 <u>(538)</u> 948

Major Initiatives

- 12) Implement Year One of the Economic Development Strategy
- 13) Complete the Phillip Island and San Remo Tourism Strategy 2035
- 14) Secure funding and undertake detailed design for the Cowes Revitalisation Project

Initiatives

- xxiii. Undertake a review of the Events Policy
- xxiv. Contribute to the development of the Victorian and Gippsland intensive agriculture policy and strategy
- xxv. Implement priority actions from the Phillip Island and San Remo Tourism Strategy 2035

Service Performance Outcome Indicators

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

5.6 Performance Statement

The service performance indicators detailed in the preceding pages will be reported on in the Performance Statement which is prepared at the end of the year as required by Section 132 of the Act and included in the 2016/17 Annual Report. The Performance Statement will also include reporting on prescribed indicators of financial performance (outlined in Section 7) and sustainable capacity, which are not included in this budget report. The prescribed performance indicators contained in the Performance Statement are audited each year by the Victorian Auditor General who issues an audit opinion on the Performance Statement. The major initiatives detailed in the preceding pages will be reported in the Annual Report in the form of a statement of progress in the Report of Operations.

5.7 Reconciliation with budgeted operating result

	Net	Expenditure	Revenue
	\$'000	\$'000	\$'000
Natural environment	8,254	10,623	2,369
Sustainable development and growth	17,792	18,732	940
Healthy communities	7,873	12,166	4,293
Effective governance	11,990	14,041	2,051
Economic development	1,920	2,588	668
Total services and initiatives	47,829	58,150	10,321
Other non-attributable	8,060		
Deficit before funding sources	55,889		
Funding sources			
Rates and charges	52,103		
Capital grants	4,023		
Contributions	406		
Total funding sources	56,532		
Surplus for the year	643		

6 Other budget information

6.1 Grants - operating (\$2.6 million increase)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. Overall, the level of operating grants is projected to increase by 48.5% or \$2.6 million compared to 2015/16. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

Operating Grants	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Recurrent - Commonwealth Government			
Victoria Grants Commission	2,713	5,494	2,781
Recurrent - State Government			
Aged and disability	2,173	2,280	107
Coastal and bushland management	90	-	(90)
Community strengthening	69	28	(41)
Environmental health	-	18	18
Local laws and emergency management	38	35	(3)
Parks	32	30	(2)
Social and community planning	102	107	5
Total recurrent grants	5,217	7,992	2,775
Non-recurrent - Commonwealth Government			
Climate change and sustainability	15	10	(5)
Non-recurrent - State Government			
Asset management	5	-	(5)
Community strengthening	-	60	60
Economic development	17	-	(17)
Environmental health	9	9	-
Human resources	16	16	-
Local laws and emergency management	60	60	-
Social and community planning	-	2	2
Tourism	150	-	(150)
Total non-recurrent operating grants	267	157	(115)
Total operating grants	5,484	8,149	(2,660)

The increase in Victoria Grants Commission (VGC) funding results from a reduced amount forecast to be received in 2015/16 following the advance payment of half of the 2015/16 allocation in 2014/15.

6.2 Grants - capital (\$5.6 million decrease)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Overall the level of capital grants has decreased by 58.2% or \$5.6 million compared to 2015/16 due mainly to specific funding for some large capital works projects. A list of capital grants by type and source, classified into recurrent and non-recurrent, is included below.

Capital Grants	Forecast 2015/16 \$'000	Budget 2016/17 \$'000	Variance \$'000
Recurrent - Commonwealth Government			
Roads to recovery	2,139	2,158	19
Total recurrent capital grants	2,139	2,158	19
Non-recurrent - State Government			
Buildings	5,730	223	(5,507)
Drainage	10	-	(10)
Footpaths and cycleways	241	-	(241)
Parks, open spaces and streetscapes	501	-	(501)
Recreation, leisure and community facilities	250	200	(50)
Roads	753	1,442	689
Total non-recurrent capital grants	7,485	1,865	(5,620)
Total capital grants	9,624	4,023	5,601

The 2015/16 forecast for buildings includes anticipated grants towards Cowes Revitalisation project and Bass Valley Children's Centre.

Long Term Strategies

7 Strategic resource plan

7.1 Plan development

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

Council has prepared a SRP for the four years 2016/17 to 2019/20 as part of its ongoing financial planning to assist in adopting a budget within a longer term framework. The SRP takes the strategic objectives and strategies as specified in the Council Plan and expresses them in financial terms for the next four years.

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

- Contain equivalent total spending on services at existing levels
- Maintain a viable cash position, ensuring financial sustainability in the long term
- Achieve underlying operating surpluses
- Maintain debt levels within prudential guidelines
- Pursue grant funding for strategic capital projects from the state and federal government
- Responsible rate increases that will see Council continue to be low rating, but meet community asset renewal needs.

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 rates
- Consider the financial effects of Council decisions on future generations
- Provide full, accurate and timely disclosure of financial information.

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

7.2 Financial resources

The following table summarises the projected key financial results for the next four years as set out in the SRP for years 2016/17 to 2019/20. Section 3 includes a more detailed analysis of the financial resources to be used over the four year period.

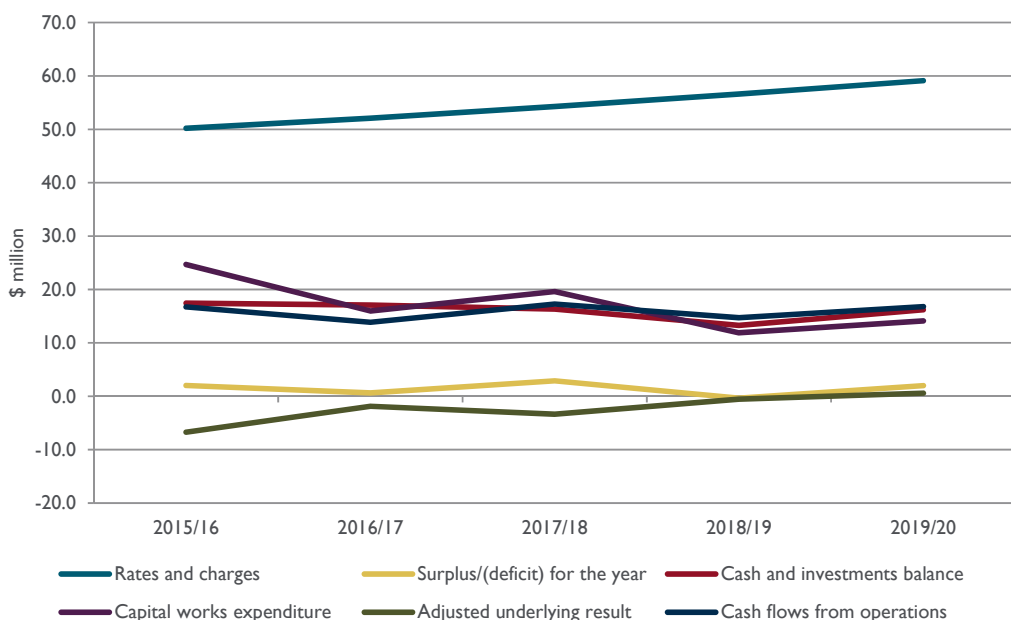
Indicator	Forecast					Trend +/-
	2015/16 \$'000	Budget 2016/17 \$'000	Strategic Resource Plan Projections			
			2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	
Surplus/(deficit) for the year	2,010	633	2,904	(346)	1,999	o
Adjusted underlying result	(6,725)	(1,870)	(3,365)	(551)	578	+
Cash and investments balance	17,436	17,082	16,336	13,282	16,198	o
Cash flow from operations	16,734	13,869	17,261	14,708	16,790	o
Capital works expenditure	24,680	15,998	19,621	11,876	14,119	o

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

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



The key outcomes of the SRP are as follows:

- **Financial sustainability** - Cash and investments is forecast to decrease marginally over the four year period from \$17.08 million to \$16.31 million, which indicates a balanced budget on a cash basis in each year.
- **Rating levels** – Modest rate increases are forecast over the four years at an average of 2.5%.
- **Service delivery strategy** – Service levels have been maintained throughout the four year period. Operating surpluses are forecast in all years except 2018/19 as a result of capital grant revenue being received to fund the annual capital works program. However, excluding the effects of capital items such as capital grants and contributions, the adjusted underlying result is a deficit reducing over the four year period. The adjusted underlying result is a measure of financial sustainability and is an important measure as once-off capital items can often mask the operating result
- **Borrowing strategy** – Borrowings are forecast to reduce from \$15.08 million to \$10.06 million over the four year period. This includes new borrowings of \$5.76 million over the four years.
- **Infrastructure strategy** - Capital expenditure over the four year period will total \$61.60 million at an average of \$15.40 million. Expenditure on asset renewal will total \$42.58 million, averaging an annual spend of \$10.64 million.

7.3 Financial performance indicators

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

Indicator	Measure	Notes	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	(10.4%)	(2.7%)	(4.8%)	(0.7%)	0.8%	+
Liquidity								
Working Capital	Current assets / current liabilities	2	124.8%	127.4%	98.3%	108.2%	123.7%	○
Unrestricted cash	Unrestricted cash / current liabilities		76.1%	72.2%	53.0%	51.5%	66.5%	○
Obligations								
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	26.6%	29.3%	30.6%	18.4%	17.2%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		3.5%	3.2%	3.1%	12.2%	2.1%	+
Indebtedness	Non-current liabilities / own source revenue		25.5%	27.6%	20.6%	18.6%	17.7%	+
Asset renewal	Asset renewal expenses / Asset depreciation	4	109.2%	74.8%	71.7%	79.0%	79.2%	-
Stability								
Rates concentration	Rate revenue / adjusted underlying revenue	5	77.0%	73.8%	75.8%	76.2%	76.5%	-
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.4%	0.5%	0.5%	0.5%	0.5%	○
Efficiency								
Expenditure level	Total expenses/ no. of property assessments		\$2,239	\$2,410	\$2,452	\$2,412	\$2,432	+
Revenue level	Residential rate revenue / No. of residential property assessments		\$1,323	\$1,365	\$1,393	\$1,427	\$1,461	+
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year		7.0%	7.0%	7.0%	7.0%	7.0%	○

Key to Forecast Trend:

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

Notes to indicators

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

2 Working Capital – The proportion of current liabilities represented by current assets. Working capital is forecast to decrease significantly in 2016/17 year due to a run down in cash reserves to fund the capital program. The trend in later years is to remain steady at an acceptable level.

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

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

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

Rating Strategy

8 Rating information

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

8.1 Rating context

In developing the Strategic Resource Plan (referred to in Section 7), rates and charges were identified as an important source of revenue, accounting for 72% of the total revenue received by Council annually. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process. The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the Bass Coast community.

It is necessary to balance the importance of rate revenue as a funding source with community sensitivity to increases, particularly recent changes in property valuations and subsequently rates for some properties in the municipality.

8.2 Current year rates and charges

The following table sets out future proposed increases in revenue from rates and charges and the total rates to be raised, based on the forecast financial position of Council as at 30 June 2016.

Year	General Rate Increase %	Garbage Charge Increase %	Total Rates Raised \$'000
2015/16	6.30	3.90	50,210
2016/17	2.50	2.50	52,093
2017/18	2.50	2.50	54,260
2018/19	2.50	2.50	56,618
2019/20	2.50	2.50	59,115

8.3 Rating Structure

Council proposes to apply various differential rates and a Garbage Charge, as follows:

a) Developed Land rate

The Developed Land rate applies to all developed land in the Shire and includes residential, commercial and industrial land.

b) Farm Land rate

The Farm rate (set at 80% of the Developed Land rate) is based on the definition of a farm within the *Valuation of Land Act 1960*. The *Valuation of Land Act 1960* sets out the definition of Farm Land for valuation purposes and requires that farm properties are at least 2 hectares and be:

- i. primarily used for agricultural production (grazing, dairying, pig farming, poultry farming, pig farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind); and
- ii. used by a business which has a significant or substantial commercial purpose, seeks to make a profit on a continuous or repetitive basis or has a reasonable prospect of making a profit from the agricultural activities being undertaken.

c) Vacant land rate

The vacant land differential rate applies to all vacant land in the Shire (except for Farm Land) and is set at 150% of the developed land rate on the basis that Council is of the opinion that it will

encourage development of vacant land and therefore generate economic development within the Shire.

d) **Public Housing Land rate**

The Public Housing land differential rate is set at 50% of the developed land rate reflecting an agreement between Council and the Ministry of Housing that includes a 50% rebate on rates payable on independent living units located in Inverloch, Wonthaggi and Cowes.

e) **Cultural and Recreational Land rate**

Council also applies a Cultural and Recreational Land rate (set at 60% of the Developed Land rate). Under the *Cultural and Recreational Lands Act 1963*, provision is made for Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. This concession is given to cultural and recreational organisations that provide general community benefits as part of their activities.

Council also levies a Waste Services Charge.

More information on the proposed rates and garbage charge is contained in Appendix B - Statutory Disclosures.

8.4 Consideration of Ministerial Guidelines for Differential Rates

On 26 April 2013, the Ministerial Guidelines for Differential Rates were gazetted. These Guidelines have been prepared to guide Councils in the application of differential rates under S.161 of the *Local Government Act 1989* (the Act). Council must have regard to these guidelines before declaring a differential rate for any land.

As part of the review of its rating structure, Council has considered a detailed Rating information and discussion paper. This paper considered the State Government's Development a Rating Strategy: A Guide for Councils. This has helped Council to properly consider the matters included in the Guidelines. In particular:

- a) Council believes that the use of differential rates will contribute to the equitable and efficient carrying out of its functions. Council is of the view that equity is achieved through the distribution of rates between rateable properties by accurate property valuations. Council undertakes regular property valuations as required by the Act and to the standards set out by the Valuer-General. Equity can also be achieved by the classification of properties into homogenous property categories. Council has identified these categories in its rating structure set out above. Equity therefore can be achieved by the treatment of like properties, in other words, that similar rates are paid by similar properties. Council achieves this by a combination of accurate valuations and homogenous property classification.

Council also believes that the proposed rating structure can be administered efficiently as it is a relatively simple structure which has been in place for some time.

- b) In specifying the objective of each differential rate, Council has had regard to good practice taxation principles and its assessment against each differential rate objective and determination. It has done this by considering the taxation principles based upon the capacity to pay principle, the benefit principle and the wealth taxation principle.

The capacity to pay principle looks at the issue of the relativity of rates paid by the major categories of property. However, the most vexed issue related to capacity to pay is assessing it across different categories of property. Council is of the view that differential rates based upon the capacity to pay principle will not deal practically with the situations of all individuals, businesses and households who pay rates.

The benefit principle looks at whether there should be a link in the amount of rates paid and the benefit received by ratepayers. A common complaint levelled at Council is that "the rates I pay have no correlation with the services I consume or the benefits I receive". This argument is based on the benefit principle (the opposite of the wealth tax principle) that argues there should be a nexus between the consumption of services or benefit and the rate burden.

However, any assessment of the relative benefits received by various categories of property owners raises many practical difficulties, in particular, trying to trace quantifiable consumption/benefits to particular types of property or geographic locations and attributing varying levels of access by ratepayers to services that are universally available. Any in-depth analysis of this issue could also be

quite costly and impact on efficiency.

Any such analysis could reduce to arguments of what services are consumed by town versus rural, businesses versus residences, and town versus town. The exercise is not clear cut – for example it might be argued that rural ratepayers derive less benefit from street cleaning than their town counterparts but the reverse argument may be put with respect to the costs of maintaining rural roads. For these reasons, Council does not believe that setting differential rates based upon the benefit principle is practical, equitable and efficient.

The wealth tax principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

Council is limited to property taxes with which to tax wealth. Wealth can be defined as the total value reflected in property and investments and income directed to day-to-day living. Local government is limited to taxing one component of wealth – real property. Council rates tax the stored "wealth" or unrealised capital gains inherent in land and buildings.

Council believes that the Wealth Tax principle is the most equitable and efficient to adopt in terms of its rating structure. Some moderation of the effect of property value on the level of rates levied is however required to make the rating system more equitable and stable than it would be in the absence of such intervention. Council believes that Differential rates should be used in this regard.

- c) Council has done modelling in order to understand the impact of the rating decision on those rated differentially and the consequential impact upon the broader municipality.

In specifying the objectives of the differential rates proposed in this budget, Council has had regard to the strategic objectives set out in the Council Plan to ensure that its objectives for differential rates accord with the strategic objectives set out in the Council Plan.

8.5 General revaluation of properties

During the 2015/2016 year, a revaluation of all properties within the municipality was carried out and will apply from 1 July 2016 for the 2016/2017 year. The outcome of the general revaluation has been a minor change in property valuations throughout the municipality. Overall, property valuations across the municipal district have increased by 1.0%. Of this increase, residential properties have increased by 2.4%, commercial properties by 8.4%, industrial properties by 6.3%, whilst undeveloped vacant properties have decreased by 14.5% along with farms decreasing by 3.6%.

In view of the outcomes of the general revaluation of all properties within the Council's municipal district during the 2015/2016 year, Council has chosen not to make any changes to the existing rate differential.

Summary of other strategies

9 Borrowings

In developing the Strategic Resource Plan (SRP) (see Section 7), borrowings was identified as an important funding source for capital works programs. In the past, Council has borrowed strongly to finance large infrastructure projects and since then has been in a phase of debt reduction. This has resulted in a reduction in debt servicing costs, but has meant that cash and investment reserves have been used as an alternate funding source to maintain robust capital works programs. With the adoption of the Long Term Financial Plan, principles are in place to responsibly guide the use of borrowings, with a focus on borrowing only for new intergenerational projects.

For the 2016/17 year, Council has decided to utilise an additional \$2.91 million in new borrowings to fund the capital works program and therefore, after making loan repayments of \$1.04 million, will increase its total borrowings to \$15.08 million as at 30 June 2017. In the 2017/18 year new borrowings of \$2.36 million will be utilised to fund capital projects. The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2016.

Year	New Borrowings \$'000	Principal Paid \$'000	Interest Paid \$'000	Balance 30 June \$'000
2015/16	1,331	1,038	613	13,214
2016/17	2,909	1,045	566	15,078
2017/18	2,365	1,001	556	16,443
2018/19	-	6,120	544	10,323
2019/20	483	743	524	10,062

9.1 Statement of Borrowings

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

	2015/16 \$	2016/17 \$
Total amount borrowed as at 30 June of the prior year	12,921,051	13,214,033
Total amount to be borrowed	1,331,000	2,908,667
Total amount projected to be redeemed	(1,038,018)	(1,045,121)
Total amount proposed to be borrowed as at 30 June	13,214,033	15,077,579

10 Infrastructure

The Council has developed an Asset Management Policy and Asset Management Strategy Improvement Plan which provides the framework for the review or preparation of asset management plans for all infrastructure asset groups. These Asset Management Plans set out the capital expenditure requirements of Council for the next 20 years by class of asset, and are a key input to the Long Term Financial Plan. The plans predicts infrastructure consumption, renewal needs, and consider infrastructure needs to meet future community service expectations. The key aspects of the process are as follows:

- Long term capital planning process which integrates with the Council Plan, Strategic Resource Plan and Annual Budget processes;
- Service plans for all service areas that rely on assets or infrastructure;
- Listing of all known capital projects within the service plans, prioritised to ensure service outcomes;
- Transparent process for prioritisation of capital projects on the basis of evaluation criteria;
- Methodology for allocating annual funding to classes of capital projects;
- Business Case template for officers to document capital project submissions; and
- Asset performance monitoring and reporting.

A key objective of the Asset Management Improvement Plan is to maintain or renew Council's existing assets at desired condition levels. If sufficient funds are not allocated to asset renewal then Council's investment in those assets will reduce, along with the capacity to deliver services to the community. At the same time, maintenance costs will increase placing greater pressure on rate revenue.

A measure of Council's performance in respect to infrastructure management is the asset renewal sustainability index. This index measures the amount of funds spent on asset renewal compared to depreciation. A value of 100% or greater is considered an essential target.

Indicator	Budget	Strategic Resource Plan Projections		
	2016/17	2017/18	2018/19	2019/20
Asset renewal expenditure (\$'000)	10,140	9,908	11,136	11,394
Depreciation (\$'000)	13,554	13,825	14,102	14,384
Asset renewal sustainability index	74.8%	71.7%	79.0%	79.2%

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

Year	Total Capital Program \$'000	Summary of funding sources			
		Grants \$'000	Contributions \$'000	Council Cash \$'000	Borrowings \$'000
2015/16	24,680	9,624	1,308	12,417	1,331
2016/17	15,988	4,023	406	8,651	2,909
2017/18	19,621	6,329	405	10,522	2,365
2018/19	11,876	665	0	11,211	-
2019/20	14,119	1,557	333	11,746	483

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

Appendix 1 - Financial statements

This section presents information in regard to the Financial Statements and Statement of Human Resources. The budget information for the years 2017/18 to 2019/20 has been extracted from the Strategic Resource Plan.

This section includes financial statements in accordance with the *Local Government Act 1989* and the Local Government Model Financial Report.

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

II Comprehensive Income Statement

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	Actual				
	2015/16	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Income					
Rates and charges	50,210	52,094	54,260	56,618	59,115
Statutory fees and fines	1,483	1,574	1,621	1,669	1,719
User fees	4,067	4,660	4,824	4,992	5,167
Grants - Operating	5,489	8,148	8,151	8,314	8,501
Grants - Capital	9,624	4,023	6,329	665	1,557
Contributions - monetary	1,278	603	606	205	542
Contributions - non-monetary assets	30	-	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(50)	-	-	-	-
Other income	1,101	1,238	1,254	1,272	1,292
Total income	73,232	72,340	77,044	73,735	77,893
Expenses					
Employee costs	28,611	28,581	29,496	30,440	31,414
Materials and services	29,279	26,769	27,140	27,351	27,629
Bad and doubtful debts	-	-	-	-	-
Depreciation and amortisation	11,649	13,554	13,825	14,102	14,384
Borrowing costs	697	618	687	730	485
Other expenses	986	2,185	2,992	1,459	1,982
Total expenses	71,222	71,707	74,140	74,081	75,894
Surplus/(deficit) for the year	2,010	633	2,904	(346)	1,999
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment /(decrement)	-	-	-	-	-
Total comprehensive result	2,010	633	2,904	(346)	1,999

12 Balance Sheet

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	Actual				
	2015/16	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents	17,436	17,082	16,336	13,282	16,198
Trade and other receivables	4,941	6,375	6,897	6,668	6,991
Other financial assets	40	40	40	40	40
Other assets	1,292	1,292	1,292	1,292	1,292
Total current assets	23,709	24,789	24,565	21,282	24,521
Non-current assets					
Trade and other receivables	1,548	1,548	1,548	1,548	1,548
Property, infrastructure, plant & equipment	587,296	589,270	594,190	591,063	589,870
Total non-current assets	588,844	590,818	595,738	592,611	591,418
Total assets	612,553	615,607	620,303	613,893	615,939
Liabilities					
Current liabilities					
Trade and other payables	10,469	11,025	11,424	11,485	11,762
Provisions	7,430	7,430	7,435	7,439	7,444
Interest-bearing loans and borrowings	1,104	1,001	6,120	743	614
Total current liabilities	19,003	19,456	24,978	19,667	19,820
Non-current liabilities					
Provisions	2,400	2,400	2,425	2,415	2,439
Interest-bearing loans and borrowings	12,110	14,078	10,323	9,579	9,448
Total non-current liabilities	14,510	16,478	12,747	11,994	11,887
Total liabilities	33,513	35,933	37,725	31,661	31,708
Net assets	579,040	579,674	582,578	582,232	584,231
Equity					
Accumulated surplus	246,040	246,037	249,564	252,563	251,600
Reserves	333,000	318,659	333,014	329,669	332,631
Total equity	579,040	579,674	582,578	582,232	584,231

13 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	579,040	246,041	318,659	14,341
Surplus/(deficit) for the year	633	633	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,071)	-	2,071
Transfer from other reserves	-	1,547	-	(1,547)
Balance at end of the financial year	579,674	246,150	318,659	14,864
2018				
Balance at beginning of the financial year	579,674	246,150	318,659	14,864
Surplus/(deficit) for the year	2,904	2,904	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,009)	-	2,009
Transfer from other reserves	-	2,632	-	(2,632)
Balance at end of the financial year	582,578	249,677	318,659	14,242
2019				
Balance at beginning of the financial year	582,578	249,677	318,659	14,242
Surplus/(deficit) for the year	(346)	(346)	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,505)	-	2,505
Transfer from other reserves	-	5,850	-	(5,850)
Balance at end of the financial year	582,232	252,676	318,659	10,897
2020				
Balance at beginning of the financial year	582,232	252,676	318,659	10,897
Surplus/(deficit) for the year	1,999	1,999	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(2,962)	-	2,962
Transfer from other reserves	-	-	-	-
Balance at end of the financial year	584,231	251,713	318,659	13,859

14 Statement of Cash Flows

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	2015/16	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	50,639	51,061	53,893	56,794	58,870
Statutory fees and fines	2,199	1,542	1,610	1,675	1,712
User fees	4,099	4,568	4,791	5,008	5,146
Grants – operating	5,557	7,987	8,096	8,340	8,466
Grants - capital	9,686	3,943	6,286	667	1,550
Interest received	613	566	556	544	524
Other receipts	1,039	1,238	1,291	937	1,302
Employee costs	(27,186)	(28,334)	(29,329)	(30,440)	(31,303)
Materials and services	(28,545)	(26,538)	(27,345)	(27,351)	(27,906)
Other payments	(1,367)	(2,166)	(2,587)	(1,464)	(1,572)
Net cash provided by/(used in) operating activities	16,734	13,869	17,261	14,708	16,790
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(23,973)	(15,988)	(19,621)	(11,876)	(14,119)
Proceeds from sale of property, infrastructure, plant and equipment	719	460	875	902	929
Deposits taken	40	59	61	62	63
Net cash provided by/ (used in) investing activities	(23,214)	(15,468)	(18,685)	(10,913)	(13,127)
Cash flows from financing activities					
Finance costs	(697)	(618)	(687)	(730)	(485)
Proceeds from borrowings	1,331	2,909	2,365	-	483
Repayment of borrowings	(1,038)	(1,045)	(1,001)	(6,120)	(743)
Net cash provided by/(used in) financing activities	(404)	1,246	677	(6,849)	(746)
Net increase/(decrease) in cash & cash equivalents	(6,884)	(354)	(746)	(3,054)	2,916
Cash and cash equivalents at the beginning of the financial year	24,320	17,436	17,082	16,336	13,282
Cash and cash equivalents at the end of the financial year	17,436	17,082	16,336	13,262	16,198

15 Statement of Capital Works

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	Actual				
	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Property					
Land	329	185	-	-	-
Land improvements	839	-	-	-	-
Total land	1,168	185	-	-	-
Buildings	6,876	6,026	10,914	4,718	5,420
Building improvements	2,213	-	-	-	-
Total buildings	9,089	6,026	10,914	4,718	5,420
Total property	10,257	6,211	10,914	4,718	5,420
Plant and equipment					
Plant, machinery and equipment	2,222	1,509	1,539	1,645	1,601
Fixtures, fittings and furniture	-	-	-	-	-
Computers and telecommunications	1,537	905	393	-	77
Total plant and equipment	3,759	2,414	1,932	1,645	1,678
Infrastructure					
Roads	6,342	4,475	3,822	3,262	3,411
Bridges	354	55	561	573	84
Footpaths and cycleways	1,262	699	196	204	1,906
Drainage	372	658	1,689	491	582
Recreational, leisure and community facilities	544	1,274	298	744	491
Waste management	39	40	-	-	-
Parks, open space and streetscapes	1,521	-	-	-	-
Off street car parks	134	102	117	146	453
Other infrastructure	96	60	92	93	94
Total infrastructure	10,664	7,363	6,775	5,513	7,021
Total capital works expenditure	24,680	15,988	19,621	11,876	14,119
Represented by:					
New asset expenditure	3,128	2,204	5,030	-	-
Asset renewal expenditure	12,717	10,140	9,908	11,136	11,394
Asset expansion expenditure	2,487	443	-	-	1,556
Asset upgrade expenditure	6,348	3,202	4,683	740	1,170
Total capital works expenditure	24,680	15,988	19,621	11,876	14,119

16 Statement of Human Resources

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	Actual				
	2015/16	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Staff expenditure					
Employee costs - operating	28,611	28,581	29,496	30,440	31,414
Employee costs - capital	600	684	696	718	741
Total staff expenditure	29,211	29,265	30,192	31,158	32,155
Staff numbers	FTE	FTE	FTE	FTE	FTE
Employees	322.9	316.1	316.1	316.1	316.1
Total staff numbers	322.9	316.1	316.1	316.1	316.1

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

Department	Budget 2016/17 \$'000	Permanent Full time \$'000	Permanent Part Time \$'000
CEO	560	471	89
Governance and Organisation Development	6,511	6,005	506
Healthy Communities	7,227	2,767	4,460
Infrastructure	8,506	7,920	586
Sustainable Development and Growth	4,775	4,239	536
Total permanent staff expenditure	27,579	21,402	6,177
Casuals and other expenditure	1,002		
Total operating employee expenditure	28,581		
Capitalised Labour costs	684		
Total expenditure	29,265		

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

Department	Budget 2016/17 FTE	Permanent Full time FTE	Permanent Part Time FTE
CEO	3.0	2.0	1.0
Governance and Organisation Development	65.0	59.4	5.6
Healthy Communities	84.7	25.0	59.7
Infrastructure	98.0	91.9	6.1
Sustainable Development and Growth	46.2	39.0	7.2
Total permanent staff	296.9	217.3	79.6
Casuals and other	12.1		
Capitalised Labour costs	7.1		
Total staff	316.1		

17 Statement of Investment Reserves

For the four years ending 30 June 2020

	Forecast	Budget	Strategic Resource Plan Projections		
	Actual				
	2015/16	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Resort and Recreation	1,852	1,944	2,120	2,301	2,488
Drainage	8	8	8	8	8
Non-standard Street Lighting	159	159	159	159	159
Car Parking	54	54	54	54	54
Native Vegetation Offset	37	31	46	62	78
Art in Public Places	49	49	49	49	49
Gravel Pit Reinstatement	-	-	-	-	-
Long Service Leave	4,167	4,167	4,167	4,167	4,782
Landfill Rehabilitation	2,540	1,594	387	387	1,387
LGFV Sinking Fund	2,644	4,036	5,719	2,343	3,204
Capital Lease Commitments	309	309	309	309	309
Constrained Works (Carry Forward)	-	-	-	-	-
Inter Council Aboriginal Consultative Committee	42	42	42	42	42
Specific Development Contributions	128	128	128	128	128
Future Sustainability Fund	171	171	171	171	171
Strategic Works	1,262	1,569	398	652	800
Skate Park	100	165	300	65	200
Unallocated Surplus	819	439	184	-	-
Total Reserves	14,341	14,864	14,242	10,897	13,859

18 Funding Statement

For the four years ending 30 June 2020

	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
Revenue				
Rates and charges	52,093	54,261	56,618	59,115
Statutory fees and fines	1,574	1,621	1,669	1,719
User fees	4,660	4,824	4,992	5,167
Grants - Operating	8,148	8,151	8,314	8,501
Interest revenue	578	560	543	526
Other income	660	694	729	766
Total income	67,715	70,110	72,866	75,794
Proceeds				
Sale of assets	460	875	902	929
Total proceeds	460	875	902	929
Expenses				
Employee costs	(28,581)	(29,496)	(30,440)	(31,414)
Materials and services	(26,966)	(27,885)	(27,781)	(28,522)
Land management rebate	(602)	(550)	(550)	(550)
Landfill rehabilitation	(946)	(1,206)	-	-
Borrowing costs	(618)	(687)	(730)	(485)
Other expenses	(439)	(462)	(485)	(510)
Total expenses	(58,153)	(60,285)	(59,985)	(61,481)
Reserve fund movements				
Transfers (to) reserves	(2,071)	(2,009)	(2,505)	(2,962)
Transfers from reserves	1,547	2,632	5,850	-
Net reserve movements	(524)	623	3,344	(2,962)
Capital expenditure and income				
Grants - Capital	4,023	6,329	665	1,557
Contributions – monetary	603	606	205	542
Proceeds from new borrowings	2,909	2,365	-	483
Borrowing repayments	(1,045)	(1,001)	(6,120)	(743)
Capital works	(15,987)	(19,621)	(11,876)	(14,119)
Net capital works funded from operations	(9,498)	(11,322)	(17,127)	(12,281)
Funding surplus / (deficit)	-	-	-	-

Appendix 2 - Rates and charges

19 Rates and charges

19.1 Change in the average rate per assessment

The change in the average rate per assessment in accordance with Part 8A of the Act as compared with the previous financial year:

	2015-16 Budget (average rate)	2015-16 Actual (base average rate)	2016-17 Budget (capped average rate)	% change
Average rate per assessment	\$1,432.80	\$1,421.94	\$1,457.49	2.50%

19.2 Rate in the dollar to be levied as general rates

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

Type or class of land	2015/16 cents/\$CIV	2016/17 cents/\$CIV	Change
General rate for rateable residential properties	0.37237	0.37639	1.08%
General rate for rateable farm properties	0.29790	0.30111	1.08%
General rate for rateable commercial properties	0.37237	0.37639	1.08%
General rate for rateable industrial properties	0.37237	0.37639	1.08%
General rate for rateable vacant land	0.55856	0.56459	1.08%
Rate concession for public housing	0.18619	0.18820	1.08%
Rate concession for rateable recreational properties	0.22342	0.22584	1.08%

19.3 Estimated total amount to be raised by general rates

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

Type or class of land	2015/16 Cents/\$CIV	2016/17 Cents/\$CIV	Change
Residential	32,728,956	33,892,297	3.55%
Farm	3,089,334	2,978,707	-3.58%
Commercial	2,177,810	2,386,023	9.56%
Industrial	470,017	505,194	7.48%
Vacant	4,132,728	3,530,699	-14.57%
Public Housing	28,282	28,249	-0.12%
Recreational	34,383	38,883	13.09%
Total amount to be raised by general rates	42,661,510	43,360,052	1.64%

19.4 Number of assessments

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

Type or class of land	2015/16 Number	2016/17 Number	Change
Residential	24,520	24,820	1.22%
Farm	1,033	973	-5.81%
Commercial	882	893	1.25%
Industrial	286	293	2.45%
Vacant	2,900	2,616	-9.79%
Public Housing	136	136	0.00%
Recreational	18	19	5.56%
Total number of assessments	29,775	29,750	-0.08%

19.5 Basis of valuation

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

19.6 Estimated total value of land

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

Type or class of land	2015/16 \$	2016/17 \$	Change
Residential	8,789,337,900	9,004,569,000	2.45%
Farm	1,037,048,000	989,242,000	-4.61%
Commercial	584,849,300	633,923,000	8.39%
Industrial	126,222,700	134,220,960	6.34%
Vacant	739,894,200	625,356,200	-15.48%
Public Housing	15,190,000	15,010,000	-1.18%
Recreational	15,389,000	17,217,000	11.88%
Total value of land	11,307,931,100	11,419,538,160	0.99%

19.7 Rate or unit amount to be levied

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

Type of Charge	Per service 2015/16 \$	Per service 2016/17 \$	Change
Garbage Charge	319.00	327.00	2.5%
Additional waste bin – annual charge	-	143.40	-
Additional recycling bin – annual charge	-	79.86	-

19.8 Estimated total amount to be raised

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

Type of Charge	2015/16 \$	2016/17 \$	Change
Garbage Charge	7,744,363	8,096,732	4.55%

19.9 Estimated total amount to be raised by supplementary charges

The estimated total amount to be raised by supplementary charges compared with the previous financial year:

Type of Charge	2015/16 \$	2016/17 \$	Change
Supplementary rates	376,926	498,713	32.31%
Supplementary garbage charges	99,400	70,400	-29.18%
Total Rates and charges	476,326	569,113	19.48%

19.10 Estimated total amount to be raised by all rates and charges

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

Type of Rate and Charge	Budget 2015/16 \$	2016/17 \$	Change
General rates	42,661,510	43,360,052	1.64%
Garbage Charge	7,744,363	8,096,732	4.55%
Supplementary charges	476,326	569,113	19.48%
Revenue in lieu of rates	65,800	66,750	1.44%
Total Rates and charges	50,947,999	52,092,647	2.25%

Revenue in lieu of rates comprises charges under the *Electricity Industries Act 2000 s94(4)*.

19.11 Annualised amount to be raised by general

The annualised amount to be raised by general rates compared with the previous financial year:

Type or class of land	2015/16 Cents/\$CIV	2016/17 Cents/\$CIV	Change
Residential	33,159,906	33,892,297	2.21%
Farm	2,938,203	2,978,707	1.38%
Commercial	2,235,603	2,386,023	6.73%
Industrial	483,232	505,194	4.54%
Vacant	3,420,109	3,530,699	3.23%
Public Housing	28,282	28,249	-0.12%
Recreational	37,363	38,883	4.07%
Total amount to be raised by general rates	42,302,697	43,360,052	2.50%

The annualised amount is calculated by applying 2015/16 rates to the CIV of the rateable properties within the Bass Coast Shire at the time of establishing the budget. This will include the additional properties that have been created through the course of the 2015/16 financial year. This establishes the base position from which to apply any change to the rates for the 2016/17 financial year.

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

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

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

20 Differential rates

20.1 Rates to be levied

Council has applied the differential rates system in calculating the general rate percentage in the dollar of CIV for rateable properties in Bass Coast.

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

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

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

Council has considered the 'Ministerial Guidelines for Differential Rating' issued by the Minister for Local Government. These guidelines seek to ensure that when using differential rating Council consider the following:

- Council rates are a tax and hence good practice taxation principles should be applied in determining the application of differential rates
- Ensure that differential rating categories have regard to the strategic objectives set out in the Council Plan
- How the use of the differential rating contributes to the equitable and efficient carrying out of Council's functions compared to the use of a uniform rate.

20.2 Rates to be levied

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

- A general rate of 0.37639% (0.37639 cents in the dollar) of CIV for all rateable residential, commercial and industrial properties
- A general rate of 0.30111% (0.30111 cents in the dollar) of CIV for all rateable farm properties
- A general rate of 0.56459% (0.56459 cents in the dollar) of CIV for rateable vacant land from all categories
- A general rate of 0.18820% (0.18820 cents in the dollar) of CIV for rateable public housing properties
- A general rate of 0.22584% (0.22584 cents in the dollar) of CIV for rateable recreational and cultural properties.

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

Details of the types of classes of land which are subject to each differential rate and the uses of each differential rate are set out below.

20.3 Residential land

Residential land is any land excluding vacant land, which is:

- Not zoned for farming, commercial, industrial or recreational uses and
- Is not developed with public housing.

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

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

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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 already on the land or which will be constructed prior to the expiry of the 2016/2017 financial year.

20.4 Commercial land

Commercial land is any land which is:

- Occupied for the principal purpose of carrying out the manufacture, production of, or trade in, goods or services and
- Not zoned for residential, farm, industrial, public housing or recreational uses.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above with the additional basis of contributing towards economic development and tourism.

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

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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 already constructed on the land or which will be constructed prior to the expiry of the 2016/2017 financial year.

20.5 Industrial land

Industrial land is any land which is:

- Primarily used for industrial purposes and is zoned for that use and
- Does not have the characteristics of residential, farm, commercial, vacant public housing or recreational land.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above with the additional basis of contributing towards economic development..

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

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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 already constructed on the land or which will be constructed prior to the expiry of the 2016/2017 financial year.

20.6 Farm land

Farm land is any land which is:

- Defined as “farm land” in Section 2 of the Valuation of Land Act 1960; and
- Zoned to allow for the land to be used for rural and/or farming purposes; and
- May contain buildings used as a residence and for farming purposes, and also comprises land with no buildings.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above with the additional basis that such properties provide broader environmental benefits to the wider community through activities such as removal of noxious weeds, retention of native vegetation and undertake management of water quality and riparian zones on waterways and in recognition of the visual amenity and resulting economic benefits to the wider community.

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

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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 already constructed on the land or which will be constructed prior to the expiry of the 2016/2017 financial year.

20.7 Vacant land

Vacant land is any land which is:

- Considered vacant in that it has no buildings or dwellings constructed on it prior to the expiry of the 2016/2017 financial year and
- May include land zoned as residential, commercial, industrial or rural residential.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above with the additional basis of promoting responsible land management through appropriate maintenance and development of the land and ensuring that the foregone community and economic development resulting from underutilisation of land is minimised

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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.

20.8 Public housing

Land used for public housing is any land which is developed with buildings or dwellings and is currently utilised for the provision of public housing.

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

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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 already constructed on the land or which will be constructed prior to the expiry of the 2016/2017 financial year.

20.9 Recreational land

Recreational Land is any land that has the characteristics of 'recreational lands' as defined by section 2 of the *Cultural and Recreational Lands Act 1963*.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above with the additional basis that the land and facilities contribute towards the enjoyment of residents of and visitors to the municipal district

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

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant 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 already constructed on the land or which will be constructed prior to the expiry of the 2016/2017 financial year.

Appendix 3 - Detailed list of Capital Works

21 Capital works program

For the year ending 30 June 2017

21.1 New works

Capital Works Area	Project Cost \$'000	Asset expenditure types				Funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contributions \$'000	Council Cash \$'000	Borrowings \$'000
PROPERTY									
Land									
Pioneer Bay Drainage Strategy – Acquisition of Land	185	185	-	-	-	-	-	-	185
Total Land	185	185	-	-	-	-	-	-	185
Buildings									
Cowes Revitalisation Projects	1,636	-	-	1,636	-	-	-	-	1,636
Bass Valley Children’s Centre	1,036	-	348	688	-	223	70	-	743
Bay Beach Cape Paterson BBQ Shelter	10	10	-	-	-	-	-	10	-
Community Facilities Renewal Program	1,510	-	1,510	-	-	-	-	1,510	-
Recreational Facilities Renewal Program	1,274	-	1,274	-	-	-	-	1,274	-
Civic Facilities Renewal Program	297	-	297	-	-	-	-	297	-
Cuttriss Street Activity Area Toilet Facilities	263	263	-	-	-	-	-	263	-
Total Buildings	6,026	273	3,429	2,324	-	223	70	3,354	2,380
TOTAL PROPERTY	6,211	458	3,429	2,324	-	223	70	3,354	2,564
PLANT AND EQUIPMENT									
Plant, Machinery and Equipment									
Fleet Replacement Program	624	-	624	-	-	-	-	624	-
Plant Replacement Program	884	-	884	-	-	-	-	884	-
Total Plant, Machinery and Equipment	1,509	-	1,509	-	-	-	-	1,509	-

Capital Works Area	Project Cost \$'000	Asset expenditure types				Funding sources			
		New	Renewal	Upgrade	Expansion	Grants	Contributions	Council Cash	Borrowings
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Computers and Telecommunications									
Core Systems Replacement	832	-	832	-	-	-	-	832	-
IT Hardware Replacement	73	-	73	-	-	-	-	73	-
Total Computers and Telecommunications	905	-	905	-	-	-	-	905	-
TOTAL PLANT AND EQUIPMENT	2,414	-	2,414	-	-	-	-	2,414	-
INFRASTRUCTURE									
Roads									
Road Safety Blackspot Program	1,417	1,190	50	177	-	1,417	-	-	-
Roads Pavement Rehabilitation – Renewal Program	1,195	-	1,195	-	-	1,195	-	-	-
Roads Resealing – Spray Seal Renewal Program	742	-	742	-	-	742	-	-	-
Roads Unsealed Resheeting – Renewal Program	405	-	405	-	-	-	-	405	-
Roads Resealing – Asphalt Renewal Program	185	-	185	-	-	185	-	-	-
Roads Services Asset Management Improvement Plan	166	106	-	60	-	60	-	106	-
Roads Shoulder Replacement – Renewal Program	148	-	148	-	-	-	-	148	-
Roads Services AMP – Local Roads Safety Improvement Program	100	20	-	80	-	-	-	100	-
Roads Kerb and Channel Replacement – Renewal Program	67	-	67	-	-	-	-	67	-
Pedestrian Access Priority Treatments	36	-	-	36	-	-	-	36	-
Phillip Island and San Remo Wayfinding Signage Installation	12	12	-	-	-	-	-	12	-
Total Roads	4,474	1,328	2,793	353	-	3,600	-	874	-
Bridges									
Bridges Renewal Program	55	-	55	-	-	-	-	55	-
Total Bridges	55	-	55	-	-	-	-	55	-

Capital Works Area	Asset expenditure types					Funding sources			
	Project Cost	New	Renewal	Upgrade	Expansion	Grants	Contributions	Council Cash	Borrowings
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Footpaths and Cycleways									
Principle Bicycle Network Program	443	-	-	-	443	-	88	11	344
Footpaths Renewal Program	188	-	188	-	-	-	-	188	-
Pathway Program	68	68	-	-	-	-	68	-	-
Total Footpaths and Cycleway	699	68	188	-	443	-	156	199	344
Drainage									
Storm Water Renewal Program	518	-	518	-	-	-	-	518	-
Pioneer Bay Road and Drainage Improvement	95	-	-	95	-	-	-	95	-
Sunset Strip Road and Drainage Improvement	45	-	-	45	-	-	-	45	-
Total Drainage	658	-	518	140	0	0	0	658	-
Recreational, Leisure & Community Facilities									
Wonthaggi Netball Courts Upgrade	757	-	373	384	-	100	100	557	-
Thompson Reserve Lighting	260	260	-	-	-	100	80	80	-
Playground Equipment Renewal Program	95	-	95	-	-	-	-	95	-
Park and Street Furniture Replacement – Renewal Program	60	-	60	-	-	-	-	60	-
Open Space Pathway Renewal Program	57	-	57	-	-	-	-	57	-
Playing Surfaces Renewal Program	45	-	45	-	-	-	-	45	-
Total Recreation, Leisure and Comm. Facilities	1,274	260	630	384	-	200	180	894	-
Waste Management									
Grantville Landfill Cell 7 Design	40	40	-	-	-	-	-	40	-
Total Waste Management	40	40	-	-	-	-	-	40	-
Off Street Car Parks									
Roads Carpark Seal Renewal Program	82	-	82	-	-	-	-	82	-
Roads Carpark Pavement Renewal Program	20	-	20	-	-	-	-	20	-

Capital Works Area	Project Cost \$'000	Asset expenditure types				Funding sources			
		New	Renewal	Upgrade	Expansion	Grants	Contributions	Council Cash	Borrowings
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Off Street Car Parks	102	-	102	-	-	-	-	102	-
Other Infrastructure									
Christmas Street Decorations Replacement	10	-	10	-	-	-	-	10	-
Public Art Acquisition	50	50	-	-	-	-	-	50	-
Total Other Infrastructure	60	50	10	-	-	-	-	60	-
TOTAL INFRASTRUCTURE	7,363	1,746	4,297	877	443	3,800	336	2,883	344
TOTAL NEW CAPITAL WORKS 2016/17	15,988	2,204	10,140	3,202	443	4,023	406	8,651	2,909

21.2 Summary

Capital Works Area	Project Cost \$'000	Asset expenditure types				Funding sources			
		New	Renewal	Upgrade	Expansion	Grants	Contributions	Council Cash	Borrowings
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PROPERTY	6,211	458	3,429	2,324	-	223	70	3,354	2,564
PLANT AND EQUIPMENT	2,414	-	2,414	-	-	-	-	2,414	-
INFRASTRUCTURE	7,363	1,746	4,297	877	443	3,800	336	2,883	344
TOTAL	15,988	2,204	10,140	3,202	443	4,023	406	8,651	2,909

End of Bass Coast Shire Council Budget Report