

LATROBE CITY COUNCIL

2011/12 Budget

Latrobe 2026 - The Community Vision for Latrobe Valley

- *Economy* -
- *Natural Environment* -
- *Built Environment* -
- *Our Community* -
- *Culture* -
- *Recreation* -
- *Governance* -
- *Advocacy & Partnerships* -
- *Regulation & Accountability* -



Adopted by Council 11 July 2011

BUDGET

Contents

	Page
Executive Summary	3
Highlights	5
Budget Process	8
Overview	
1 Linkage to the Council Plan	9
2 Activities, initiatives and key strategic activities	12
3 Budget Influences	22
Budget Analysis	
4 Analysis of Operating Budget	24
5 Analysis of Budgeted Cash Position	30
6 Analysis of Capital Budget	33
7 Analysis of Budgeted Financial Position	38
Long Term Strategies	
8 Strategic Resource Plan and Key Financial Indicators	41
9 Rating Strategy	44
10 Borrowing Strategy	47
11 Infrastructure Strategy	49
12 Service Delivery Strategy	51
Appendices	
Overview of Appendices	53
A Budget Statements	54
B Statutory Disclosures	60
C Capital Works Program	65
D Key Strategic Activities	72
E Fees and Charges	77

Note: Unless otherwise stated, amounts in this budget document have been rounded to the nearest thousand dollars. Due to this rounding some variances and total figures may not equate.

Executive Summary

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

A high level Long Term Financial Plan for the years 2011/12 to 2014/15 (part of the Strategic Resource Plan) has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Financial Plan is financial sustainability in the medium to long term, whilst still achieving the Council’s strategic objectives as specified in the Council Plan and Latrobe 2026 Vision.

The 2011/12 budget presented in this report has been developed through a rigorous process of consultation and review with Council and Council officers. It is Council’s opinion that the budget is financially responsible and contributes to the achievement of all of the Council Plan strategic objectives and strategies included in the 2011-15 Council Plan.

The 2011/12 Operating Budget forecasts an operating surplus of \$4.006 million, after raising rates and charges of \$58.319 million and capital income of \$3.958 million. Excluding capital funding and developer contributed assets, an operating surplus of \$6.063 million is forecast for 2010/11.

Council operations are expected to be impacted by growth in wages costs and reductions in government funding, and it will be necessary to achieve future income growth whilst containing costs in order to achieve a positive underlining operating position by 2012/13. In order to achieve these objectives whilst maintaining service levels and a robust capital expenditure program, overall rates will increase by 5.77% in 2011/12. Factored into this increase is a 0.27% rise related directly to the State Government increasing the EPA Landfill Levy charged on each tonne of waste deposited to Council’s landfill. For transparency purposes the levy will be included as a separate charge on rate notices to identify the component of waste charges that is to be passed directly on to the State Government.

New borrowings of \$1.356 million are proposed to fund Council’s defined benefits superannuation call. Loan principal repayments for the year are expected to be \$2.881 million thus leading to an overall reduction in Council borrowings of \$1.525 million from \$18.184 million to 16.659 million.

The total capital expenditure program will be \$25.418 million, of which \$7.561 million relates to projects which will be carried forward from the 2010/11 year. Any further carried forward projects will be fully funded from the 2010/11 budget. Of the \$25.418 million of capital funding required, \$20.788 million including \$0.120 million from statutory reserves, will come from Council operations, \$0.672 million from asset sales and \$3.958 million from external grants. The capital expenditure program has

2011/2012 BUDGET

Executive Summary

been set and prioritised based on a process of consultation that has enabled Council to assess needs and develop sound business cases as appropriate.

The 2011/12 budget has been prepared on the basis of constraint, Council will continue to review all services and capital infrastructure to ensure it is positioned to best meet the needs of the community into the future.

2011/2012 BUDGET

Highlights

Highlights

This section of the report provides a summary of the budget financial highlights, comparing the forecast actual results for the 2010/11 financial year budgeted results for the 2011/12 year for operating, cash, capital works and the financial position. It also includes a summary of the key initiatives for the year and relevant performance indicators.

Operating Budget

	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (Unfav) \$'000
Operating			
Income	95,836	100,802	4,966
Expenditure	(102,771)	(100,754)	2,017
Net gain on disposal of assets	254	0	(254)
Sub-totals	(6,681)	48	6,729
Capital			
Income	12,744	3,958	(8,786)
Operating surplus (deficit)	6,063	4,006	(2,057)

The budgeted Income Statement forecasts a surplus of \$4.006 million for the year ending 30 June 2012, after capital grants and contributions, which is a decrease of \$2.057 million over 2010/11. Before capital funding, an operating surplus of \$0.048 million is forecast, an increase of \$6.729 million in net operating result on the 2010/11 year. External funding for capital works decreases by \$8.786 million to \$3.958 million. Refer to Section 4, "Analysis of Operating Budget", for a more detailed analysis.

Budgeted Cash Position

	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (Outflow) \$'000
Cash Flows			
Operating	21,308	20,445	(863)
Investing	(32,734)	(24,746)	7,988
Financing	(3,558)	(2,864)	694
Net increase (decrease) in cash	(14,984)	(7,165)	7,819
Cash at beginning of year	34,349	19,365	(14,984)
Cash at end of year	19,365	12,200	(7,165)

The Budgeted Statement of Cash Flows predicts a net decrease in cash resources of \$7.165 million for the year ending 30 June 2012. This is primarily the result of \$5.448 million of carried forward capital works being funded from working capital.

2011/2012 BUDGET

Highlights

Refer to Section 5. "Analysis of Budgeted Cash Position" for a more detailed analysis.

Capital Works Budget

	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (Unfav) \$'000
Externally funded	12,182	4,630	(7,552)
Internally funded	21,497	20,788	(709)
Total Capital Works	33,679	25,418	(8,261)

The 2011/12 Budgeted Statement of Capital Works forecasts total capital works of \$25.418 million, which is a decrease of \$8.261 million from 2010/11. The funding sources for the capital works program include \$4.630 million from external sources such as grants, contributions and proceeds from sale of assets and \$20.788 million from operations (2010/11 \$21.497 million). The capital works program includes incomplete projects from the 2010/11 year of \$7.561 million. Refer to Section 6. "Analysis of Capital Budget" and Section 11 "Infrastructure Strategy" for more detailed analysis.

Budgeted Balance Sheet

	Forecast Actual 30 June 11 \$'000	Budget 30 June 12 \$'000	Variance (Unfav) \$'000
Assets and Liabilities			
Net current assets	10,709	3,294	(7,415)
Net non current assets	891,133	902,554	11,421
Net Assets	901,842	905,848	4,006
Equity			
Accumulated surplus	595,323	598,967	3,644
Reserves	306,519	306,881	362
Total Equity	901,842	905,848	4,006

The Budgeted Balance Sheet shows net assets of \$905.848 million as at 30 June 2012, which is an increase of \$4.006 million over 2010/11. This is comprised of a \$7.415 million decrease in net current assets and a \$11.421 million increase in net non-current assets resulting from the proposed capital works program. Refer to Section 7. "Analysis of Budgeted Balance Sheet" for a more detailed analysis.

2011/2012 BUDGET

Highlights

Budget activities and initiatives

Whilst the 2011/12 budget has been prepared on the basis of constraint, the Council still needs to fund new community and organisational initiatives if it is to remain innovative and cognisant of the community's needs. This year's budget includes a number of activities and initiatives which will contribute to the achievement of the strategic objectives specified in the Council Plan. Refer to Section 2 "Activities and Initiatives" and Appendix D "Key Strategic Activities" for a more detailed analysis.

Budget performance indicators

		Forecast Actual 2010/11	Budget 2011/12	Variance (unfav)
Indicator				
Underlying result	(\$'000)	(8,681)	(1,952)	6,729
Rate income/Total income	(%)	49.9	55.7	5.8
Debt Servicing/Total income	(%)	1.3	1.3	0
Indebtedness/Rate income	(%)	33.5	28.6	4.9
Underlying result/Total assets	(%)	(0.9)	(0.2)	0.7
Current Assets/Current Liabilities	(%)	154.2	116.2	(38.0)
Capital outlays/Total cash outflows	(%)	27.5	22.8	4.7

The budget performance indicators show a favourable movement in the underlying operating result together with a deterioration in liquidity indicators. This is consistent with funds raised in prior years being expended in subsequent financial years. The indebtedness % will decrease in 2011/12 due to loan repayments exceeding proposed new borrowings. All other key indicators are expected to remain relatively consistent between years except for improvements in total indebtedness and capital outlays. Refer to Section 8 "Strategic Resource Plan" for a more detailed analysis.

2011/2012 BUDGET

Budget Process

Budget Processes

This section lists the budget processes to be undertaken in order to adopt the Budget in accordance with the Act and Regulations.

The preparation of the budget begins with Officers preparing the draft operating and capital components of the annual budget between December and March. A draft consolidated budget is then prepared and various iterations are considered by Councillors at informal briefings during April. A 'proposed' budget is prepared in accordance with the Act and submitted to Council in June for approval "in principle". Council is then required to give 'public notice' that it intends to 'adopt' the budget. It must give 28 days notice of its intention to adopt the proposed budget and make the budget available for inspection at its offices and on its web site. A person has a right to make a submission on any proposal contained in the budget and any submission must be considered before adoption of the budget by Council.

The final step is for Council to adopt the budget after receiving and considering any submissions from interested parties. The budget is required to be adopted and a copy submitted to the Minister for Local Government by 31 August each year. The key dates for the budget process are summarised below:

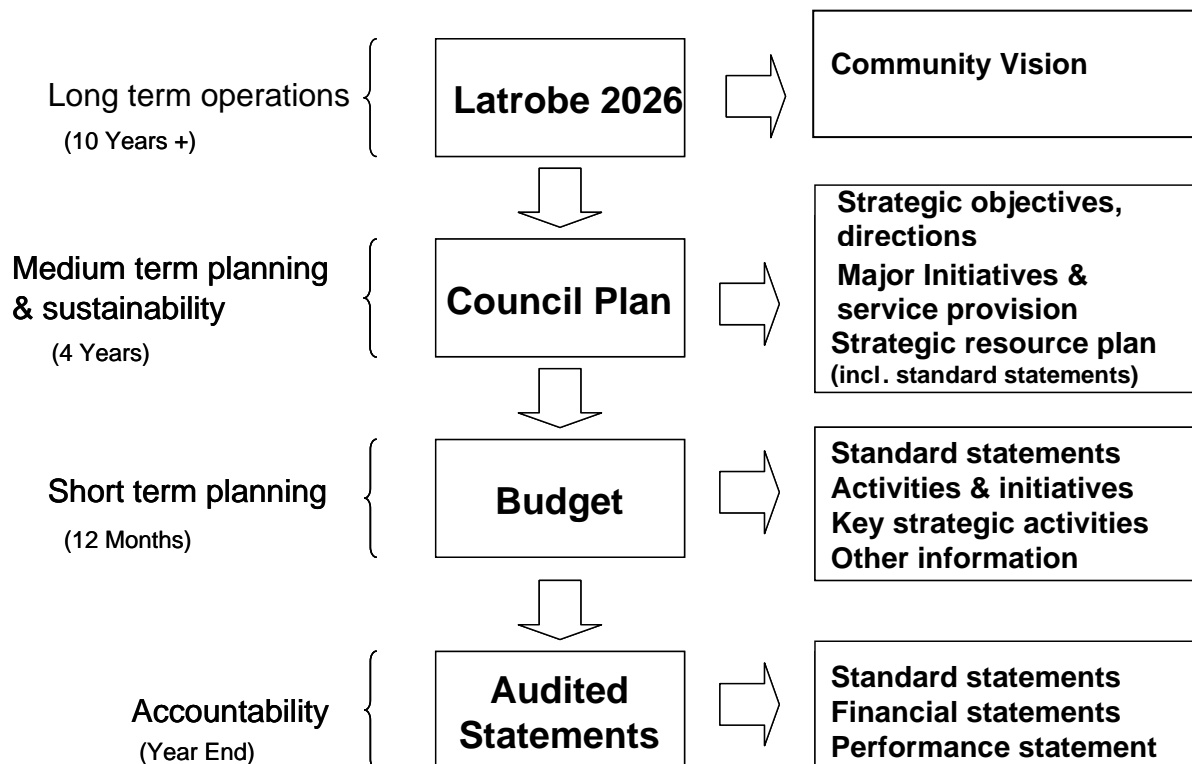
Budget process	Month
1. Officers prepare operating and capital budgets	Dec – Mar
2. Council considers draft budgets at informal briefings	April
3. Council's Audit Committee review draft budget	May
4. Draft Budget submitted to Council for approval for public notice	June
5. Public notice advising intention to adopt budget	June
6. Draft Budget available for public inspection and comment	June
7. Submissions period closes (28 days) and submissions considered	July
8. Budget and submissions referred to Council for consideration for adoption	July
9. Copy of adopted budget submitted to the Minister	Aug

1. Linkage to the Council Plan

The Annual Budget has been developed within an overall planning framework, which guides the Council in identifying community needs and aspirations over the long term (Latrobe 2026 Vision), converting these into medium (Council Plan) and short term (Annual Budget) objectives, strategies, initiatives, activities and resource requirements and then holding itself accountable (Audited Statements).

1.1 Strategic planning framework

The Strategic Resource Plan, included in the Council Plan, summarises the financial and non-financial impacts of the objectives and strategies and determines the sustainability of these objectives and strategies. The Annual Budget is then framed within the Strategic Resource Plan, taking into account the activities and initiatives included in the Annual Budget which contribute to achieving the strategic objectives specified in the Council Plan. The diagram below depicts the strategic planning framework of Council.



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 by February to ensure that there is sufficient time for officers to develop their Activities & Initiatives and Key Strategic Activities in draft form prior to the commencement of the Annual Budget process. This will allow time for targets to be established during the Long Term Financial Planning process to guide the preparation of the Annual Budget.

1.2 Our Purpose

The Community vision

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

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

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

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

Our Mission

Latrobe City continues to implement the values, corporate directions and partnerships necessary to bring reality to the Latrobe 2026 community vision for a liveable and sustainable region with collaborative and inclusive community leadership.

Our Values

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

- Providing responsive sustainable and community focused services;
- Planning strategically and acting responsibly;
- Accountability, transparency and honesty;
- Listening to, and working with, the community;
- Respect, fairness and equity.

1.3 Strategic objectives

The Council delivers activities and initiatives under 42 major service categories. Each contributes to the achievement of one of the following nine Strategic Objectives as set out in the Council Plan for the years 2011-2015.

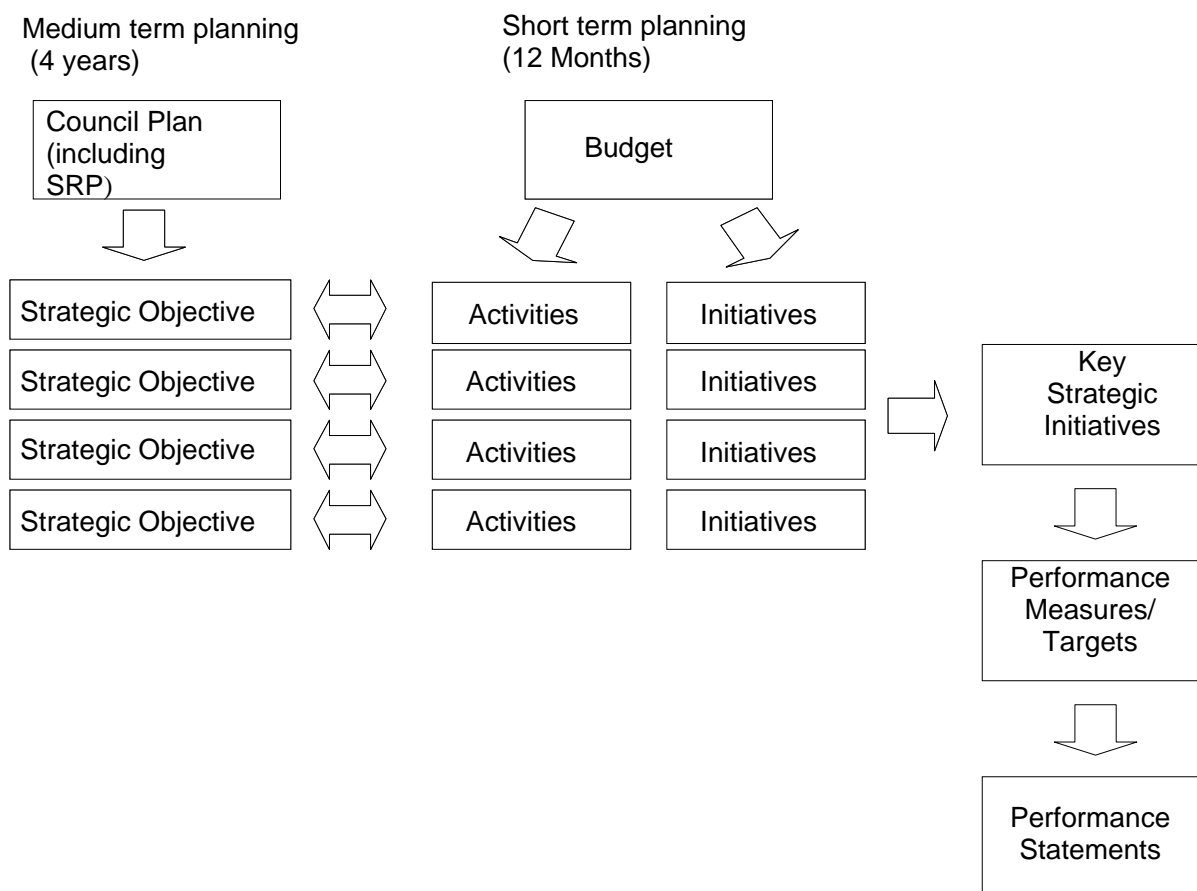
- **Economy** - In 2026, Latrobe Valley has a strong and diverse economy built on innovative and sustainable enterprise. The vibrant business centre of Gippsland contributes to the regional and broader economies, whilst providing opportunities and prosperity for our local community.
- **Natural Environment** - In 2026, Latrobe Valley enjoys a beautiful natural environment that is managed and protected with respect to ensure a lasting legacy for future generations.
- **Built Environment** - In 2026, Latrobe Valley benefits from a well planned built environment that is complementary to its surroundings and which provides for a connected and inclusive community.
- **Our Community** - In 2026, Latrobe Valley is one of the most liveable regions in Victoria, known for its high quality health, education and community services, supporting communities that are safe, connected and proud.
- **Culture** - In 2026, Latrobe Valley celebrates the diversity of heritage and cultures that shape our community, with activities and facilities that support the cultural vitality of the region.
- **Recreation** - In 2026, Latrobe Valley encourages a healthy and vibrant lifestyle, with diversity in passive and active recreational opportunities and facilities that connect people with their community.
- **Governance** - In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community, committed to enriching local decision making.
- **Advocacy & Partnerships** - In 2026, Latrobe Valley is supported by diversity of government, agency, industry and community leaders, committed to working together to advocate for and deliver sustainable local outcomes.
- **Regulation & Accountability** - In 2026, Latrobe Valley demonstrates respect for the importance of rules and laws to protect people's rights, outline obligations and support community values and cohesion.

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

2. Activities, Initiatives and Key Strategic Activities

This section provides a description of the activities and initiatives to be funded in the Budget for the 2011/12 year and how these will contribute to achieving the strategic objectives specified in the Council Plan as set out in Section 1. It also includes a number of key strategic activities and performance targets and measures in relation to these. Additional initiatives to be completed over the next four years are outlined in the 2011-2015 Council Plan.



2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
2.1 Strategic Objective 1: Economy		
Economic Development	Facilitate the attraction of large investments to Latrobe City in conjunction with the Victorian and Australian Governments. Work with all levels of Government and relevant agencies to attract new economic infrastructure to Latrobe City.	\$318 \$0 <hr/> \$318
Business Development	Facilitate training and networking support services for local small and medium enterprises in conjunction with the Latrobe City Business and Tourism Association and other agencies. Provide Business Development advice, services and programs in accordance with the Latrobe City Council Economic Development Strategy.	\$588 \$0 <hr/> \$588
Tourism Development	Support the tourism industry in line with regional, state and federal strategies and provide visitor and lifestyle information for the Latrobe region.	\$532 (\$29) <hr/> \$503
Latrobe Regional Airport	Maintain, develop and operate Latrobe Regional Airport in accordance with Civil Aviation Safety Authority regulations and the Latrobe Regional Airport Masterplan.	\$545 (\$440) <hr/> \$105
Regional Partnerships	Provide regional leadership and facilitate a successful transition for Latrobe City to a low carbon future.	\$608 (\$540) <hr/> \$68
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Actively support the implementation of the Latrobe Valley Advantage Fund and its three themes of Skilling the Valley, Attracting New Industries and Jobs and Sustainable Energy Research and Development. • Support the extension of 'Gippsland's Gateways' project through improvements to rail, road and ports in particular the establishment of the North East freeway link, construction of West link as an alternative to the Monash Freeway and enhance connectivity of Gippsland industries and bulk exports to Melbourne and other regions. • Deliver 'Positioning Latrobe City for a Low Carbon Emission Future' to maximise the opportunities for alternative technologies and non traditional uses for coal, through support of the Low Carbon Committee. • Pursue the development of the Centre for Sustainable Technologies at Monash University to undertake research and development in new technologies that support sustainable resource use and strengthen the resilience and diversity of the regional economy. • Implement the Latrobe Regional Airport Master Plan to effectively develop the airport and to facilitate investment and jobs growth. • Deliver the 2012 Gippsland Major Projects Summit highlighting commercial investments across Latrobe City and the Gippsland Region. • Conduct the 2012 Latrobe City Employment and Industry Survey to identify the 		

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
challenges and opportunities facing local business and industry.		
2.2 Strategic Objective 2: Natural Environment		
Landfill Services	Operate and maintain the Latrobe City Hyland Highway Municipal Landfill facility in accordance with Environment Protection Authority conditions. Collect and process municipal waste in accordance with the Latrobe City Council Waste Management Strategy.	\$2,870 (\$2,839) \$31
Cleansing Services	Deliver and manage contracts for waste services across the municipality, including kerbside collection, transfer stations, organic waste collection, hard waste service and materials recycling facility in accordance with specific standards and schedules.	\$5,934 (\$3) \$5,931
Environment Sustainability	The role of this unit is to provide environmental planning, advice, services and programs.	\$665 \$0 \$665
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Actively participate in the Gippsland Climate Change Impacts and Adaptation Project to create a vision and a set of socio-economic and biophysical opportunities which will secure Gippsland's role as a national food bowl. • Implement actions from the Natural Environment Sustainability Strategy 2008-2013 to achieve identified biodiversity and sustainability outcomes. • Maintain the Biolinks Network database tool for the municipality to map the functional and connectivity needs of Latrobe's species and ecosystems. • Facilitate the Latrobe City Council Climate Change Consultative Committee in the implementation of its Action Plan. 		
2.3 Strategic Objective 3: Built Environment		
City Planning	The role of this unit is to provide both Statutory and Strategic Planning advice and services in accordance with the Local Planning Policy Framework and the Planning and Environment Act 1987. Together with providing Recreation and Open Space planning for Latrobe City.	\$2,531 (\$353) \$2,178
Infrastructure Planning and Development	This unit is responsible for the delivery of the annual capital works program together with providing Asset and Traffic management planning, advice and services.	\$9,492 (\$4,917) \$4,575
Building Services	The role of this unit is to provide public education on essential safety measures in buildings and safety barriers around swimming pools.	\$333 (\$166) \$167

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
Infrastructure Maintenance	This unit is to deliver the cyclic maintenance program on Latrobe City Council buildings, provide maintenance services for Latrobe City's road, drainage, signage, footpath and tree networks and to Deliver cleansing services across the municipality, including footpath and street sweeping, public toilets, bus shelters, barbecues, rotundas and picnic shelters in accordance with specified standards and schedules.	\$20,220 (\$2,220) \$18,000
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Actively participate in the Gippsland Integrated Land Use Plan to provide direction and priorities for addressing population growth, land use change, new infrastructure requirements and the management of natural resources including coal and agricultural assets. • Pursue government funding opportunities to process construction of the Moe Rail Precinct Revitalisation Project community precinct to stimulate activity in the Moe Central Business District in accordance with the Moe Activity Centre Plan. • Commence the Morwell to Traralgon shared pathway feasibility study to improve connectivity between the two towns. • Finalise Stage 2 and progress Stage 3 of the Traralgon Activity Centre Plan to improve access, guide future land use and establish an urban design framework. • Plan for future growth of our community by finalising Stage 2 of the Main Town Structure Plans planning scheme amendment. • Commence Development Plans and Development Contribution Plans for Traralgon North to ensure new communities are well planned and provided with necessary public infrastructure. • Finalise the Traralgon Growth Areas Review including the Traralgon West Corridor Precinct Plan to identify long term growth and development opportunities. • Continuously improve planning processes and efficiencies in response to forecast growth. • Reconstruct Georgina Place and the Town Centre Plaza in accordance with the Churchill Town Centre Plan to improve access and connectivity to key facilities. 		
2.4 Strategic Objective 4: Our Community		
Home and community care	This area is responsible for delivering home and community care in accordance with Department of Health guidelines.	\$5,015 (\$4,530) \$485
Social support	Deliver the Planned Activity Group program and deliver the Meals on Wheels program to eligible clients.	\$1,297 (\$1,118) \$179

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
Public Health Services	This area is responsible for minimising the incidence of food borne illness pursuant to the Food Act and the delivery of the Immunisation program in accordance with the Public Health and Wellbeing Act.	\$962 (\$367) \$595
Child and family services	This area is responsible for the delivery of Early Learning, Family Day Care, Maternal and Child Health, and Preschool services and programs in accordance with the Council adopted policies.	\$9,903 (\$7,984) \$1,919
Community Development	The role of this area is to Deliver the Latrobe City Youth Council and Youth Leadership programs, deliver and implement the Rural Access Plan and Disability Action Plan and continue support for Latrobe City communities recovering from the 2009 bushfires.	\$2,380 (\$785) \$1,595
Emergency Management	This area is responsible for providing emergency management services, including planning, response & recovery.	\$348 (\$40) \$308
Library services	The role of this unit is to deliver Library services and programs in accordance with the Five Year Library Services Plan.	\$1,155 (\$484) \$671
Community information centres	This area is responsible for the delivery of professional customer service at all Council service centres and libraries in accordance with the Customer Service Plan.	\$3,529 \$0 \$3,529
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Facilitate the Youth Council and Youth Leadership Program to build the capacity and opportunity for young people to be actively involved and influential in the community. • Commence the review of the Latrobe City Childcare Strategy 2006-2011 and prepare a Children's Services Plan to document and promote the integrated early years services • Lead the Latrobe Settlement Committee to support the integration of new settlers into community life through the Refugee Action Plan. • Facilitate the Disability Reference Committee to support implementation of the Disability Action Plan. • Deliver the annual Children's Services Expo during Children's Week in October 2011 to promote early years services provided across Latrobe City. • Develop and implement a Seniors Week program of activities to provide opportunities for active participation of older people in consultation with community groups. • In consultation with the aboriginal community, review the Statement of Commitment to ensure continued recognition of our indigenous community. 		

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
2.5 Strategic Objective 5: Culture		
Performing Arts	This area is responsible for the delivery of the Annual Performing Arts Performances program.	\$637 (\$163) \$474
Visual Arts	This area is responsible for the delivery of the Annual Latrobe Regional Gallery Exhibitions program and the Delivery of the Education and Public Participation programs across all arts facilities.	\$1,001 (\$217) \$784
International Relations	This area is responsible for the delivery of International Relations programs and services in accordance with the Latrobe City Council International Relations Plan.	\$246 (\$39) \$207
Hall and Venue Management	The role of this unit is to manage and maintain public halls and venues across Latrobe City.	\$534 (\$115) \$419
Events	The role of this unit is to facilitate the attraction of new events and support existing events across Latrobe City and to Deliver Latrobe City Council's annual Australia Day program.	\$658 \$0 \$658
<p><i>Initiatives:</i></p> <ul style="list-style-type: none"> • As identified by the Latrobe City Tourism Product Audit, develop an Events Strategy to facilitate continued growth of events and the wider tourism sector in Latrobe City. • Deliver marketing and promotional activities for major events and event clusters to increase participation, visitation and business for local operators. • Progress Council's decision in respect to the provision of a performing arts and convention centre for Latrobe City to enhance Latrobe City's cultural infrastructure and programs. • Deliver the Latrobe City International Relations Plan 2011-2014 to enhance cultural and economic benefits. 		
2.6 Strategic Objective 6: Recreation		
Leisure Facilities	This area is responsible for the maintenance and operation of Latrobe City leisure centres, outdoor pools and stadiums.	\$5,340 (\$3,555) \$1,785
Outdoor Maintenance	The role of this unit is to manage and maintain sporting reserves, parks and gardens across Latrobe City. Together with maintaining and developing playgrounds in accordance with the Latrobe City Council Playground Strategy.	\$6,126 (\$96) \$6,030
Caravan Parks	The role of this unit is to manage and maintain the Hazelwood pondage and Lake Narracan caravan park and day visitor facilities.	\$172 (\$142) \$30

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
Traffic School	This area is responsible for the delivery of the International Power Hazelwood Traffic School program and services.	\$42 (\$23) \$19
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Deliver the Traralgon Tennis Resurfacing Project to retain two prestigious international tennis tournaments. • Construct the Latrobe City district skate park in Morwell to ensure high quality facilities are provided for our youth. • Complete funded works identified in the Latrobe Leisure Facilities Condition Assessment to ensure high quality aquatic and leisure facilities are provided for our community. • Develop the Moe Yallourn Rail Trail Management Plan and support the Gippsland Plains Rail Trail Committee. • Progress Council's decision in respect to the provision of an indoor aquatic facility in Traralgon to enable development of Latrobe City's recreational infrastructure. • Develop a Latrobe City Smoke-Free policy in outdoor areas to assist greater health outcomes for our community. • Implement actions of the Latrobe City Council Playground Replacement Implementation Plan 2011-2016 to enhance social and health outcomes and improve local neighbourhood amenity. • Review the Latrobe City Recreation and Leisure Strategy to support improved health and wellbeing of our community. • Review the Latrobe City Public Open Space Plan to ensure accessible, connected and varied open space experiences continue to be provided for our community. 		
2.7 Strategic Objective 7: Governance		
Council Operations – Legal Council	The role of this unit is to administer the operation of council meetings.	\$247 \$0 \$247
Risk & Compliance	The role of this unit is to administer the policies of Latrobe City Council.	\$188 (\$1) \$187
Executive Office	The role of this unit is to provide support services to Councillors of Latrobe City Council and deliver civic functions and events across Latrobe City.	\$641 \$0 \$641
Financial Services	The role of this unit is to administer financial management, financial advice, and financial services, administer procurement process for goods & services and administer the database for properties including valuations and municipal rate collection in accordance with the Rating Strategy within Latrobe City Council.	\$6,922 (\$256) \$6,666

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
Risk Management	The role of this unit is to administer strategic risk management, advice and services of Latrobe City Council, Coordinate Latrobe City Council's Occupational Health and Safety responsibilities and develop and implement a compliance framework including reporting, communication and audit.	\$995
		(\$1)
		\$994
Property and Statutory	The role of this unit is to administer property management, advice and services of Latrobe City Council.	\$447
		(\$145)
		\$302
Corporate Strategy	The role of this unit is to administer corporate planning and reporting of Latrobe City Council.	\$379
		\$0
		\$379
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Prepare a ten year financial plan including a review of Council rates, fees and charges of all Council services. • Review the Council Plan 2011-2015, present to Council for consideration and submit to the Minister for Local Government within the legislated timeframe. • Facilitate the development of the Annual Budget and present to Council for consideration. • Prepare the Annual Report, submit to the Minister for Local Government and present to Council within the legislated timeframe. 		
2.8 Strategic Objective 8: Advocacy & Partnerships		
Executive Office	The role of this unit is to actively participate in the Gippsland Local Government Network and the Regional Cities Victoria.	\$573
		\$0
		\$573
Community Relations	This area is responsible for providing media and public relations services on behalf of Latrobe City Council.	\$1,065
		\$0
		\$1,065
<i>Initiatives:</i>		
<ul style="list-style-type: none"> • Develop a marketing and communications plan to strengthen Latrobe City's profile as the Regional City of choice and promote Council's regional and community leadership role. • Advocate for the completion and release of the Gippsland Freight Action Plan and the release of the Latrobe Valley Bus Review. • Actively support the expansion of courses, student services and accommodation at Monash Gippsland University Campus, Churchill. • Support the Gippsland Health Promotion Task Group in implementing the Gippsland health promotion action plan, to improve the overall health of our community. • Advocate for improved public transport linkages between Churchill and other large towns to provide for the transport needs of students and the broader 		

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

Activity	Description	Expense (Income) Net \$'000
	<p>Churchill community.</p> <ul style="list-style-type: none"> • Lead components of the Gippsland Regional Plan development and implementation. • Conduct quarterly briefing sessions with parliamentarians representing the municipal area to provide advice, promote and advocate for local and regional priorities. • Support the Regional Cities Victoria group to attract and retain population growth to regional cities. • Support implementation of the Gippsland Skills Action Plan and the Gippsland Skills and Industry Alliance to improve alignment of educational services and the needs of our workforce, business and industry. • Support the expansion of Latrobe Regional Hospital to fulfil its role as Gippsland's regional specialist health service. • Lead the Coal Councils of Australia Alliance to secure improved economic and social outcomes for coal reliant communities. • Participate in the development and implementation of the Tertiary Education Plan for Gippsland to enhance access, participation and attainment of tertiary education. 	
2.9 Strategic Objective 9: Regulation & Accountability		
Council Operations - Legal Council	The role of this unit is to administer legal advice and services for Latrobe City Council.	\$165 \$0 <hr/> \$165
Local Laws	This area is responsible for the delivery of a fire prevention inspection program in accordance with the Municipal Fire Prevention Plan and the delivery of customer focussed Local Law services across the municipality in accordance with Local Law No. 2 and other relevant legislation.	\$1,569 (\$1,290) <hr/> \$279
Risk and Compliance	The role of this unit is to administer Freedom of Information requests, Privacy Act requirements of Latrobe City Council and maintain registers and provide public access to information of Latrobe City Council in accordance with the Local Government Act 1989.	\$154 \$0 <hr/> \$154
Corporate Strategy	This area is responsible for the delivery and reporting on Best Value principals in accordance with the Local Government Act.	\$30 \$0 <hr/> \$30
<i>Initiatives:</i>		
	<ul style="list-style-type: none"> • Commence the review of the Domestic Animal Management Plan to encourage responsible pet ownership through a proactive approach to domestic animal management. • Monitor the outcomes of the Victorian Bushfire Royal Commission Final Report and incorporate necessary actions into Latrobe City's fire prevention and emergency management planning frameworks. 	

2011/2012 BUDGET

Activities, Initiatives and Key Strategic Activities

2.10 Performance Statement

The Key Strategic Activities (KSA) detailed in the preceding pages, are summarised again in Appendix D. The KSA's their performance measures, targets and results are audited at the end of the year and are included in the Performance Statement as required by the section 132 of the Act. The Annual Report for 2011/12 will include the audited Performance Statement which is presented to the Minister for Local Government and the local community.

2.11 Reconciliation with budgeted operating result

	Net Cost	Expenditure	Income
	\$'000	\$'000	\$'000
Economy	1,581	2,590	1,009
Natural Environment	6,628	9,469	2,841
Built Environment	24,921	32,576	7,655
Our Community	9,282	24,590	15,308
Culture	2,542	3,076	534
Recreation	7,864	11,680	3,816
Governance	9,417	9,819	402
Advocacy & Partnerships	1,637	1,637	0
Regulation & Accountability	629	1,918	1,290
Total activities & initiatives	64,501	97,356	32,855
Other non-attributable – e.g. interest on investments, finance cost and Victoria Grants Commission General Purpose Grant	6,230	3,397	9,627
Deficit before funding sources	58,271	100,753	42,482
Funding Sources:			
Rates & Charges	58,319		
Capital Grants & Contributions	3,958		
Total Funding Sources	62,277		
Surplus for the year	4,006		

3. Budget Influences

3.1 External Influences

In preparing the 2011/12 budget, a number of external influences have been taken into consideration, because they are likely to impact significantly on the services delivered by Council in the budget period. These include:

- Wage rate rise agreements of 4.00% p.a. included in the current Enterprise Bargaining Agreement;
- Banding increases of approximately 0.5% p.a;
- Consumer Price Index (CPI) increases of approximately 3.1% per annum;
- The MAV Local Government Cost Index forecasts an inflation factor of 4.6% in costs incurred by Local governments in 2011/12.
- Minimal increases in other government funding;
- The announcement by the Victorian Government, in March 2010, of major increases in EPA levies for landfills and the recent decision in the State budget to further bring forward some of those staged increases will also have a significant impact on the waste services budget.
- The recognition during the 2010/11 financial year of an expense of \$1.356 million being council's apportioned share of the local authorities defined benefit liability which is required to be paid in July 2011.

3.2 Internal Influences

As well as external influences, there were also a number of internal influences arising from the 2010/11 year which have had a significant impact on the setting of the budget for 2011/12. The most significant of these is the funds received in 2010/11 that will be required to be carried forward for both capital and operational projects of which a significant proportion is government grant funding.

3.3 Budget principles

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

- Existing fees and charges to be increased in line with CPI and/or market levels;
- Grants to be based on confirmed funding levels, or estimated at a maximum increase of 1% less than CPI;
- Service levels to be maintained at 2010/11 levels, with the exception of expansion due to demand from growth, with an aim to use less resources with an emphasis on innovation and efficiency;
- New staff proposals to be justified through a business case;

- Contract labour to be minimized;
- Consulting costs to be minimized;

3.4 Legislative Requirements

Under the Local Government Act 1989 (the Act), Council is required to prepare and adopt an annual budget for each financial year. The budget is required to include certain information about the rates and charges that Council intends to levy as well as a range of other information required by the Local Government (Finance and Reporting) Regulations 2004 (the regulations) which support the Act.

The 2011/12 budget, which is included in this report, is for the year 1 July 2011 to 30 June 2012 and is prepared in accordance with the Act and Regulations. The budget includes standard statements being a budgeted Income Statement, Balance Sheet, Cash Flows and Capital Works. These statements have been prepared for the year ended 30 June 2012 in accordance with Accounting Standards and other mandatory professional reporting requirements and in accordance with the Act and Regulations. It includes a description of the activities and initiatives to be funded and how they will contribute to achieving the strategic objectives specified in the Council Plan, as well as separately identified Key Strategic Activities and performance targets and measures in relation to each of these. It also includes detailed information about the rates and charges to be levied, the capital works program to be undertaken and other financial information which Council requires in order to make an informed decision about the adoption of the budget.

The budget includes consideration of a number of long term strategies to assist Council in considering the Budget in a proper financial management context. These include a Strategic Resource Plan for the years 2011/12 to 2014/15 (section 8 herein), Rating Strategy (section 9 herein), Borrowing Strategy (section 10 herein), Infrastructure Strategy (section 11 herein) and Service Delivery Strategy (section 12 herein).

2011/2012 BUDGET

Analysis of Operating Budget

4. Analysis of Operating Budget

This section of the report analyses the operating budget including expected income and expenses of the Council for the 2011/12 year.

4.1 Budgeted Income Statement

	Ref	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (Unfav) \$'000
Total Income	4.2	108,834	104,760	(4,074)
Total Expenditure	4.3	(102,771)	(100,754)	2,017
Surplus (deficit) for the year		6,063	4,006	(2,057)
Capital grants and contributions	4.2.3	(12,744)	(3,958)	8,786
Developer contributed assets	4.2.7	(2,000)	(2,000)	0
Underlying surplus (deficit)	4.1.1	(8,681)	(1,952)	6,729

4.1.1 Underlying deficit (\$6.729 million decrease)

The underlying result is the net surplus or deficit for the year adjusted for capital contributions and other once-off adjustments. It is a measure of financial sustainability as it is not impacted by non-recurring or once-off items of income and expenses which can often mask the operating result. The underlying result for the 2011/12 year is a deficit of \$1.952 million which is a decrease of \$6.729 million over the 2010/11 year. The improved result is mainly due to expenditure incurred in 2010/11 which was funded from accumulated surplus carried forward from previous years.

4.2 Income

Income Types	Ref	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (Unfav) \$'000
Rates & charges	4.2.1	54,288	58,319	4,031
Operating grants	4.2.2	22,523	22,270	(253)
Capital grants and contributions	4.2.3	12,744	3,958	(8,786)
Interest	4.2.4	1,320	1,100	(220)
User charges	4.2.5	12,893	15,197	2,304
Other Income	4.2.6	2,350	1,420	(930)
Net gain on disposal of property, infrastructure, plant and equipment	4.2.7	254	0	(254)
Developer contributions	4.2.8	463	497	34
Developer contributed assets	4.2.9	2,000	2,000	0
Total Income		108,834	104,760	(4,074)

2011/2012 BUDGET

Analysis of Operating Budget

4.2.1 Rates and Charges (\$4.031 million increase)

It is proposed that General rates and charges income, excluding supplementary rates of \$411,730, will increase by a total of 5.77 % or \$4.031 million over the total rate income for 2010/11, to \$58.319 million. Of this increase 0.27% or \$147,300 is directly attributable to the State Government imposed Landfill levy. Section 9. "Rating Strategy" includes a more detailed analysis of the rates and charges to be levied for 2011/12.

4.2.2 Operating Grants (\$0.253 million decrease)

Operating grants and contributions include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers and contributions from other parties towards property development costs. Overall, the level of grants and contributions is expected to decrease by \$0.253 million compared to 2010/11. This decrease primarily relates to reductions in "one-off" type grants for Bushfire recovery, Family & Childrens Services programs and Employment Development. Offsetting these decreases is the factor that the Victoria Grants Commission (VGC) advanced part of the 2010/11 funding in the 2009/10 financial year thus reducing the grants amount shown for 2010/11. It has been assumed in this budget that all 2011/12 funds will be received from the VGC in that year thus showing a large favourable variation but not truly reflective of the estimated 2% increase in funding that has been estimated.

Other increases include "one-off" funding for Recreation, Parks and Gardens which includes the Traralgon and Glengarry tennis resurfacing projects together with Regional Partnerships funding and funding for the Gippsland Low Carbon Growth Plan.

2011/2012 BUDGET

Analysis of Operating Budget

Grant Funding Types	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (unfav) \$'000
Family and Childrens Services	4,127	3,680	(447)
HACC Services	3,867	3,809	(58)
Arts and Leisure	173	160	(13)
Libraries	457	443	(14)
Community Support	373	327	(46)
Bushfire Recovery	4,056	795	(3,261)
Victoria Grants Commission	8,356	11,220	2,864
Environment Sustainability	74	0	(74)
Employment Development	550	298	(252)
Economic Development	10	0	(10)
Recreation, Parks and Gardens	150	780	630
Regional Partnerships	0	540	540
Local Laws	99	95	(4)
Health	200	72	(128)
Strategic Planning	31	50	19
Total	22,523	22,270	(253)

4.2.3 Capital Grants and Contributions (\$8.786 million decrease)

Capital grants and contributions include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Overall the level of grants and contributions is expected to decrease by \$8.786 million compared to 2010/11 due the completion of major projects in 2010/11 e.g. Bushfire recovery projects, Moe Early Learning Centre, Ted Summerton Reserve Upgrade . Section 6. "Analysis of Capital Budget" includes a more detailed analysis of the grants and contributions expected to be received during the 2011/12 year.

4.2.4 Interest Income (\$0.220 million decrease)

Interest income includes interest on investments. Interest on investments is forecast to decrease by \$0.220 million compared to 2010/11. This is mainly due to a forecast decrease in Council's available cash reserves during 2011/12 as a result of the completion of a number of major projects.

2011/2012 BUDGET

Analysis of Operating Budget

4.2.5 User Charges (\$2.304 million increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include separate rating schemes, waste services, animal fees, use of leisure, entertainment and other community facilities and the provision of human services such as family day care and home care services. In setting the budget, the key principles for determining the level of user charges has been to ensure that increases do not exceed CPI increases and/or market levels. The increase of \$2.304 million in total fees and charges expected from 2010/11 to 2011/12 is primarily due to reduced landfill gate fees in 2010/11 due to a temporary inability to accept commercial/industrial waste at the Hyland Way facility, together with required increases in Landfill fees to recover the increase in the State Government imposed EPA Landfill Levy on Commercial waste.

A detailed listing of fees and charges is set out in Appendix E hereto.

4.2.6 Other Income (\$0.930 million decrease)

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

It is projected that other income will decrease by \$0.930 million mainly due to a reduction in one-off non-capital project contributions largely in relation to Bushfire Recovery programs.

4.2.7 Net gain on disposal of property, infrastructure, plant and equipment (\$0.254 million decrease)

Proceeds from the sale of Council assets is projected to be \$0.672 million for 2011/12 and relates to the planned cyclical replacement of part of the plant and vehicle fleet. The written down value of assets sold is projected to be \$0.672 million therefore not generating any material gain or loss on disposal. A small gain on disposal of \$0.254 million is forecast for 2010/11 mainly due to the sale of some sections of road reserves.

4.2.8 Developer Contributions - Cash (\$0.034 million increase)

Contributions relate to monies paid by developers in regard to public open space, drainage and other infrastructure in accordance with planning permits issued for property development.

It is projected that cash contributions from developers in 2011/12 will be \$0.034 million more than in 2010/11.

2011/2012 BUDGET

Analysis of Operating Budget

4.2.9 Developer Contributed Assets (no change)

It is expected that contributed assets from developers in 2011/12 will be the same as in 2010/11. This item relates to expected infrastructure assets handed over to Council from new subdivisions.

4.3 Expenses

Expense Types	Reference	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance (Unfav) \$'000
Employee costs	4.3.1	41,041	42,807	(1,766)
Materials and services	4.3.2	42,131	38,077	4,054
Bad and Doubtful Debts	4.3.3	44	32	12
Finance costs	4.3.4	1,385	1,339	46
Depreciation and Amortisation	4.3.5	18,170	18,500	(330)
Total expenses		102,771	100,754	2,017

4.3.1 Employee Costs (\$1.766 million increase)

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

Employee costs are forecast to increase by 4.3% or \$1.766 million compared to 2010/11. This increase relates primarily to increases in accordance with Council's Enterprise Bargaining Agreement and annual award increases for banded staff.

A small increase in staff numbers has been forecast in 2011/12, primarily relating to funded positions and replacement of contract staff with permanent employees.

In summary, average staff numbers (based on monthly averages) during the budget period are as follows:

Type of Employment	Number of EFT's	
	2010/11	2011/12
Permanent	514.05	517.23
Casual	28.05	37.85
Total	542.10	555.08

2011/2012 BUDGET

Analysis of Operating Budget

4.3.2 Materials & Services (\$4.054 million decrease)

Materials and services are forecast to decrease by 9.6% or \$4.054 million compared to 2010/11. This relates mainly to the completion of some projects in 2010/11 that received external funding in 2009/10 the most significant being bushfire recovery programs together with a decrease in the use of contract staff that have been temporarily backfilling vacant positions.

4.3.3 Bad and Doubtful Debts (\$0.012 million decrease)

Bad and doubtful debts is expected to decrease by \$0.012 million for the 2011/12 financial year.

4.3.4 Finance Costs (\$0.046 million decrease)

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

4.3.5 Depreciation and Amortisation (\$0.330 million increase)

Depreciation relates to the usage of Council's property, plant and equipment including infrastructure assets such as roads and drains. The projected increase of \$0.330 million is mainly due to the increased landfill rehabilitation amortisation requirements resulting from the creation of new landfill cells. Refer to section 6. Analysis of Capital Budget" for a more detailed analysis of Council's capital works program for the 2011/12 year.

2011/2012 BUDGET

Analysis of Budgeted Cash Position

5. Analysis of Budgeted Cash Position

This section of the report analyses the expected cash flows from the operating, investing and financing activities of Council for the 2011/12 year.

The significance of budgeting cash flows for Council is that it is a key factor in setting the level of rates each year and providing a guide to the level of capital expenditure the Council can sustain with or without using existing cash reserves.

5.1 Budget Statement of Cash Flows for the year ending 30 June 2012

	Reference	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
		Inflows (Outflows)	Inflows (Outflows)	
Cash flows from operating activities				
Receipts from customers	5.1.1	69,300	75,153	5,853
Payments to suppliers		(84,579)	(82,036)	2,543
Interest received		1,320	1,100	(220)
Government receipts		35,266	26,227	(9,039)
Net cash flows from operating activities		21,308	20,445	(863)
Cash flows from investing activities				
Proceeds from sale of property, plant & equip	5.1.2	946	672	(275)
Payments for property, plant & equip		(33,679)	(25,418)	8,261
Net cash flows from investing activities		(32,734)	(24,746)	7,988
Cash flows from financing activities				
Finance Costs	5.1.3	(1,385)	(1,339)	46
Proceeds from borrowings		500	1,356	856
Repayment of borrowings		(2,673)	(2,881)	(208)
Net cash flows from financing activities		(3,558)	(2,864)	694
Net increase (decrease) in cash held		(14,984)	(7,165)	7,819
Cash at the beginning of the year		34,349	19,365	(14,984)
Cash at the end of the year	5.1.4	19,365	12,200	(7,165)

2011/2012 BUDGET

Analysis of Budgeted Cash Position

Represented by:	Reference	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
Restricted cash and investments	5.2			
- Statutory reserves		1,872	2,234	362
- Long Service Leave		5,699	5,949	250
Unrestricted cash and investments	5.3	11,794	4,017	(7,777)
Total cash and investments		19,365	12,200	(7,165)

5.1.1 Operating Activities (\$0.863 million decrease)

Operating activities refer to the cash generated or used in the normal service delivery functions of Council. The decrease in cash inflows from operating activities is due mainly to the expected reduction in one-off government grants for capital works.

5.1.2 Investing Activities (\$7.988 million increase)

Investing activities refer to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property, equipment, etc. The decrease in payments of \$8.261 million for investing activities represents the planned capital works expenditure disclosed in section 13 of this budget report and is a direct result of the reduction in one-off government grants for capital works. Proceeds from sale of assets are forecast to be \$0.275 million less than the previous year.

5.1.3 Financing activities (\$0.694 million increase)

Financing activities refer to cash generated or used in the financing of Council functions and include borrowings from financial institutions and advancing repayable loans to other organisations. These activities also include repayment of the principal and interest components of loan repayments for the year. For 2011/12 the total of principal repayments is \$0.208 million more than the 2010/11 year and interest payments are decreasing by \$0.046 million. New borrowings of \$1.356 million are proposed in 2011/12 to meet Council's unfunded defined benefits superannuation liability.

5.1.4 Cash at end of the Year (\$7.165 million decrease)

Total cash and investments are forecast to decrease by \$7.165 million primarily due to net capital works of \$5.448 million funded in 2010/11 but carried forward for completion in 2011/12, together with operating programs that received advance funding, but will be completed in 2011/12.

2011/2012 BUDGET

Analysis of Budgeted Cash Position

5.2 Restricted funds

The cash flow statement indicates that Council is estimating that at 30 June 2012, it will have cash and investments of \$12.200 million which has restrictions as follows:

- **Statutory purposes (\$2.234 million)** - These funds must be applied for specified statutory purposes in accordance with various legislative and contractual requirements. Whilst these funds earn interest income for Council, they are not available for other purposes.
- **Long service leave (\$5.949 million)** - These funds are separately identified as restricted to ensure there is sufficient funds to meet Council's long service leave obligations as set out in the Local Government (Long Service Leave) Regulations 2002.

5.3 Unrestricted funds

- **Unrestricted (\$4.017 million)** - These funds are free of all specific Council commitments and represent funds available to meet daily cash flow requirements and unexpected short term needs. Council regards these funds as the minimum necessary to ensure that it can meet its commitments as and when they fall due without borrowing further funds. A high level of working capital is required as 60% of Council's rate income is not received until February and onwards each year.

5.4 Reconciliation of cash and operating results

	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
Net Surplus (deficit) from operations	6,063	4,006	(2,057)
Depreciation	18,170	18,500	330
Finance Costs	1,385	1,339	(46)
Developer Contributed assets	(2,000)	(2,000)	0
Gain on disposal of fixed assets	(254)	0	254
Net movement in current assets and liabilities	(2,057)	(1,400)	657
Cash flows available from operating activities	21,308	20,445	(863)
Proceeds from the sale of assets	946	672	(274)
Finance Costs	(1,385)	(1,339)	46
Repayment of Borrowings	(2,673)	(2,881)	(208)
Proceeds from Borrowings	500	1,356	856
Cash flows available for capital works	18,696	18,253	(443)
Capital expenditure	(33,679)	(25,418)	8,261
Net cash outflows	(14,984)	(7,165)	7,819
Cash at the beginning of the year	34,349	19,365	(14,984)
Cash at the end of the year	19,365	12,200	(7,165)

2011/12 BUDGET

Analysis of Capital Budget

6. Analysis of Capital Budget

This section of the report analyses the planned capital expenditure budget for the 2011/12 year and the sources of funding for the budget.

6.1 Funding sources

Sources of Funding	Reference	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
Works carried forward				
External				
Grants and contributions - Capital	6.1.2	3,359	2,113	(1,246)
Sub total		3,359	2,113	(1,246)
Internal				
Working Capital/Accumulated Surplus	6.1.5	5,572	5,448	(124)
Sub total		5,572	5,448	(124)
Total Works carried forward	6.1.1	8,931	7,561	(1,370)
New Works				
External				
Grants and contributions - Capital	6.1.2	7,575	1,845	(5,730)
Proceeds on sale of assets	6.1.3	748	672	(76)
Loan Borrowings	6.1.4	500	0	(500)
Sub total		8,823	2,517	(6,306)
Internal				
Working Capital/Accumulated Surplus	6.1.5	3,807	0	(3,807)
Operations	6.1.6	11,825	15,220	3,395
Reserves	6.1.7	293	120	(173)
Sub total		15,925	15,340	(585)
Total new works		24,748	17,857	(6,891)
Total funding sources		33,679	25,418	(8,261)

2011/12 BUDGET

Analysis of Capital Budget

6.1.1 Carried forward works (\$7.561 million)

At the end of each financial year there are projects which are either incomplete or not commenced due to planning issues, weather delays, extended consultation etc. For the 2010/11 year it is forecast that \$7.561 million of capital works will be incomplete and be carried forward into the 2011/12 year, \$2.113 million of which is funded from external capital grants and contributions. Significant funding includes Road Rehabilitation and upgrade (\$3.493 million), Moe Early Learning Centre at Ted Summerton Reserve (\$1.4 million) and the Moe Rail Precinct Masterplan (\$1.1 million).

6.1.2 Grants and contributions (\$1.845 million)

Capital grants and contributions include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Significant grants and contributions are budgeted to be received for the Roads to Recovery program (\$1.175 million), other road funding (\$0.465 million) and skate park funding (\$0.155 million).

6.1.3 Proceeds from sale of assets (\$0.672 million)

Proceeds from sale of assets primarily relate to motor vehicle and plant sales of \$0.672 million.

6.1.4 Loan borrowings (\$Nil)

6.1.5 Accumulated Surplus (\$Nil)

6.1.6 Operations (\$15.220 million)

During the year Council generates cash from its operating activities, which is used as a funding source for the capital works program. It is forecast that \$15.220 million will be generated from operations to fund the 2011/12 capital works program. Refer section 5. "Budgeted Cash Position" for more information on funds from operations.

6.1.7 Reserves (\$0.120 million)

The funding from reserves relates to drainage works which utilises previously received developer contributions.

2011/12 BUDGET

Analysis of Capital Budget

6.2 Capital works

Capital Works Areas	Reference	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
Works carried forward				
Roads/Paths/Bridges/Carparks	6.2.1	1,844	3,494	1,650
Land, Buildings & Improvements	6.2.1	8,392	4,067	(4,325)
Furniture & Equipment	6.2.1	100	0	(100)
Total works carried forward		10,336	7,561	(2,775)
New works				
Roads/Paths/Bridges/Carparks	6.2.2	11,927	13,437	1,510
Drainage	6.2.3	138	120	(18)
Land, Buildings & Improvements	6.2.4	8,462	1,115	(7,347)
Plant & Equipment	6.2.5	2,109	2,065	(44)
Furniture & Equipment	6.2.6	599	440	(159)
Playgrounds	6.2.7	100	670	570
Artworks	6.2.8	10	10	0
Total new works		23,344	17,857	(5,487)
Total capital works		33,679	25,418	(8,261)
Represented by:				
Asset Renewal	6.2.9	15,120	17,299	2,179
New Assets	6.2.9	10,466	5,655	(4,811)
Asset Expansion/upgrade	6.2.9	8,094	2,464	(5,630)
Total Capital Works		33,679	25,418	(8,261)

A more detailed listing of individual projects comprising the capital works program is included in Appendix C hereto.

6.2.1 Carried forward works (\$7.561 million)

At the end of each financial year there are projects which are either incomplete or not commenced due to planning issues, weather delays, extended consultation etc. For the 2010/11 year it is forecast that \$7.561 million of capital works will be incomplete and be carried forward into the 2011/12 year, \$2.113 million of which is funded from external capital grants and contributions. Significant funding includes Road Rehabilitation and upgrade (\$3.493 million), Moe Early Learning Centre at Ted Summerton Reserve (\$1.4 million) and the Moe Rail Precinct Masterplan (\$1.1 million).

6.2.2 Roads/Paths/Bridges/Carparks (\$13.437 million)

For the 2011/12 year, \$13.437 million will be expended on road projects. The more significant projects include local roads reseals (\$4.450 million), road rehabilitation (\$2.900 million), Franklin Street bridge replacement (\$1.400 million), Churchill town centre plan works (\$1.300 million), footpath replacements (\$1.200 million) and gravel road resheets (\$0.700 million). The increase of \$1.510 million over forecasted 2010/11 expenditure is largely due to the Franklin Street bridge replacement project.

6.2.3 Drainage (\$0.120 million)

For the 2011/12 year, \$0.120 million will be expended to install a gross pollutant trap in Commercial Road Morwell.

6.2.4 Land, Buildings & Improvements (\$1.115 million)

For the 2011/12 year, \$1.115 million will be expended on Land, Building & Improvements. The more significant projects include Latrobe City leisure facilities condition assessment programmed works (\$0.650 million) and Tyers recreation reserve changeroom upgrade (\$0.285 million). The decrease of \$7.347 million from forecasted 2010/11 expenditure is largely due to the completion of projects with significant external funding received in 2010/11 e.g. Moe Early Learning Centre, Churchill Leisure Centre upgrade, Callignee Community Centre and Ted Summerton Reserve improvements.

6.2.5 Plant & Equipment (\$2.065 million)

For the 2011/12 year, \$2.065 million will be expended on the ongoing cyclical replacement of plant, equipment and fleet.

6.2.6 Furniture & Equipment (\$0.440 million)

For the 2011/12 year, \$0.440 million will be expended on furniture & equipment. The most significant item being replacement of information technology (\$0.350 million), other items include leisure and arts equipment and office furniture. The decrease of \$0.159 million from forecasted 2010/11 expenditure is largely due to the information technology replacement program reduced requirements for the 2011/12 year.

6.2.7 Playgrounds (\$0.670 million)

Playgrounds includes playground equipment and Skate & BMX parks.

For the 2011/12 year \$0.670 million will be expended on playground projects. The more significant projects include skate parks at Morwell (\$0.350 million), Traralgon South (\$0.100 million) and Yinnar (\$0.100 million) together with playground equipment replacement at various locations (\$0.120 million).

6.2.8 Artworks (\$0.010 million)

For the 2011/12 year \$0.010 million will be expended on artwork acquisitions.

6.2.9 Asset Renewal (\$17.299 million), New Assets (\$5.655 million), Expansion/Upgrade (\$2.464 million)

A distinction is made between expenditure on new assets, expenditure on asset renewal and expansion/upgrade. The expenditure on asset renewal is expenditure on an existing asset, which returns the service potential or the life of the asset back to its original life expectancy. Expenditure on new assets does not have any element of expansion/upgrade of existing assets but will result in future operation, maintenance and capital renewal. The major projects included in the above categories, which constitute expenditure on new assets are the completion of Moe Early Learning Centre (\$1.427 million), Churchill town centre plan (\$1.300 million), Moe rail precinct (\$1.100 million) and the Olympic reserve Moe pavilion project (\$0.600 million).

2011/2012 BUDGET

Analysis of Budgeted Financial Position

7. Analysis of Budgeted Financial Position

This section of the budget report analyses the movements in assets, liabilities and equity between 2010/11 and 2011/12. It also considers a number of key performance indicators.

7.1 Budgeted Balance Sheet

	Reference	Forecast Actual 30 Jun 11 \$'000	Budget 30 Jun 12 \$'000	Variance \$'000
Current Assets	7.1.1			
Cash and cash equivalents		19,365	12,200	(7,165)
Trade and other Receivables		9,507	9,792	285
Prepayments		1,599	1,647	48
Non-current assets held for sale		0	0	0
Total current assets		30,471	23,639	(6,832)
Non Current assets	7.1.2			
Trade and other Receivables		78	72	(6)
Property, plant and equipment		926,597	934,843	8,246
Other financial assets		2	2	0
Total non-current assets		926,677	934,917	8,240
Total Assets		957,148	958,556	1,408
Current Liabilities	7.1.3			
Trade and other Payables		6,101	6,284	183
Interest bearing liabilities		2,881	3,087	206
Employee Benefits		7,652	7,952	300
Provisions		1,650	1,500	(150)
Other Current Liabilities		1,478	1,522	44
Total current liabilities		19,762	20,345	583
Non Current liabilities	7.1.4			
Interest bearing liabilities		15,303	13,572	(1,731)
Employee Benefits		1,413	1,463	50
Provisions		18,828	17,328	(1,500)
Total non-current liabilities		35,544	32,363	(3,181)
Total Liabilities		55,306	52,708	(2,598)
Net assets		901,842	905,848	4,006
Equity	7.1.5			
Accumulated surplus		595,323	707,397	112,074
Reserves		306,519	198,451	(108,068)
Total Equity		901,842	905,848	4,006

2011/2012 BUDGET

Analysis of Budgeted Financial Position

7.1.1 Current Assets (\$6.832 million decrease)

The decrease in current assets is mainly due to a reduction in cash reserves associated with capital expenditure projects from 2010/11 that are expected to be completed in 2011/12. A more detailed analysis of this change is included in section 5. "Analysis of budgeted cash position".

7.1.2 Non Current Assets (\$8.240 million increase)

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

7.1.3 Current Liabilities (\$583,000 increase)

The increase in current liabilities (that is, obligations council must pay within the next year) is estimated to be \$183,000 for suppliers and \$300,000 for employee entitlements which are expected to increase marginally due to current increases being reflected in balances being held. Loan principal repayable in 2011/12 is \$2.881 million this will increase to \$3.087 million in 2012/13. Loan repayments remain constant over this period with increasing principal portions as the loans approach maturity. Provisions relate to landfill, and the increase of \$0.150 million reflects the rehabilitation work expected to be undertaken in the 2011/12 year.

7.1.4 Non Current Liabilities (\$3.181 million decrease)

The decrease in non current liabilities (that is, obligations council must pay beyond the next year) results from the decrease in interest bearing liabilities of \$1.731 million and a decrease in the provision for landfill rehabilitation resulting from the rehabilitation works scheduled in 2011/12. There are no other significant changes in non current liabilities.

7.1.5 Equity (\$4.006 million increase)

The net increase in equity (or net assets) results directly from the operating surplus of \$4.006 million.

A more detailed analysis of the net change in investment reserves is included in Appendix A "Investment Reserves".

2011/2012 BUDGET

Analysis of Budgeted Financial Position

7.2 Key assumptions

In preparing the Budgeted Balance Sheet for the year ended 30 June 2012 it was necessary to make a number of assumptions about key assets, liabilities and equity balances. The key assumptions are as follows:

- A total of 97% of total rates and charges raised will be collected in the 2011/12 year (2010/11: 97% forecast actual);
- Trade creditors to be based on total capital and operating expenditure less written down value of assets sold, depreciation and employee costs. Payment cycle is 30 days;
- Other debtors and creditors to remain consistent with 2010/11 levels;
- Employee entitlements to be increased by Enterprise Bargaining Agreement and general banding movements only. No increase in the average rate of leave taken is expected;
- Repayment of loan principal to be \$2.881 million.
- New borrowings to be \$1.356 million; and
- Total capital expenditure to be \$25.418 million.

8. Strategic Resource Plan and Key Financial Indicators

This section of the report considers the Strategic Resource Plan covering both financial and non-financial resources, which is required by the Act to be prepared for at least the next four financial years to support the Council Plan.

The Act also requires Council to comply with the following *Principles of Sound Financial Management*:

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

8.1 Long term financial plan

A key component of the Strategic Resource Plan is the Long Term Financial Plan. Council has prepared a Long Term Financial Plan for the four years 2011/12 to 2014/15 as part of Council's ongoing financial planning to assist Council in adopting a budget within a longer term framework. The Plan 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 Plan, is financial sustainability in the medium to long term, whilst still achieving Council's strategic objectives as specified in the Council Plan. The key financial objectives, which underpin the Long Term Financial Plan, are:

- Maintain existing service levels;
- Reduce the infrastructure gap;
- Contain borrowings; and
- Achieve a balanced budget on a cash basis.

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

- Assessment of Council's current financial position
- Key objectives and assumptions
- Service delivery strategy
- Rating strategy
- Borrowing strategy
- Infrastructure strategy
- Key recommendations

2011/2012 BUDGET

Strategic Resource Plan

The following table summarises the key financial indicators for the next four years as set out in the Long Term Financial Plan for years 2011/12 to 2014/15. Appendix A "Budget Statements" includes a more detailed analysis of the financial resources to be used over the four year period.

Indicator		Budget 2011/12	Strategic Resource Plan Projections		
			2012/13	2013/14	2014/15
General					
Operating surplus/(deficit)	(\$'000)	4,006	6,638	8,647	10,242
Underlying operating result	(\$'000)	(1,952)	3,403	5,350	6,881
Cash from operations	(\$'000)	20,445	23,059	24,895	26,534
Cash increase/(decrease)	(\$'000)	(7,165)	639	652	664
Cash and investments	(\$'000)	12,200	12,839	13,491	14,155
Borrowings outstanding	(\$'000)	16,659	13,572	10,754	8,302
Depreciation	(\$'000)	18,500	18,600	18,700	19,000
Capital expenditure	(\$'000)	25,418	18,899	21,199	23,381
Working capital	(\$'000)	3,294	4,011	4,841	5,564
Net worth	(\$'000)	905,848	912,486	921,133	931,375
Financial performance					
Operating expenses/Assessment	(\$)	2,752	2,652	2,687	2,738
Rate income/Total income	(%)	55.7	58.8	59.6	60.4
Rate income/Assessment	(\$)	1,373	1,441	1,512	1,585
Debt servicing/Total income	(%)	1.3	1.1	0.8	0.6
Grants/Total income	(%)	25.0	21.4	20.9	20.4
Fees & charges/Total income	(%)	14.5	14.9	14.7	14.5
Financial position					
Indebtedness/Rate income	(%)	28.6	22.0	16.5	12.0
Underlying surplus/Total assets	(%)	-0.2	0.4	0.6	0.7
Total assets/Assessment	(\$)	26,182	25,917	25,716	25,567
Current assets/Current liabilities	(%)	116.2	119.5	123.3	126.4
Total liabilities/Assessment	(\$)	1,440	1,313	1,197	1,094
Cash position					
Capital outlays/Total cash outflows	(%)	22.8	18.4	19.8	20.9
Capital outlays/Rate income	(%)	43.6	30.6	32.4	33.8
Capital outlays/Total depreciation	(%)	137.4	101.6	113.4	123.1

2011/2012 BUDGET

Strategic Resource Plan

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

- Borrowings are contained;
- The infrastructure gap is narrowed;
- Staffing levels and costs are contained; and
- A balanced budget on a cash basis is achieved.

8.2 Non-financial resources

In addition to the financial resources to be consumed over the planning period, Council will also consume non-financial resources, in particular human resources. The following table summarises the non-financial resources for the next four years.

Indicator	Budget	Strategic Resource Plan Projections		
	2011/12	2012/13	2013/14	2014/15
Employee costs \$'000	42,807	44,733	46,746	48,849
Employee numbers EFT's	555.08	555.08	555.08	555.08

9. Rating Strategy

This section of the report considers the Council's rating strategy including strategy development, assumptions underlying the current year rate increase and rating structure.

9.1 Strategy development

In developing the Long Term Financial Plan (referred to in Section 9), rates and charges was identified as an important source of income, accounting for approximately 55% of the total income received by Council annually. Planning for future rate increases has therefore been an important component of the Long Term Financial Planning process.

However, it has also been necessary to balance the importance of rate income as a funding source with community sensitivity to increases, particularly given the change to bi-annual general revaluations. To ensure that deliberations about future rate increases have been made on an informed basis, comparisons were made of historical rate increases between the Council and other similar sized councils. The following table shows a comparison of the last five years and also the average rates per capita for the 2011/12 year.

Year	Latrobe City Council
2006/07	5.0%
2007/08	5.0%
2008/09	4.0%
2009/10	5.2%
2010/11	5.5%
Average increase over 5yrs	4.94%
Average per capita 2010/11	\$608

The table indicates that over the past five years Council's rate increases have averaged 4.94% and that the average per capita rates for 2010/11 (excluding rating Agreements) were \$608.

9.2 Current year rate increase

The 2011/12 operating position is predicted to be significantly impacted by wages growth and reductions in government funding. It will therefore be necessary to achieve future income growth whilst containing costs in order to achieve an underlying breakeven operating position by 2012/13 as set out in the Long Term Financial Plan. The contribution from operations toward capital investment of \$15,220 million for the 2011/12 year continues to reduce the infrastructure gap.

2011/2012 BUDGET

Rating Strategy

In order to achieve these objectives whilst maintaining service levels and a robust capital expenditure program, overall rates and charges will increase by 5.77% in 2011/12 raising total rates of \$58,319 million, including \$411,700 generated from supplementary rates. Part of this increase is an amount of \$147,000 or 0.27% as a result of the State Government's landfill levy increasing significantly, Council will need to unfortunately pass these increases onto residents. In the interests of clarity the EPA levy component was separated from the Garbage Charge in 2010/11 and this will again occur in 2011/12. The following table sets out future projected rate increases and total rates to be raised, based on the forecast financial position of Council as at 30 June 2011 and the long term financial plan.

The long term financial plan will be reviewed by Council in December 2011.

Year	Rate Increase %	Total Rates Raised \$'000
2010/11	5.50	54,288
2011/12	5.77	58,319
2012/13	5.00	61,747
2013/14	5.00	65,347
2014/15	5.00	69,127

9.3 Rating structure

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

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

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

Council makes a further distinction within the property value component of rates based on the purpose for which the property is used, that is, whether the property is used for residential, commercial, industrial or farm purposes.

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

The existing rating structure comprises two differential rates (general and farm) and a rate concession for recreational land. These rates are structured in accordance with the requirements of section 161 "Differential Rates" of the Act. Under the *Cultural and Recreational Lands Act 1963*, provision is made for a Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable

2011/2012 BUDGET

Rating Strategy

land” under the Act. The farm rate is set at 75% of the general rate and the rate concession for recreational land is set at 50% of the general rate. Council has re-affirmed its intention to maintain the existing rating relativities for the 2011/12 Budget. Council also has a municipal charge, a garbage charge and the State Government Landfill Levy charges as allowed under the Act.

The following table summarises the rates to be determined for the 2011/12 year. A more detailed analysis of the rates to be raised is contained in Appendix B “Statutory Disclosures”.

Rate type	2010/2011	2011/2012
General rates – cents in \$ of CIV	0.00409523	0.00431108
Farm rates – cents in \$ of CIV	0.00307143	0.00323331
Recreational rates – cents in \$ of CIV	0.00204762	0.00215554
Municipal charge - \$ per property	105	110
Garbage charge - \$ per property	215	235
Landfill Levy charge - \$ per property	10	14.50

9.4 General revaluation of properties

The next general revaluation of all properties within the municipality will be as at 1 January 2012 and will be first applied to the 2012/13 financial year.

Council will be maintaining the existing differential rate for the farming properties and cultural recreation land for the 2011/12 year. Therefore, in aggregate, total rates and charges will increase by 5.77% excluding supplementary rates compared to 2010/11.

10. Borrowing Strategy

This section of the report considers the Council's borrowing strategy including strategy development, current year borrowings and proposed levels for the future.

10.1 Strategy development

In developing the Long Term Financial Plan (see Section 9.1), borrowings were identified as an important funding source for the capital works programs. In the past, Council has borrowed to finance specific infrastructure projects and a significant unfunded superannuation liability in 2003.

The Long Term Financial Plan includes the results of an analysis of Council's debt position against the recommended ratios used by the Victorian State Government to assess the loan capacity of local governments. The outcome of the analysis highlighted that a debt of \$16.659 million could be comfortably accommodated. Council's future borrowing requirements may be influenced by external government funding opportunities that require some contribution from council in order to finance major capital projects. The following table shows a history of Council borrowings for the last five years and the recommended ratios applicable.

Year	Total Borrowings 30 June \$'000	Liquidity CA/CL Ratio	Debt Mgt Debt/Rates %	Debt Mgt Serv Costs/ Income %	Debt Exp Liabilities/ Relis Assets %
2006	16,169	2.06:1	40.6	1.13	20.69
2007	15,026	1.93:1	35.4	1.16	13.69
2008	16,529	2.11:1	36.2	0.97	14.11
2009	18,471	2.20:1	38.8	1.02	17.30
2010	20,357	2.24:1	40.1	1.14	14.29
2011	18,184	1.54:1	33.5	1.27	11.89
	Threshold	>1:1	<80%	<5%	<150%

The table shows that Council's borrowing level at 30 June 2011 is expected to be \$18.184 million. It also shows that Council has at all times been within the Victorian State Government's recommended ratio limits.

Definitions:

- Liquidity- Current Assets/Current Liabilities is used to assess Council's ability to meet current commitments.
- Debt Management/Rates is used to assess Council's ability to meet outstanding loan liability from its own source income of rates.
- Debt management servicing costs/income is used to assess Council's ability to meet interest on loan payments from total income.
- Debt exposure-liabilities/Realisable assets is used to assess Council's financial ability to meet all its liabilities if they all came due.

2011/2012 BUDGET

Borrowing Strategy

10.2 Current year borrowings

For the 2011/12 year, Council has decided to take out new borrowings of \$1.356 million to fund the repayment of Latrobe City's unfunded defined benefits superannuation liability. After making loan repayments of \$2.881 million, its total borrowings will decrease to \$16.659 million as at 30 June 2012. The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2011.

Year	New Borrowings \$'000	Loan Principal Paid \$'000	Loan Interest Paid \$'000	Total Repayments (Principal & Interest) \$'000	Balance 30 June \$'000
2011	500	2,673	1,385	4,058	18,184
2012	1,356	2,881	1,339	4,220	16,659
2013	0	3,087	1,134	4,221	13,571
2014	0	2,818	925	3,743	10,753
2015	0	2,452	737	3,189	8,301

Note: No new borrowings for 2012/13 onwards have been identified at this point in time. Council's future borrowing requirements may be influenced by external government funding opportunities that require some contribution from council in order to finance major capital projects.

11. Infrastructure Strategy

This section of the report considers the Council's infrastructure strategy including strategy development, key influences on the current year and proposed capital works levels for the future.

11.1 Strategy development

The Council is developing an Infrastructure Strategy which sets out the capital expenditure requirements of the Council for the next 10 years by class of asset and project and is a key input to the long term financial plan. It predicts infrastructure consumption, renewal needs and considers infrastructure needs to meet future community service expectations. The Strategy development process includes a rigorous process of consultation and evaluation. The key aspects of the process are as follows:

- Long term capital planning process which integrates with the Council Plan, Long Term Financial Plan and Annual Budget processes;
- Listing of all known capital projects, prioritised within classes on the basis of evaluation criteria;
- Transparent process for evaluating and prioritising capital projects;
- Methodology for allocating annual funding to classes of capital projects; and
- Standard templates for officers to document capital project submissions.

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

A key objective of the Infrastructure Strategy is to maintain or preserve Council's existing assets at desired condition levels. If sufficient funds are not allocated to asset preservation then Council's investment in those assets will reduce, along with the capacity to deliver services to the community. A measure of Council's performance in respect to infrastructure management is the sustainability index. This is the proportion of the total asset value consumed (equivalent to the annual depreciation charge), compared to the amount spent in preserving the asset (expenditure aimed at ensuring the asset reaches its intended useful life) on an annual basis. A value of 100% (or greater in the short term) is the desired target and the Long Term Financial Plan aims to maintain a sustainability index of 100%.

2011/2012 BUDGET

Infrastructure Strategy

11.2 Key influences for 2011/2012

The following influence had a significant impact on the Infrastructure Strategy for the 2011/12 year:

- Continuation of significant Federal funding for upgrade of roads (Roads to Recovery funding of \$1.175 million has been assumed for 2011/12).

11.3 Future capital works

The following table summarises Council's forward outlook on capital expenditure including funding sources for the next four years. The only capital grants and contributions that are projected for 2012/13 onward are approved funding for Roads to Recovery and no new borrowings are forecast at this stage.

Year	Grants & Contrib's \$'000	Borrowings \$'000	Asset Sales \$'000	Reserves \$'000	Working Capital/ Acc'd Surplus	Council Operations \$'000	Capital Program \$'000
2011	10,934	500	748	293	9,379	11,825	33,679
2012	3,958	0	672	120	5,448	15,220	25,418
2013	1,175	0	700	120	0	16,904	18,899
2014	1,175	0	700	120	0	19,204	21,199
2015	1,175	0	700	120	0	21,386	23,381

12. Service Delivery Strategy

This section of the report considers the Council's service delivery strategy including strategy development, key influences and service delivery outcomes.

12.1 Strategy Development

A number of service delivery strategies will be developed and/or reviewed during 2011/12 year. Latrobe 2026 and the Council Plan 2011/12 to 2014/15 identify key service area reviews and strategy development for service areas.

12.2 Key Influences on service delivery

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

	2011/12 %	2012/13 %	2013/14 %	2014/15 %
Consumer Price Index	3.00	3.00	3.00	3.00
Rate Increases	5.77	5.00	5.00	5.00
Property growth	1	1	1	1
Wages growth	4.50	4.50	4.50	4..50
Government funding	2.00	2.00	2.00	2.00
Statutory fees	3.00	3.00	3.00	3.00
Investment return	6.00	6.00	6.00	6.00

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

12.3 Service delivery outcomes

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

Year	Net Surplus (Deficit) \$'000	Underlying Surplus (Deficit) \$'000
2011	6,063	(8,681)
2012	4,006	(1,952)
2013	6,638	3,403
2014	8,647	5,350
2015	10,242	6,881

2011/2012 BUDGET

Service Delivery Strategy

Service levels have been maintained throughout the four year period. The operating deficit forecast for 2010/11 year is primarily in line with the original budget forecast after taking into account the effect of capital income and funding that had been received in 2009/10 for programs/projects in 2010/11. Excluding the effects of non-operating income such as capital contributions, the underlying result predicts a deficit for 2011/12 and a surplus for 2012/13 to 2014/15 years.

Overview to Appendices

The following appendices include voluntary and statutory disclosures of information which provide support for the analysis contained in sections 1 to 13 of this report.

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

The contents of the appendices are summarised below:

Appendix	Nature of information
A	Budgeted Standard Statements
B	Statutory disclosures
C	Capital works program
D	Key strategic activities
E	Fees and Charges

A. Budgeted standard statements

This appendix presents information in regard to the budgeted Standard Statements. The budget information for the years 2011/12 to 2014/15 has been extracted from the Strategic Resource Plan.

At the end of each financial year Council is required to report back to the community a comparison of actual financial results against these Budgeted Standard Statements and provide an explanation of significant variances. The Standard Statements together with the Performance Statement provide a clear, concise and understandable report of Council's activities for the year from both a financial and non-financial perspective particularly for those users who do not have a financial background.

The appendix includes the following budgeted information:

- Budgeted Standard Income Statement
- Budgeted Standard Balance Sheet
- Budgeted Standard Cash Flow Statement
- Budgeted Standard Capital Works statement
- Budgeted Statement of Investment Reserves.

2011/2012 BUDGET

Appendices

Budgeted Standard Income Statement For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Income from ordinary activities					
Rates	54,288	58,319	61,747	65,347	69,127
Operating grants and contributions	22,523	22,270	21,280	21,705	22,139
Capital grants and contributions	12,744	3,958	1,175	1,175	1,175
Interest	1,320	1,100	1,100	1,100	1,100
User fees and charges	12,893	15,197	15,653	16,122	16,606
Other Income	2,350	1,420	1,462	1,506	1,551
Developer Contributions	463	497	512	527	543
Developer Contributed assets	2,000	2,000	2,060	2,122	2,185
Total Income	108,580	104,760	104,989	109,605	114,428
Expenses from ordinary activities					
Employee costs	41,041	42,807	44,733	46,746	48,849
Materials and services	42,131	38,077	33,851	34,553	35,564
Bad and Doubtful Debts	44	32	33	34	35
Finance costs	1,385	1,339	1,134	926	737
Depreciation	18,170	18,500	18,600	18,700	19,000
Total expenses	102,771	100,754	98,351	100,959	104,186
Net gain (loss) on disposal of property, infrastructure and equipment	254	0	0	0	0
Surplus (deficit) for the year	6,063	4,006	6,638	8,647	10,242
Other comprehensive income					
Other	0	0	0	0	0
Total comprehensive income for the year	6,063	4,006	6,638	8,647	10,242

2011/2012 BUDGET

Appendices

Budgeted Standard Balance Sheet For the four years ending 30 June 2015

	Forecast		Strategic Resource Plan		
	Actual 2011 \$'000	Budget 2012 \$'000	Projections 2013 2014 2015 \$'000 \$'000 \$'000		
Current assets					
Cash and cash equivalents	19,365	12,200	12,839	13,491	14,155
Trade and other Receivables	9,507	9,792	10,086	10,389	10,700
Prepayments	1,599	1,647	1,696	1,747	1,800
Non-current assets held for sale	0	0	0	0	0
Total current assets	30,471	23,639	24,622	25,627	26,655
Non-current assets					
Receivables	78	72	66	60	54
Property, plant and equipment	926,597	934,843	936,502	940,423	946,289
Other Financial Assets	2	2	2	2	2
Total non-current assets	926,677	934,917	936,570	940,485	946,345
Total Assets	957,148	958,556	961,192	966,112	973,000
Current liabilities					
Trade and other Payables	6,101	6,284	6,473	6,667	6,867
Interest bearing liabilities	2,881	3,087	2,818	2,452	2,208
Employee benefits	7,652	7,952	8,252	8,552	8,852
Provisions	1,650	1,500	1,500	1,500	1,500
Other current liabilities	1,478	1,522	1,568	1,615	1,664
Total current liabilities	19,762	20,345	20,611	20,786	21,090
Non-current liabilities					
Interest bearing liabilities	15,303	13,572	10,754	8,302	6,094
Employee benefits	1,413	1,463	1,513	1,563	1,613
Provisions	18,828	17,328	15,828	14,328	12,828
Total non-current liabilities	35,544	32,363	28,095	24,193	20,535
Total Liabilities	55,306	52,708	48,705	44,978	41,625
Net assets	901,842	905,848	912,486	921,133	931,375
Equity					
Accumulated surplus	595,323	598,967	605,213	613,452	623,271
Reserves	306,519	306,881	307,273	307,681	308,104
Total equity	901,842	905,848	912,486	921,133	931,375

2011/2012 BUDGET

Appendices

Budgeted Standard Cash Flow Statement For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Receipts from customers	69,300	75,153	79,087	83,207	87,522
Payments to suppliers	(84,579)	(82,036)	(79,582)	(82,292)	(85,403)
	(15,279)	(6,882)	(495)	914	2,119
Interest received	1,320	1,100	1,100	1,100	1,100
Government receipts	35,266	26,227	22,455	22,880	23,314
Net cash flows from operating activities	21,308	20,445	23,059	24,895	26,534
Cash flows from investing activities					
Proceeds from sale of prop, plant & equip	946	672	700	700	700
Payments for property, plant & equip	(33,679)	(25,418)	(18,899)	(21,199)	(23,381)
Net cash flows from investing activities	(32,734)	(24,746)	(18,199)	(20,499)	(22,681)
Cash flows from financing activities					
Finance Costs	(1,385)	(1,339)	(1,134)	(926)	(737)
Proceeds from borrowings	500	1,356	0	0	0
Repayment of borrowings	(2,673)	(2,881)	(3,087)	(2,818)	(2,452)
Net cash flows from financing activities	(3,558)	(2,864)	(4,221)	(3,744)	(3,189)
Net increase (decrease) in cash held	(14,984)	(7,165)	639	652	664
Cash at the beginning of the year	34,349	19,365	12,200	12,839	13,491
Cash at the end of the year	19,365	12,200	12,839	13,491	14,155

2011/2012 BUDGET

Appendices

Budgeted Standard Capital Works Statement For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital works areas					
Roads /Paths/Bridges &Carparks	13,770	16,931	11,624	14,306	16,436
Drainage	138	120	120	120	120
Land, Buildings & Improvements	16,854	5,182	4,252	4,040	3,630
Plant & Equipment	2,109	2,065	2,080	1,930	2,530
Furniture & Equipment	699	440	560	520	520
Playgrounds	100	670	253	273	135
Artworks	10	10	10	10	10
Total capital works	33,679	25,418	18,899	21,199	23,381
Represented by:					
Asset Renewal	15,120	17,299	14,479	13,163	19,471
New Assets	10,466	5,655	2,093	6,045	2,410
Asset expansion/upgrade	8,094	2,464	2,327	1,990	1,500
Total capital works	33,679	25,418	18,899	21,199	23,381

Reconciliation of net movement in property, plant and equipment For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Capital works	33,679	25,418	18,899	21,199	23,381
Depreciation and amortisation	(18,170)	(18,500)	(18,600)	(18,700)	(19,000)
Less Written down value of assets sold	(692)	(672)	(700)	(700)	(700)
Add Written down value of current assets held for sale	0	0	0	0	0
Developer Contributed assets	2,000	2,000	2,060	2,122	2,185
New Landfill Asset	4,000	0	0	0	0
Net movement in property, plant and equipment	20,817	8,246	1,659	3,921	5,866

2011/2012 BUDGET

Appendices

Budgeted Statement of Investment Reserves For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2011	2012	2013	2014	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Statutory					
Car parking	286	286	286	286	286
Drainage	750	995	1,251	1,519	1,797
Public open space	244	297	351	407	465
Street trees	235	276	333	392	453
Future Roadworks	347	371	396	421	447
Street Lighting	9	9	9	9	9
Total statutory reserves	1,872	2,234	2,626	3,034	3,457
Discretionary					
Total reserves	1,872	2,234	2,626	3,034	3,457

B. Statutory Disclosures

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

The appendix includes the following budgeted information:

- Borrowings
- Rates and charges
- Differential rates

Statutory disclosures

1 Borrowings

	2010/11 \$	2011/12 \$
New borrowings (other than refinancing)	500,000	1,355,700
Debt redemption	2,673,000	2,881,000

2 Rates and charges

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

Type of Property	2010/11 cents/\$CIV	2011/12 cents/\$CIV
General	0.00409523	0.00431108
Farm	0.00307143	0.00323331
Recreational	0.00204762	0.00215554

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

Type of Property	2010/11 \$	2011/12 \$
General	32,432,759	34,793,236
Farm	2,377,249	2,542,052
Recreational	37,072	51,369

2.3 The estimated total amount to be raised by rates

	2010/11 \$	2011/12 \$
Total rates to be raised	34,847,080	37,386,657

2011/2012 BUDGET

Appendices

- 2.4 The proposed percentage change in the rate in the dollar for each type of rate to be levied, compared to that of the previous financial year are:**

Type of Property	Percentage Change 2010/11	Percentage Change 2011/12
General	5.72%	5.27%
Farm	5.72%	5.27%
Recreational	5.72%	5.27%

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

Type of Property	2010/11	2011/12
General	34,922	35,283
Farm	1,316	1,312
Recreational	15	16
The total number of assessments is:	36,253	36,611

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

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

Type of Property	2010/11 \$	2011/12 \$
General	7,919,636,000	8,070,663,000
Farm	773,989,000	786,208,000
Recreational	18,105,000	23,831,000
Total	8,711,730,000	8,880,702,000

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

Type of Charge	Per Rateable Property	
	2010/11 \$	2011/12 \$
Municipal	105.00	110.00
Garbage collection	215.00	235.00
Landfill Levy	10.00	14.50

2011/2012 BUDGET

Appendices

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

Type of Charge	Per Rateable Property	
	2010/11 \$	2011/12 \$
Garbage 120L Bin	130	146
Garbage 240L Bin	215	235
Garbage 240L Bin - Special	145	175
Recycling	45	47
Organics/Green Waste	40	42

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

Type of Charge	2010/11 \$	2011/12 \$
Municipal	3,767,715	3,985,300
Garbage collection	6,716,365	7,639,407
Landfill Levy	307,480	474,590
Total	10,791,560	12,099,297

2.10 The estimated amount to be raised from the Power Generators and Australian Paper is \$8,433,087 compared to the previous year of \$8,116,560.

2.11 The estimated total amount to be raised by rates and charges is \$58,319,000, including supplementary rates of \$399,959.

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

- The making of supplementary valuations;
- Changes of use of land such that rateable land becomes non-rateable land and vice versa;
- Changes of use of land such that residential land becomes farm land and vice versa.

3. Differential rates

Rates to be levied

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

- A farm rate of 0.00323331 for all rateable farm properties;
- A recreational land charge equal to 0.00215554 for all applicable recreational land properties.

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

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

Farm land

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

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

that is used by a business:

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

The reasons for the use of this rate are that:

- (i) the types and classes of land to which the rate applies can be easily identified;
- (ii) it is appropriate to have a farm rate so as to fairly rate farm land;
- (iii) the level of the farm rate is appropriate having regard to all relevant matters including the use to which farm land is put and the amount to be raised by Council's Municipal charge;

- (iv) the level of the farm rate is appropriate to ensure that the burden of the payment of general rates is fairly apportioned across all rateable land within the Municipal district;

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

Recreational Land

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

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

General Rate

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

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

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

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

C. Capital Works Program

This appendix presents a listing of the capital works projects that will be undertaken for the 2011/12 year.

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

- New works for 2011/12
- Works carried forward from the 2010/11 year.

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

Capital Works Program For the year ending 30 June 2012

1. New works 2011/2012

Capital Works Area	Externally Funded \$'000	Internally Funded \$'000	Project Cost \$'000
Roads/Paths/Bridges & Carparks	1,640	11,797	13,437
Drainage	0	120	120
Land, Buildings & Improvements	50	1,065	1,115
Plant & Equipment	672	1,393	2,065
Furniture & Equipment	0	440	440
Playgrounds	155	515	670
Artworks	0	10	10
Total new capital works 2011/2012	2,517	15,340	17,857

2. Works carried forward from 2010/2011

	Externally Funded \$'000	Internally Funded \$'000	Project Cost \$'000
Roads/Paths/Bridges & Carparks	440	3,054	3,494
Drainage	0	0	0
Land, Buildings & Improvements	1,673	2,395	4,067
Plant & Equipment	0	0	0
Furniture & Equipment	0	0	0
Playgrounds	0	0	0
Artworks	0	0	0
Total capital works carried fwd 2010/2011	2,113	5,448	7,561

3. Summary

	Externally Funded \$'000	Internally Funded \$'000	Project Cost \$'000
Asset renewal	2,157	15,142	17,299
New Assets	1,598	4,058	5,655
Asset expansion/upgrade	875	1,589	2,464
Total	4,630	20,788	25,418

4. A detailed listing of individual projects comprising the 2011/2012 capital works program is set out below:

2011/2012 Capital Works Program

Asset Category/Project Description	Externally Funded \$'000	Internally Funded \$'000	Total Amount \$'000
<u>CAPITAL WORKS (ASSETS)</u>			
NEW WORKS FOR 2011/12			
Roads/Paths/Bridges & Carparks			
Bridges			
Renewal			
Bridge Replacement - Franklin St, Traralgon Creek, Traralgon		1,400	1,400
Footpaths & Cycleways			
New Works			
Bicycle Plan - Park Lane, Traralgon - Stage 2		45	45
Bicycle Plan - Tramway Road, Churchill - Design (Including pedestrian bridge)		5	5
Moe - Moe South Pedestrian Link Project Stage 5 of 6 stage project - footpath works, Coalville Road Moe		150	150
Renewal			
Footpath replacement program 2011/12		1,200	1,200
Offstreet Carparks			
New Works			
Moore Street Pre-school car park Hennessey Street, Moe		100	100
Renewal			
CBD car park reseals 2011/12		70	70
Roads			
New Works			
Churchill Town Centre Plan implementation		1,300	1,300
Renewal			
Resurfacing of car parks & roads in Recreation Reserves Program		50	50
Local Road Reseals Program 2011/12		4,450	4,450
Road Rehab Program 2011/12	1,175	1,725	2,900
Gravel Road re-sheets		700	700
Upgrade			
Timber Industry Road Evaluation Study (TIRES) Funding - Grand Ridge Road	125	25	150
Safety Improvement works at Jumbuk Road, Jumbuk	340	110	450
Upgrade of Upper Middle Creek Road at Yinnar South		67	67
Minor sealing works at intersections, bridge approaches and short sections of roads that are difficult to maintain		150	150
Gravel Road Sealing Program 2011/12		250	250
Roads/Paths/Bridges & Footpaths - Sub- Total	1,640	11,797	13,437

2011/2012 Capital Works Program

Asset Category/Project Description	Externally Funded \$'000	Internally Funded \$'000	Total Amount \$'000
Drains			
New Works			
Gross Pollutant Trap installation - Commercial Road Morwell		120	120
Drains - Sub- Total		120	120
Land, Buildings & Improvements			
Buildings			
New Works			
Moe Activity Centre Plan		100	100
Renewal			
Roof Replacement Program 2011/12		80	80
Latrobe City Leisure Facilities Condition Assessment - Various Projects		650	650
Upgrade			
Northern Towns Recreation Plan: Tyers Recreation Reserve, change room facilities.	50	235	285
Land, Buildings & Improvements - Sub- Total	50	1,065	1,115
Plant & Equipment			
Renewal			
Plant & equipment replacement – 2011/12	72	613	685
Fleet replacement program – 2011/12	600	780	1,380
Plant & Equipment - Sub- Total	672	1,393	2,065
Furniture & Equipment			
Renewal			
Latrobe Leisure Equipment Replacement Program		40	40
Performing Arts Lighting & Sound Stage Equipment Replacement Program		30	30
IT Equipment Replacement Program		350	350
Office Furniture & Equipment Replacement Program		20	20
Furniture & Equipment - Sub- Total		440	440
Other			
Playgrounds			
New Works			
Skate & BMX Plan - Construct district skate park in Morwell		350	350
Skate & BMX Plan - Construction Skate Park in Traralgon South (Funding Pending)	75	25	100
Skate & BMX Plan - Yinnar, construct skate park.	80	20	100
Renewal			
Playground Improvement Implementation Plan 2011-2016		120	120
Artworks			

2011/2012 Capital Works Program

Asset Category/Project Description	Externally Funded \$'000	Internally Funded \$'000	Total Amount \$'000
New Works			
Latrobe Regional Gallery - Artwork acquisitions		10	10
Other - Sub- Total	155	525	680
TOTAL 2011/12 NEW CAPITAL WORKS	2,517	15,340	17,857
New Works	155	2,225	2,380
Renewal	1,847	12,278	14,125
Upgrade	515	837	1,352
WORKS CARRIED FORWARD FROM 2010/11			
Roads/Paths/Bridges & Carparks			
Bridges			
Renewal			
Franklin Street Bridge Rehab		400	400
Speargrass Rd, Middle Creek, Yinnar Sth-Timber Bridge Replace	160	165	325
Footpaths & Cycleways			
Renewal			
Moe South Pedestrian Link Project Stage 4, Coalville Rd Moe		165	165
Roads			
Renewal			
Wallace St Morwell - Road Rehabilitation		359	359
Road Rehabilitation Program - Middle Creek Road, Yinnar		800	800
Road Rehabilitation Program - Quigley Street, Morwell		400	400
Upper Middle Creek Rd - Road Widening		100	100
Glendonald Rd Churchill-upgrade of unsealed section-Auslink		175	175
Upgrade			
Churchill ACP Pedestrian Plaza/Access Rd		300	300
Jumbuk Rd from Junction Rd to Jumbuk Hall (Timber Haulage)	280	190	470
Roads/Paths/Bridges & Footpaths - Sub- Total	440	3,054	3,494
Land, Buildings & Improvements			
Buildings			
New Works			
Moe Early Learning Centre - Construction		1,427	1,427
Moe Rail Precinct Masterplan - Detailed Design	1,100		1,100
Clifton Street Precinct Moe - Stage 3		148	148
Olympic Reserve Moe - pavilion	343	258	600
Renewal			
Traralgon South Hall Refurbishment	150	300	450
Upgrade			
Traralgon East Community Centre Facilities Upgrade	80	262	342
Land, Buildings & Improvements - Sub- Total	1,673	2,395	4,067

2011/2012 Capital Works Program

Asset Category/Project Description	Externally Funded \$'000	Internally Funded \$'000	Total Amount \$'000
TOTAL WORKS CARRIED FORWARD FROM 2010/11	2,113	5,448	7,561
New Works	1,443	1,833	3,275
Renewal	310	2,864	3,174
Upgrade	360	752	1,112
TOTAL CAPITAL WORKS PROGRAM (ASSETS)	4,630	20,788	25,418
New Works	1,598	4,058	5,655
Renewal	2,157	15,142	17,299
Upgrade	875	1,589	2,464
<u>CAPITAL WORKS (OPERATING)</u>			
<i><u>(These projects are of a capital nature but do not meet the definition of capital expenditure due to them either not being on Council owned/or controlled assets or not relating to an asset class recognised by Council. Expenditure on these projects appears in the Budgeted Standard Income Statement).</u></i>			
NEW WORKS FOR 2011/12			
Land, Buildings & Improvements			
Recreation			
Glengarry Tennis Courts Resurfacing – Northern Towns Major	100	90	190
Annual Program Replacement of unserviceable outdoor seating		15	15
Annual Resurface of hard court bitumen surfaces		50	50
Traralgon Tennis Resurfacing Project	609	100	709
Other Land, Buildings & Improvements			
Small Town Works Program		70	70
Yallourn North Town Hall Upgrade		250	250
Transfer Station Upgrade Program, year 2 of 4 year program		450	450
Land, Buildings & Improvements - Sub- Total	709	1,025	1,734
Landfill			
Rehabilitation of Latrobe City landfill sites including Moe, Morwell, Traralgon, Yallourn North & Yinnar		1,650	1,650
Landfill - Sub- Total		1,650	1,650
Other			
Community Minor Capital Grant Program - 2011/12		360	360
Traffic and Pedestrian Safety Projects		135	135
Public Lighting Replacement Program		70	70
Light & Flag Pole Replacement / Repair / Decommissioning		75	75
Morwell Recreation Plan: Pegasus Soccer Club Lighting Upgrade	50	25	75
Other - Sub- Total	50	665	715
TOTAL 2011/12 NEW CAPITAL WORKS (OPERATING)	759	3,340	4,099

2011/2012 BUDGET

Appendices

2011/2012 Capital Works Program

Asset Category/Project Description	Externally Funded \$'000	Internally Funded \$'000	Total Amount \$'000
WORKS CARRIED FORWARD FROM 2010/11			
Land,Buildings & Improvements			
Buildings			
Boolarra MultiPurpose Centre refurbishment-Bushfire recovery	450		450
Traralgon South and District Men's and Community Shed	53	179	232
Recreation			
Warren Terrace Haz Nth- Oval development		20	20
Traralgon Sports Stadium-netting divider		20	20
Southern Towns ORP - Pavilion Upgrade Yinnar		100	100
Land,Buildings & Improvements - Sub- Total	503	319	822
Landfill			
Hyland Hwy Landfill - cell 3 & 4 construction		1,300	1,300
Landfill - Sub- Total		1,300	1,300
Other			
Koornalla & Le Roy Parks	145	105	250
Other - Sub- Total	145	105	250
TOTAL WORKS CARRIED FORWARD FROM 2010/11	648	1,724	2,372
TOTAL CAPITAL WORKS (OPERATIONAL)	1,407	5,064	6,471
<u>TOTAL CAPITAL WORKS PROGRAM</u>	6,037	25,852	31,889

D. Key Strategic Activities

This appendix presents a number of strategic activities to be undertaken during the 2011/12 year and performance targets and measures in relation to these.

Key Strategic Activity	Performance Measure and Target
Economy	
<p>Deliver 'Positioning Latrobe City for a Low Carbon Emission Future' to maximise the opportunities for alternative technologies and non traditional uses for coal, through support of the Low Carbon Committee.</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a report detailing progress and activities during 2011 and 2012 financial year will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: Minimum of three Low Carbon Committee meetings held during 2011 and 2012.</p> <p>Quality: Progression of actions and objectives from the 'Positioning Latrobe City for a Low Carbon Emission Future'.</p>
<p>Conduct the 2012 Gippsland Major Projects Summit highlighting commercial investments across Latrobe City and the Gippsland Region.</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The delivery date for the summit will be no later than 30 April 2012.</p> <p>Quantity: The summit will showcase a minimum of four projects and opportunities planned for the region.</p> <p>Quality: High level of attendance and diversity of representation.</p>
Natural Environment	
<p>Implement actions of the Natural Environment Sustainability Strategy 2008-2013 to achieve identified biodiversity and sustainability</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p>

Key Strategic Activity	Performance Measure and Target
<p>outcomes in Latrobe City during 2011 and 2012.</p>	<p>Time: The Ordinary Council Meeting, at which a progress report on the delivery of actions identified by the Natural Environment Sustainability Strategy is presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: A report on the progress delivered against actions identified in the Natural Environment Sustainability Strategy 2008 -2013 will be presented to Council for consideration.</p> <p>Quality: Progression of actions and objectives from the Natural Environment Sustainability Strategy 2008 -2013, and provision of information to Council on progress.</p>
<p>Built Environment</p> <p>Finalise Stage 2 of the Traralgon Activity Centre Plan to guide future land use via a Structure Plan, Urban Design Framework and parking precinct plan.</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a report will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: Finalisation of Stage 2 of the Traralgon Activity Centre Plan will result in the completion of an Urban Design Framework, Activity Centre Plan and Implementation Plan to inform a planning scheme amendment.</p> <p>Quality: The quality of Stage 2 outputs and resulting planning scheme amendment will be measured by the success of the Planning Scheme amendment process, including assessment by an independent Planning Panel and the decision by the Minister for Planning.</p> <p><i>(Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).</i></p>
<p>Finalise the Traralgon Growth Areas Review including the Traralgon West Corridor Structure Plan to identify long term growth</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p>

Key Strategic Activity	Performance Measure and Target
and development opportunities.	<p>Time: The Ordinary Council Meeting, at which a report will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: Finalisation of the Traralgon Growth Areas Review will result in the completion of a Framework Plan and supporting Structure Plan.</p> <p>Quality: The quality of outputs will be measured by the success of the Planning Scheme amendment process, including assessment by an independent Planning Panel and the decision by the Minister for Planning.</p> <p><i>(Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).</i></p>
Community	
In consultation with the aboriginal community review the Statement of Commitment to ensure continued recognition of our indigenous community.	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a revised Statement of Commitment will be presented to Council for consideration, will be no later than 1 December 2011.</p> <p>Quantity: Completion of a revised Statement of Commitment.</p> <p>Quality: Continued and improved recognition of our indigenous community.</p>
Deliver the annual Children's Services Expo during Children's Week in October 2011 to promote early years services provided across Latrobe City.	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: Delivery of the Children's Services Expo by no later than October 2011.</p> <p>Quantity: Delivery of one Children's Services Expo during Children's Week.</p> <p>Quality: Children's Services Expo attended by diverse range of families across the</p>

Key Strategic Activity	Performance Measure and Target
	municipality.
Culture	
Develop an Events Plan to facilitate continued growth of events and the wider tourism sector in Latrobe City.	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a report will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: The Events Plan will facilitate continued growth and development of events for economic benefit, to build capacity in our community and to lift the profile of Latrobe City.</p> <p>Quality: The plan will provide clear strategic directions for Latrobe City events and ensure continued growth and sustainability of events for the benefit of Latrobe City.</p>
Recreation	
Review the Latrobe City Public Open Space Plan to ensure accessible, connected and varied open space experiences continue to be provided for our community.	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a report will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: Completion of a revised Latrobe City Public Open Space Plan and recommendations.</p> <p>Quality: The quality of outputs will be measured by the Department of Planning and Community Development's level of satisfaction with the information and process used to support a subsequent planning scheme amendment.</p> <p><i>(Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its</i></p>

Key Strategic Activity	Performance Measure and Target
	<i>ability to provide an alternative quality measure that is quantifiable within the reporting period)</i>
Governance	
<p>Prepare a ten year financial plan including a review of Council rates, fees and charges of all Council services.</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a report will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: The completion of a ten year financial plan report.</p> <p>Quality: The ten year financial plan will provide a framework for the prioritisation and allocation of Council resources for a ten year period.</p>
Regulation & Accountability	
<p>Monitor outcomes of the Victorian Bushfire Royal Commission Final Report and incorporate necessary actions into Latrobe City's fire prevention and emergency management planning frameworks.</p>	<p>Cost: Latrobe City Council's financial contribution during 2011 and 2012 will be limited to resources allocated within Council's adopted budget.</p> <p>Time: The Ordinary Council Meeting, at which a report will be presented to Council for consideration, will be no later than 30 June 2012.</p> <p>Quantity: Review of the Victorian Bushfire Royal Commission Final Report and completion of a report and recommendations.</p> <p>Quality: Improved Latrobe City Council fire prevention and emergency management planning framework.</p>

E. Fees and Charges

The Fees and Charges adopted as part of the 2011/12 budget process are set out in the attached document, entitled "Latrobe City Fees and Charges 2011/12".