

PYRENEES
— S H I R E —



PYRENEES SHIRE COUNCIL
Budget - 2017/18

Proposed Budget
2% Rate Cap Rate Rise

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Mayor's introduction

The Councillors and I are pleased to release to the Community the 2% rate cap rate rise Budget for 2017/18. This budget builds on our Council Plan 2017/21 vision which focuses on the following five key areas:

- Roads and Townships
- Relationships and Advocacy
- Community Connection and Wellbeing
- High Performing Organisation
- Development and Environment

The Council Plan 2017/21 sets out our strategic plan to deliver our vision over the full term of the Council. As this is the first year of the current Council term, the focus over the next year will be on commencing work on the commitments in our four year plan.

The budget details the resources required over the next year to fund the large range of services we provide for our community. It also includes details of proposed capital expenditure allocations to improve and renew our Shire's physical infrastructure, buildings and operational assets as well as funding proposals for a range of operating projects including the beautification of township entrances.

As Councillors, it is our job to listen to community sentiment and understand your priorities. Since we started our term in 2016, we have consistently heard that Council's services are valued by the community, and that Council also needs to be financially responsible and keep its rates as low as possible. In response, Council has initiated an enterprise wide approach to identify savings that don't impact on its services, in order to provide increased value for money to ratepayers.

The Budget for 2017/18 has been prepared by Councillors and Council officers. As part of the budget process the community was invited to community workshops in the spring of 2016 to provide input into the Gravel Road Strategy and potential higher rate cap application. These workshops were held at Lexton, Beaufort, Avoca, Snake Valley and Landsborough. Budget workshops were also conducted in late March 2017 at Beaufort and Avoca to provide the opportunity for the community to have input into the budget.

The budget includes a rate increase of 2.00%, which is the maximum rate increase allowed under the rate cap set by the Minister for Local Government under the Fair Go Rates System. In order to balance the budget, Council has continued to pursue operational savings and efficiencies which has enabled it to deliver high quality, responsive and accessible services to the community.

Budgeted Capital Works expenditure will decrease from \$7.162 million in 2016/17 to \$6.333 million in 2017/18, predominantly as a result of a reduction in grant income of \$1.45 million. The Capital Works Program will be funded by \$2.163 million of external grants, \$841,000 from asset sales and the balance of \$3.329 million from Council rates. It is pleasing to note that ratepayer funded capital expenditure has increased by \$341,000.

Highlights of the Capital Works Program include:

- Reseals at various locations \$835,000
- Raglan-Elmhurst Road 1.5km Reconstruction \$508,000
- Trawalla Road 2km Reconstruction \$497,000
- Moonambel-Natte Yallock Road 2km Reconstruction \$670,000
- Major Culvert Rehabilitation \$513,000
- Solar Lighting of Township Entrances \$10,000

Expenditure on the following projects included in the Capital Works Program will be recouped in future budget periods as the land is sold:

- Beaufort Residential Estate - Land Purchase \$213,000

- Residential Land Development - Beaufort Stages 3 & 4 \$349,000

Projects included in the Capital Works Program that are contingent on yet to be approved government grants include:

- Beaufort Walkability Project \$150,000
- Hardcourt Renewal \$157,000

Our focus for the next year is to continue to deliver on the projects and services that make our Shire a great place to live, work and invest in, and respond to the challenges we are currently facing. These challenges include:

- Rate capping
- State government cost shifting
- The Western Highway bypassing of Beaufort.

Cr Ron Eason
Mayor

Executive summary

Council has prepared a Budget for 2017/18 which is aligned to the vision in the Council Plan 2017/21. It seeks to maintain infrastructure as well as deliver projects and services that are valued by our community, and do this with a rate increase of 2.00%, which is the maximum capped rate increase allowed by the Victorian State Government.

This Budget projects an operating deficit of \$1.126 million for 2017/18 and the adjusted underlying result is a deficit of \$1.313 million after adjusting for capital grants and contributions (refer Section 4 - Financial performance indicators). However, it should be noted that we have a balanced cash budget.

1. Key things we are funding

Ongoing delivery of services to the Pyrenees Shire community funded by an expenditure budget of \$20 million. These services are summarised in Section 3.1.

Continued investment in Infrastructure Assets (\$4.488 million) primarily for renewal works. This includes Roads (\$3.488 million), Bridges (\$101,000), Footpaths and Cycleways (\$174,000), Drainage including major culverts (\$513,000), and Recreational, Leisure and Community Facilities (\$212,000). The Statement of Capital Works can be found in Section 3 and further details on the capital works budget can be found in Section 6.

2. The Rate Rise

a. The budget includes a rate increase of 2.00%, which is the maximum rate increase allowed under the rate cap set by the Minister for Local Government under the Fair Go Rates System.

b. Key drivers

- To fund ongoing service delivery – business as usual (balanced with greater service demands from residents).
- To fund renewal of infrastructure and community assets.
- To cope with cost shifting from the State Government (refer Paragraph 6 below).

c. This will not be a revaluation year. Valuations will be as per the General Revaluation dated 1 January 2016 (as amended by supplementary valuations).

d. The waste service charge incorporating kerbside collection and recycling will increase by an average of 5.2% per property in order to reflect full cost recovery for this service.

e. Note that for every \$100 in taxes paid by Victorian residents, Council rates make up approximately \$3.50. The other \$96.50 goes to the State and Federal Governments.

f. Refer Section 7 for further Rates and Charges details.

3. Key Statistics

- Total Revenue: \$18.9 million (2016/17 budget - \$20.1 million)
- Total Expenditure: \$20 million (2016/17 budget - \$20 million)
- Operating Surplus/Deficit: \$1.126 million deficit (2016/17 budget \$0.1 million surplus)
(Refer Section 3.1 Comprehensive Income Statement)
- Cash result: \$0 million (2016/17 budget \$0 million)
(Refer Statement of Cash Flows in Section 3.4)

The Cash Result is the net funding result after considering the funding requirements to meet capital expenditure.

4. Budget Influences

External Influences

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

- The Victorian State Government introduced a cap on rate increases from 2016/17. The cap for 2017/18 has been set at 2.00%.
- Council received approval for an additional 1.33% rate rise above the State Government's 2.5% cap on rate increases in 2016/17. This additional income has been quarantined to road resealing.
- State-wide Consumer Price Index price increase is forecast to be 2.00% for the 2017/18 year.
- The Victorian Wage Price Index is projected to be 2.50% in 2017/18.
- Council has renegotiated a new three-year Collective Bargaining Agreement with its staff which commenced in October 2016.
- Anticipated indexation of Federal Assistance Grants as distributed by the Victoria Grants Commission.
- Ongoing cost shifting. This occurs where Council provides a service to the community on behalf of the State and/or Federal Government. Over time the funds received by Council do not increase in line with the cost of providing the service. More information and examples are shown in paragraph 6 below.
- Councils across Australia raise approximately 3.5% of the total taxation collected by all levels of Government in Australia. In addition councils are entrusted with the maintenance of more than 30% of the all Australian public assets including roads, bridges, parks, footpaths, recreational facilities and public buildings. This means that a large proportion of Council's income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.
- The Fire Services Property Levy will continue to be collected by Council on behalf of the State Government as a consequence of the introduction of the Fire Services Property Levy Act 2012.

Internal Influences

- A decision has been made to price waste management charges at a level that provides full recovery of the cost of providing waste management services throughout the Shire.
- Council became free of debt in September 2016 and has reallocated the \$500,000 used for loan principal repayment in 2016/17 to: additional capital works (\$341,000), additional sealed road shoulder grading (\$12,100), additional linemarking (\$9,000), additional rural and urban drainage maintenance (\$25,400), and two new programs focussing on township entrance beautification (\$35,000) and community project funding (\$50,000).

5. State and Federal Budget wish list

- Funding for the provision of reticulated potable water to the Moonambel township.
- Improved telecommunications coverage.
- Funding for an Impact Study of the proposed Western Highway bypass of Beaufort.

6. Cost Shifting

Cost shifting occurs when Commonwealth and/or State programs transfer responsibilities to local government with insufficient funding, or grants which don't keep pace with service delivery cost increases.

Type 1: Cost Shifting for Specific Services

Examples:

- Animal control on VicRoads roads and VicTrack land - because relevant State authorities have insufficient capacity to provide a timely response, Council is required to undertake this work in a timely manner to ensure public safety, despite not being reimbursed for this expenditure.
- Council officers are now doing initial inspections for RSPCA complaints and are not reimbursed for this expenditure.

Type 2: Loss of funding in general

Example:

- A freeze on indexation of the Federal financial assistance grants (which comprise on average approximately 26% of Council's income. The Commonwealth announced in its 2014/15 Budget that it would pause indexation of the total national pool of financial assistance grants to local government for three years (2014/15, 2015/16, 2016/17). The cumulative impact on Pyrenees Shire Council for the three years totals \$463,000.

Type 3: Statutory fees that prohibits full cost recovery

Examples:

- Planning fees are set by the State Government and have been frozen for most of the past 15 years.
- Currently Council only recoups 23% of the cost of providing statutory planning services.

Type 4: Levies

Example:

- State Government landfill levy increased from \$7 per tonne in 2010/11 to \$30.33 per tonne in 2015/16, an increase of 433%.

Type 5: Statutory requirements lead to increased costs

Examples:

- Council incurs considerable expense in naming new roads created by the VicRoads Western Highway re-alignment.
- Police divert traffic from State roads onto Council roads as a result of vehicle accidents on State controlled roads. Council is not reimbursed for damage caused by highway traffic on local roads.
- New legislative requirements for Council to supervise private building surveyors with no matching income for this.
- Film permits - Council is required to undertake permit application processing within five days as a State standard but no receives income.
- Domestic Waste Water Management Plan - inspections of septic tanks are now required every year - this is a new requirement with no matching income.
- Local Government Performance Framework - 95 new measures that require data collection, validation and audit.
- The Fair Go Rates System rate capping reporting framework involves a new comprehensive reporting requirement that has created considerable additional work.
- Administration of the Local Government Legislation Amendment (Environmental Upgrade Agreements) Bill 2015.
- Administration of the State-wide temporary Food registration system 'Stretrader' – additional annual cost to Council since 2013/14 due to the responsibility having been shifted from the State Government to Council.

Budget Reports

The following reports include all statutory disclosures of information and are supported by the analysis contained in sections 8 to 12 of this report.

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

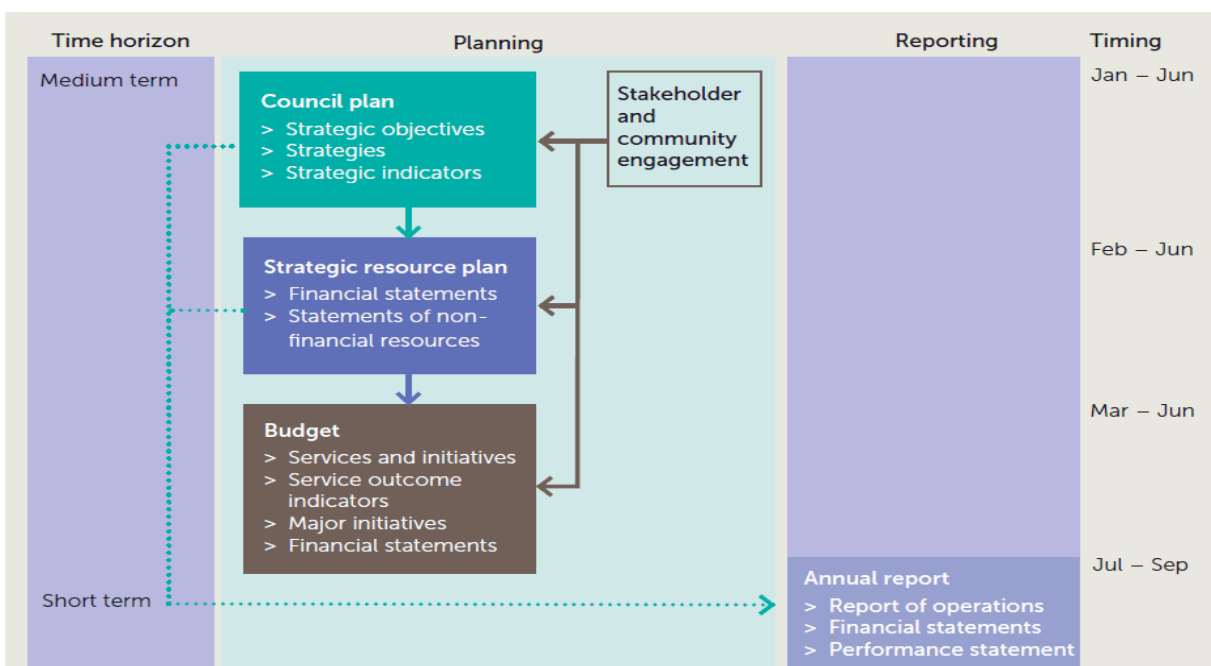
- 1 - Link to the Council Plan
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1 - Link to the Council Plan

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

1.1 Planning and accountability framework

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



Source: Department of Environment, Land, Water and Planning

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

1.2 Our purpose

Our vision

“We want the Pyrenees Shire to be a healthy, vibrant, prosperous and connected community.”

Pyrenees Shire Council seeks to create an environmentally sustainable and liveable Shire that will continue to provide a range of opportunities and choices for a diverse and prosperous community.

Our mission

The role Pyrenees Shire Council will take to achieve this vision is to:

- Provide quality road and built infrastructure for the community
- Work with others to provide services to maintain the wellbeing of the community, and
- Operate an efficient, forward looking organisation.

As an innovative and accountable organisation, Pyrenees Shire Council will promote vibrant democracy and provide high-quality services.

Our values

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

- **Service** - Our citizens, community and service users are the focus of all our actions
- **Accountability** - We are responsible for our actions, which are open to review
- **Innovation** - We encourage and seek new ideas in finding solutions
- **Teamwork** - We share our skills, knowledge and experience as part of a team and work together towards achieving Council’s goals
- **Recognition** - We promote the achievements and efforts of others
- **Safety** - We look after our environment and the welfare of others
- **Integrity** - We are open and honest and work to the best of our ability
- **Respect** - We acknowledge the opinions of others and their rights and differences.

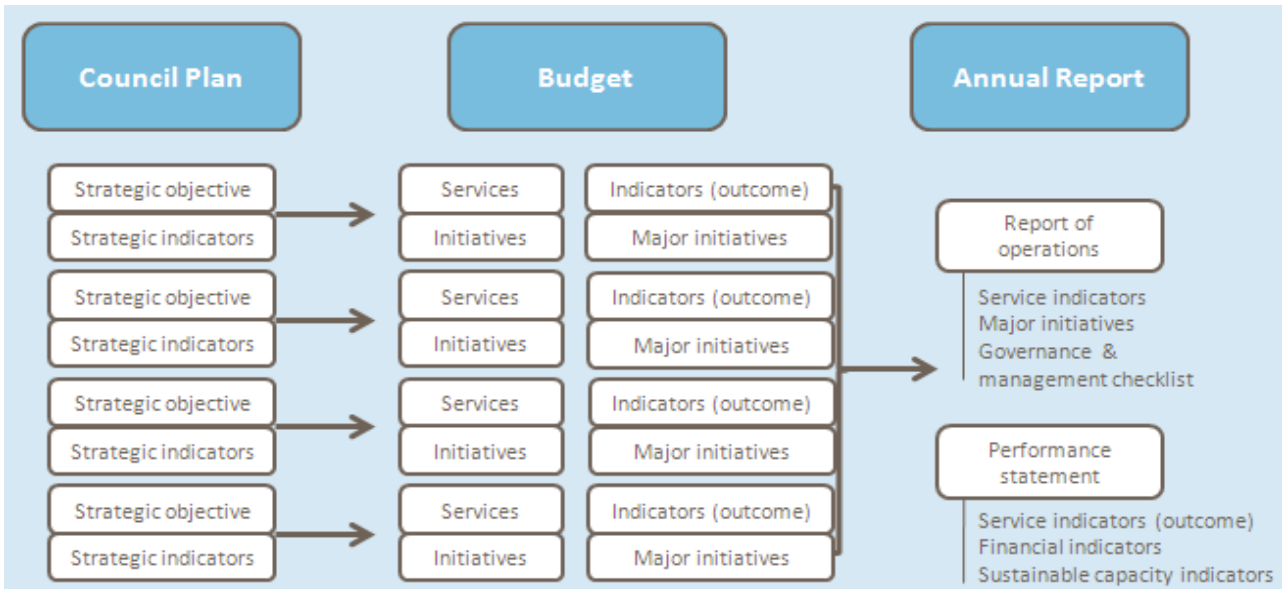
1.3 Strategic objectives

Council delivers activities and initiatives under 38 major strategies. Each contributes to the achievement of one of the five Strategic Objectives as set out in the Council Plan for the 2017/21 years. The following table lists the five Strategic Objectives as described in the Council Plan.

Strategic Objective	Description
1. Roads and Townships	We will plan, manage, maintain and renew roads and community infrastructure in a sustainable way that responds to the needs of residents and visitors.
2. Relationships and Advocacy	We will build and maintain effective community, business and government relationships.
3. Community Connection and Wellbeing	We will engage with communities to provide responsive, efficient services that enhance the quality of life of residents and promote connected, active and resilient communities.
4. High Performing Organisation	We will provide a high level of customer service and be responsive to community needs.
5. Development and Environment	We will build and grow the local economy and show effective leadership in managing our own environmental impacts as well as in the management of the local natural and built environment.

2 - Services and service performance indicators

This section provides a description of the services and initiatives to be funded in the Budget for the 2017/18 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan. It also describes a number of major initiatives, initiatives and service performance outcome indicators for key areas of Council's operations. Council is required by legislation to identify initiatives, major initiatives and service performance outcome indicators in the Budget and report against them in their Annual Report to support transparency and accountability. The relationship between these accountability requirements in the Council Plan, the Budget and the Annual Report is shown below.



Source: Department of Environment, Land, Water and Planning

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

2.1 Strategic Objective 1. Roads and Townships

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Road maintenance	This service is responsible for the maintenance of Council's road network.	2,247 -2,055 192
Depreciation	This is the non-cash charge that reflects the value of the Council assets base that is consumed each year. The majority of this figure relates to Council's road network.	6,702 0 6,702
Traffic and Transportation Services	This service provides strategic planning, policy development and day to day management of traffic and transport related issues in Council. The unit also implements Local Area Traffic Management schemes and assistance with implementation of the Road Safety Strategy.	829 -7 822
Recreation, public halls and parks and reserves	This service provides swimming pool facilities services at three locations, public halls, parks and gardens and provides a customer focused service that caters for the cultural, educational and recreational needs of residents and provides a focal point for the community where they can meet, relax and enjoy the facilities and services offered. Parks Management provides management and implementation of open space strategies and maintenance programs. Parks and gardens maintenance provides management of all parks and gardens.	765 -87 678
Facilities maintenance	This service includes the building maintenance for facilities that provide an extensive range of recreational programs and opportunities accessible to individuals of all ages, gender and abilities.	159 0 159
Public conveniences	This service provides Council with public convenience facilities throughout the Shire.	105 0 105

Initiatives

- 1) Implement the Gravel Road Strategy.
- 2) Communicate weekly through the Pyrenees Advocate column and website regarding road closure works, maintenance and grading.
- 3) Complete the Capital Works Program.
- 4) Implement priority bridge restoration works based on the triennial condition assessment.
- 5) Implement streetscape improvements for Redbank, Raglan and Barkly.

Major Initiatives

- 6) Implement the Gravel Road Strategy
- 7) Implement hall improvements for Redbank, Raglan and Barkly

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Roads and Townships	Satisfaction	Satisfaction with sealed local roads	Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads.

Pool Facilities	Utilisation	Utilisation of pool facilities	Number of visits to pool facilities / Municipal population
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2.2 Strategic Objective 2. Relationships and Advocacy

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Councillors, Chief Executive and Governance	This area of governance includes the Mayor, Councillors, Chief Executive Officer and Governance Team and associated support which cannot be easily attributed to the direct service provision areas.	916 0 916
Customer & Civic Services	This service provides a range of statutory and corporate support services and acts as the main customer interface with the community. Services include the coordination of financial management, insurance, revenue management, audit, records and information management and office support services at the Council Offices.	2,592 -3,199 (607)

Initiatives

- 1) Develop and implement priority shared services.
- 2) Implement the recommendations from the CARS review.
- 3) Undertake community engagement via the "Keep me in the Loop" initiative.
- 4) Implement agreed recommendations from the review to assess the cost benefit of gaining quality accreditation.

Major Initiatives

- 5) Lobby for Federal and State Government funding to construct the Lexton Community Hub.
- 6) Develop the Moonambel Water, Beaufort Bypass, and telecommunications upgrade priority projects to the stage of shovel ready to attract government funding.
- 7) In conjunction with the MAV advocate for continuance of roads, bridges and other infrastructure funding.
- 8) Work with VicTrack and the Community to ensure the reopening of the Ararat to Maryborough rail line is both safe and equitable.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Relationships and Advocacy	Satisfaction	Satisfaction with Council decisions	Community satisfaction rating out of 100 with how Council has performed in making decisions in the interests of the community.

2.3 Strategic Objective 3. Community Connection and Wellbeing

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Aged & Disability Services	This service provides a range of home and community care services for the aged and disabled including home delivered meals, personal care, transport, respite care, home maintenance and senior citizen clubs.	1,093 -910 183
Family Services	This service provides family oriented support services including maternal and child health , youth services, immunisation and health and safety.	445 -157 288
Library Services	This service provides public library services at three locations and provides a customer focused service that caters for the cultural, educational and recreational needs of residents and provides a focal point for the community where they can meet, relax and enjoy the facilities and services offered.	167 -118 49
Admin and other	General administration and other expenditure items in this program area.	181 -1 180
Animal control	This service provides the animal management services of the Shire. It maintains and improves the health and safety of people, animals and the environment by providing animal management services including a cat trapping program, a dog and cat collection service, a lost and found notification service, a pound service, a registration and administration service, an afterhours service and an emergency service. It also provides education, regulation and enforcement of the General Local Law and relevant State legislation.	183 -88 95
Environmental Health	This service protects the community's health and well-being by coordinating food safety support programs, Tobacco Act activities and smoke free dining. The service also works to rectify any public health concerns relating to unreasonable noise emissions, housing standards and pest controls.	179 -67 112
Community grants	Council conducts two rounds of community grants each year. This service combines a wide range of opportunities for the community to apply for grants for a variety of projects which contribute to the general well being of the community.	90 0 90
Community action plans	This service assists with the preparation of the community action plans.	27 0 27
Disaster Management	This service facilitates the emergency preparedness and fire management services of the Council. This includes the roadside slashing program that occurs each year, the fire prevention officer's role and the emergency preparedness staff .	328 -83 245

Initiatives

- 1) Manage and coordinate the Community Action Plan process.
- 2) Continue to participate and promote Communities of Respect and Equality throughout the Shire.
- 3) Actively participate in the Regional Children and Youth Area Partnership.
- 4) Implement priority recommendations from Council's Health and Wellbeing Plan.

Major Initiatives

- 5) Develop and implement a Council Recreation Strategy to ensure our communities have access to resources and facilities that encourage participation.
- 6) Undertake a detailed review of Home and Community Services.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Home and Community Care (HACC)	Participation	Participation in HACC service (Percentage of the municipal target population that receive a HACC service)	[Number of people that received a HACC service / Municipal target population for HACC services] x100
		Participation in HACC service by CALD people (Percentage of the municipal target population in relation to CALD people that receive a HACC service)	[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100
# CALD = culturally and linguistically diverse			
Maternal and Child Health (MCH)	Participation	Participation in MCH key ages and stages visits (Percentage of children attending the MCH key ages and stages visits)	Number of actual MCH visits / Number of expected MCH visits] x100
		Participation in MCH key ages and stages visits by Aboriginal children (Percentage of Aboriginal children attending the MCH key ages and stages visits)	[Number of actual MCH visits for Aboriginal children / Number of expected MCH visits for Aboriginal children] x100
Libraries	Participation	Active library members (Percentage of the municipal population that are active library members)	[Number of active library members / municipal population] x100
Animal Management	Health and safety	Animal management prosecutions	Number of successful animal management prosecutions
Food safety	Health and safety	Critical and major non-compliance notifications (Percentage of critical and major non-compliance notifications that are followed up by Council)	[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100

2.4 Strategic Objective 4. High Performing Organisation

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
People and Culture	This service provides the recruitment, training, performance evaluation and departure of Council staff.	136 0 <hr style="width: 100%; border: 0.5px solid black;"/> 136

Initiatives

- 1) Develop an annual service review program.
- 2) Undertake a review of Council's website and prepare a business case and project plan to replace the current website.
- 3) Conduct an annual staff satisfaction survey and implement key findings.
- 4) Implement the key recommendations from the IT strategy encompassing the digital first methodology.

Major Initiatives

- 5) Conduct two service reviews as identified by the annual service review plan.
- 6) Review and develop a revised Performance Management System.

2.5 Strategic Objective 5. Development and Environment

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Caravan parks	This service provides caravan park facilities for residents and visitors to the municipality.	175 -182 (7)
Information centres	This service provides, supports and maintains reliable and cost effective visitor information facilities and infrastructure to Council.	311 -60 251
Economic development	This service provides Council with general economic development services, community building, events management, tourism, sponsorship, contribution towards state funded initiatives and promotional activities throughout the Shire.	534 -34 500
Planning	This statutory planning service processes all planning applications, provides advice and makes decisions about development proposals which require a planning permit, as well as representing Council at the Victorian Civil and Administrative Tribunal where necessary. It monitors the Council's Planning Scheme as well as preparing major policy documents shaping the future of the Shire. It also prepares and processes amendments to the Council Planning Scheme and carries out research on demographic, urban development, economic and social issues affecting Council.	313 -73 240
Waste Management Services	This service provides waste collection including kerbside rubbish collections of garbage, hard waste and green waste from households and some commercial properties in Council. It also provides street litter bins throughout the Shire.	1,156 -1,211 (55)
Environmental Planning	This service develops environmental policy, coordinates and implements environmental projects and works with other services to improve Council's environmental performance. It also provides roadside weeds and pest animal management programs.	145 -48 97
Building Services	This service provides statutory building services to the community including processing of building permits, emergency management responsibilities, fire safety inspections, audits of swimming pool barriers and investigations of complaints and illegal works.	267 -134 133

Initiatives

- 1) Work with the Central Victorian Greenhouse Alliance on sustainability initiatives which seek to reduce Council's environmental footprint and build community resilience.
- 2) Work with participating councils to implement the Line of Sight Project.
- 3) Work with Cultivate Agribusiness to enhance the prosperity of the farming sector.
- 4) Continue to plan, develop and sell residential land in Beaufort and Avoca.
- 5) Continue to plan, develop and sell industrial land in Beaufort and Avoca.
- 6) Support and promote existing and future events in the Shire.

Major Initiatives

- 7) Undertake the Pyrenees Futures Project - Place Based Planning Project.
- 8) Work with windfarm developers and the community to assist the development of windfarms in the Shire.
- 9) Implement the agreed recommendations from the Municipal Waste Services Review.

- 10) Drive economic growth and prosperity through advocacy for the provision of telecommunication improvements under the Federal Government Blackspot funding program.
- 11) Implement the agreed recommendations from the Tourism Strategy.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Statutory planning	Decision making	Council planning decisions upheld at VCAT (Percentage of planning application decisions subject to review by VCAT and that were upheld in favour of the Council)	[Number of VCAT decisions that upheld Council's decision in relation to a planning application / Number of decisions in relation to planning applications subject to review by VCAT] x100
# VCAT = Victorian Civil and Administrative Tribunal			
Waste collection	Waste diversion	Kerbside collection waste diverted from landfill (Percentage of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill)	[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100
Economic Development	Economic activity	Change in number of businesses (Percentage change in the number of businesses with an ABN in the municipality)	[Number of businesses with an ABN in the municipality at the end of the financial year less the number of businesses at the start of the financial year / Number of businesses with an ABN in the municipality at the start of the financial year] x100

2.7 Performance Statement

The service performance indicators detailed in the preceding pages will be reported on in the Performance Statement which is prepared at the end of the year as required by Section 132 of the Act and included in the 2017/18 Annual Report. The Performance Statement will also include reporting on prescribed indicators of financial performance (outlined in Section 4) and sustainable capacity, which are not included in this budget report. The prescribed performance indicators contained in the Performance Statement are audited each year by the Victorian Auditor-General who issues an audit opinion on the Performance Statement. The major initiatives detailed in the preceding pages will be reported in the Annual Report in the form of a statement of progress in the Report of Operations.

2.8 Reconciliation with budgeted operating result

	Net Cost \$'000	Expenditure \$'000	Revenue \$'000
Roads and Townships	(8,658)	(10,807)	2,149
Relationships and Advocacy	(309)	(3,508)	3,199
Community Connection and Wellbeing	(1,269)	(2,693)	1,424
High Performing Organisation	(136)	(136)	0
Development and Environment	(1,159)	(2,901)	1,742
Total services and initiatives	(11,531)	(20,045)	8,514
Other non-attributable	0		
Deficit before funding	(11,531)		
Funding sources:			
Rates	8,158		
Capital grants	2,163		
Gain on asset sales	84		
Total funding sources	10,405		
Deficit for the year	(1,126)		

3 - Financial statements

This section presents information in regard to the Financial Statements. The budget information for the years 2018/19 to 2020/21 has been extracted from the Strategic Resource Plan.

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

3.1 Comprehensive Income Statement

3.2 Balance Sheet

3.3 Statement of Changes in Equity

3.4 Statement of Cash Flows

3.5 Statement of Capital Works

3.6 Statement of Human Resources

3.1 Comprehensive Income Statement

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Income					
Rates and service charges	9,160	9,347	9,581	9,822	10,726
Statutory fees and fines	138	143	147	151	155
User charges	784	868	890	912	935
Grants - Operating (recurrent)	5,827	5,923	6,086	6,253	6,425
Grants - Operating (non-recurrent)	673	137	3,247	3,252	284
Grants - Capital (recurrent)	2,336	1,976	988	1,100	1,100
Grants - Capital (non-recurrent)	10,197	187	0	225	1,450
Contributions - cash	221	0	1,010	1,010	60
Contributions - non-monetary assets	0	0	0	0	0
Net gain on disposal of property, infrastructure, plant and equipment	122	84	116	128	59
Fair value adjustments for investment property	0	0	0	0	0
Interest on cash invested	131	136	143	150	158
Other income	205	118	121	124	127
Total income	29,794	18,919	22,329	23,127	21,479
Expenses					
Employee costs	(6,704)	(6,796)	(6,963)	(7,137)	(7,315)
Materials and services	(8,953)	(6,219)	(10,523)	(10,781)	(6,555)
Bad and doubtful debts	(1)	0	(1)	(1)	(1)
Depreciation	(6,873)	(6,702)	(6,870)	(7,042)	(7,218)
Borrowing costs	(6)	0	0	0	0
Other expenses	(318)	(328)	(336)	(344)	(353)
Total expenses	(22,855)	(20,045)	(24,693)	(25,305)	(21,442)
Surplus (deficit) for the year	6,939	(1,126)	(2,364)	(2,178)	37
Other comprehensive income Items that will not be reclassified to surplus or deficit in future periods:					
Net asset revaluation increment /(decrement)	200	0	800	250	0
Total comprehensive result	7,139	(1,126)	(1,564)	(1,928)	37

3.2 Balance Sheet

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Assets					
Current assets					
Cash and cash equivalents	2,315	2,315	2,315	2,315	2,315
Trade and other receivables	882	908	935	963	992
Land held for resale	1,497	1,487	1,342	955	1,197
Other assets	137	140	143	146	149
Total current assets	4,831	4,850	4,735	4,379	4,653
Non-current assets					
Trade and other receivables	101	88	74	59	43
Property, infrastructure, plant and equipment	237,978	236,906	235,573	234,080	234,354
Total non-current assets	238,079	236,994	235,647	234,139	234,397
Total assets	242,910	241,844	240,382	238,518	239,050
Liabilities					
Current liabilities					
Trade and other payables	948	976	1,005	1,035	1,066
Trust funds and deposits	188	192	196	200	204
Provisions	1,765	1,785	1,846	1,867	1,888
Interest-bearing loans and borrowings	0	0	0	0	430
Total current liabilities	2,901	2,953	3,047	3,102	3,588
Non-current liabilities					
Provisions	160	168	176	185	194
Total non-current liabilities	160	168	176	185	194
Total liabilities	3,061	3,121	3,223	3,287	3,782
Net assets	239,849	238,723	237,159	235,231	235,268
Equity					
Accumulated surplus	90,229	89,103	86,739	84,561	84,598
Statutory reserve (recreational land)	9	9	9	9	9
Asset revaluation reserve	149,611	149,611	150,411	150,661	150,661
Total equity	239,849	238,723	237,159	235,231	235,268

3.3 Statement of Changes in Equity

For the four years ending 30 June 2021

	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
	\$'000	\$'000	\$'000	\$'000
2018				
Balance at beginning of the financial year	239,849	90,229	149,611	9
Surplus/(deficit) for the year	(1,126)	(1,126)	0	0
Net asset revaluation increment(decrement)	0	0	0	0
Balance at end of the financial year	238,723	89,103	149,611	9
2019				
Balance at beginning of the financial year	238,723	89,103	149,611	9
Surplus/(deficit) for the year	(2,364)	(2,364)	0	0
Net asset revaluation increment(decrement)	800	0	800	0
Balance at end of the financial year	237,159	86,739	150,411	9
2020				
Balance at beginning of the financial year	237,159	86,739	150,411	9
Surplus/(deficit) for the year	(2,178)	(2,178)	0	0
Net asset revaluation increment(decrement)	250	0	250	0
Balance at end of the financial year	235,231	84,561	150,661	9
2021				
Balance at beginning of the financial year	235,231	84,561	150,661	9
Surplus/(deficit) for the year	37	37	0	0
Net asset revaluation increment(decrement)	0	0	0	0
Balance at end of the financial year	235,268	84,598	150,661	9

3.4 Statement of Cash Flows

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and service charges	9,160	9,347	9,581	9,822	10,726
Statutory fees and fines	138	143	147	151	155
User charges	862	955	979	1,003	1,029
Grants - operating	12,705	4,034	7,256	7,376	4,527
Grants - capital	6,069	4,189	3,065	3,454	4,732
Contributions - cash	243	0	1,111	1,111	66
Interest on cash invested	131	136	143	150	158
Trust funds and deposits taken	25	25	25	25	25
Other receipts	205	118	121	124	127
Net GST refund / payment	2,483	1,169	1,406	1,450	1,408
Employee costs	(6,719)	(6,807)	(6,976)	(7,149)	(7,326)
Materials and services	(9,848)	(6,844)	(11,575)	(11,859)	(7,211)
Trust funds and deposits repaid	(25)	(25)	(25)	(25)	(25)
Other payments	(334)	(344)	(353)	(361)	(371)
Net cash provided by operating activities	15,095	6,096	4,905	5,272	8,020
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(17,405)	(6,404)	(5,352)	(5,996)	(8,432)
Payments for land held for resale	(875)	(618)	(827)	(690)	(666)
Proceeds from sale of property, infrastructure, plant and equipment	346	352	341	341	330
Proceeds from sale of land held for resale	504	574	933	1,073	318
Payments for investments	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Proceeds from sale of investments	12,000	12,000	12,000	12,000	12,000
Net cash used in investing activities	(17,430)	(6,096)	(4,905)	(5,272)	(8,450)
Cash flows from financing activities					
Borrowing costs	(6)	0	0	0	0
Proceeds from borrowings	0	0	0	0	430
Repayment of borrowings	(500)	0	0	0	0
Net cash used in financing activities	(506)	0	0	0	430
Net (decrease)/increase in cash and cash equivalents	(2,841)	0	0	0	0
Cash and cash equivalents at beginning of the financial year	5,156	2,315	2,315	2,315	2,315
Cash and cash equivalents at end of the financial year	2,315	2,315	2,315	2,315	2,315

3.5 Statement of Capital Works

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Property					
Land	796	562	752	628	606
Land improvements	55	55	55	55	55
Total land	851	617	807	683	661
Buildings	1,200	100	129	145	2,128
Building improvements	210	0	0	0	0
Leasehold improvements	204	0	0	0	0
Total buildings	1,614	100	129	145	2,128
Total property	2,465	717	936	828	2,789
Plant and equipment					
Plant, machinery and equipment	1,122	967	982	997	1,012
Fixtures, fittings and furniture	15	21	21	22	23
Computers and telecommunications	97	90	114	125	146
Library collection	52	50	52	54	56
Total plant and equipment	1,286	1,128	1,169	1,198	1,237
Infrastructure					
Roads	9,380	3,488	2,678	2,821	3,141
Bridges	1,192	101	487	558	597
Footpaths and cycleways	130	174	25	26	28
Drainage	853	513	139	143	203
Recreational, leisure and community facilities	1,240	212	115	448	221
Total infrastructure	12,795	4,488	3,444	3,996	4,190
Total capital works expenditure	16,546	6,333	5,549	6,022	8,216
Represented by:					
New asset expenditure	839	567	757	633	2,582
Asset renewal expenditure	13,761	5,198	4,537	5,109	5,336
Asset expansion expenditure	102	160	15	15	15
Asset upgrade expenditure	1,844	408	240	265	283
Total capital works expenditure	16,546	6,333	5,549	6,022	8,216

3.6 Statement of Human Resources

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	Actual 2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Staff expenditure					
Employee costs - operating	6,704	6,796	6,963	7,137	7,315
Employee costs - capital	177	182	187	193	199
Total staff expenditure	6,881	6,978	7,150	7,330	7,514
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	77.6	77.1	77.1	77.1	77.1
Total staff numbers	77.6	77.1	77.1	77.1	77.1

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

Department	Budget 2016/17 \$'000	Comprises		
		Permanent Full Time \$'000	Permanent Part Time \$'000	Casual \$'000
Assets and Development	1,046	801	245	0
Community Wellbeing	1,195	285	893	17
Corporate Services	1,362	925	400	37
Culture and Leisure	485	190	246	49
Environment and Amenity	2,293	1,971	294	28
Strategy and Governance	597	544	53	0
Total staff expenditure	6,978	4,716	2,131	131

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

Department	Budget FTE	Comprises		
		Permanent Full Time	Permanent Part Time	Casual
Assets and Development	10.0	7.5	2.5	0.0
Community Wellbeing	14.9	3.0	11.8	0.1
Corporate Services	13.1	8.5	4.1	0.5
Culture and Leisure	5.5	2.0	2.9	0.6
Environment and Amenity	29.0	25.0	3.5	0.5
Strategy and Governance	4.6	4.0	0.6	0.0
Total staff FTE	77.1	50.0	25.4	1.7

4 - Financial performance indicators

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

Indicator	Measure	Notes	Forecast			Strategic Resource Plan			Trend +/-
			Actual 2015/16	Actual 2016/17	Budget 2017/18	Projections 2018/19 2019/20 2020/21			
Operating position									
Adjusted underlying result	Adjusted underlying deficit / Adjusted underlying revenue	1	-40.3%	-18.0%	-7.0%	-15.8%	-15.6%	-7.4%	o
Liquidity									
Working Capital	Current assets / current liabilities	2	197.0%	166.5%	164.2%	155.4%	141.2%	129.7%	-
Unrestricted cash	Unrestricted cash / current liabilities		39.1%	73.0%	71.6%	69.2%	67.9%	58.6%	-
Obligations									
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	5.8%	0.0%	0.0%	0.0%	0.0%	4.0%	-
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		9.1%	5.5%	0.0%	0.0%	0.0%	0.0%	+
Indebtedness	Non-current liabilities / own source revenue		1.1%	0.8%	0.9%	0.8%	0.8%	1.0%	o
Asset renewal	Asset renewal expenditure / depreciation	4	60.2%	200.2%	77.6%	66.0%	72.6%	73.9%	-
Stability									
Rates concentration	Rate revenue / adjusted underlying revenue	5	64.2%	47.3%	49.9%	44.9%	44.9%	53.7%	-
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.54%	0.54%	0.55%	0.56%	0.57%	0.58%	o
Efficiency									
Expenditure level	Total expenditure / number of property assessments		\$3,249	\$3,890	\$3,380	\$4,143	\$4,224	\$3,562	+
Revenue level	Residential rate revenue / Number of residential property assessments		\$916	\$986	\$1,008	\$1,036	\$1,065	\$1,094	+
Workforce turnover	Number of permanent staff resignations and terminations / average number of permanent staff for the financial year		3.9%	13.6%	7.5%	7.5%	7.5%	7.5%	o

Key to Forecast Trend:

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

Notes to indicators

1 Adjusted underlying result – One indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. Relative stability in financial performance is expected over the period, although continued losses means reliance on capital grants to fund capital expenditure.

2 Working Capital - The proportion of current liabilities represented by current assets. Working capital is forecast to decline slightly in later years but remain at an acceptable level.

3 Debt compared to rates - Council is forecast to remain free of long term debt until year four of the Strategic Resource Plan, and has a policy to minimise loan borrowings and hence interest paid on loans.

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

In 2016/17 Council received more than double the "normal" level of Commonwealth Roads to Recovery grant funding, and also received \$7.2 million of natural disaster restoration grants as a consequence of the September 2016 flood events. These two factors had the combined effect of significantly distorting this asset renewal indicator on a one-off basis.

5 Rates concentration - Reflects extent of reliance on rate revenues to fund all of Council's on-going services. Trend indicates Council's reliance on rate revenue will remain stable throughout the forecast period, until 2020/21 when a very large wind farm is forecast to commence operation.

5 - Grants and borrowings

This section includes the following statements and reports

5.1.1 Operating grants

5.1.2 Capital grants

5.1.3 Statement of borrowings

5.1.1 Operating grants (\$0.44 million decrease)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. Overall, the level of operating grants will decrease by 7% or \$0.44 million over 2016/17 levels. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

Operating grants	Forecast		
	Actual 2016/17 \$'000	Budget 2017/18 \$'000	Variance \$'000
<i>Recurrent - Commonwealth Government</i>			
Federal Assistance Grant - general purpose	2,907	2,943	36
Federal Assistance Grant - local roads	2,001	2,026	25
Aged and disability support	344	350	6
Adult day care	75	76	1
<i>Recurrent - State Government</i>			
Aged and disability support	204	230	26
Library	113	115	2
Maternal & child health	109	110	1
Youth outreach	33	33	0
Tobacco sales testing	16	16	0
Other	25	24	(1)
Total recurrent grants	5,827	5,923	96
<i>Non-recurrent - Commonwealth Government</i>			
Moonambel water supply	180	0	(180)
Swimming Pools	13	0	(13)
<i>Non-recurrent - State Government</i>			
<i>Natural disaster restoration</i>			
Emergency planning	60	70	10
Moonambel water supply	60	0	(60)
Roadside weeds and pests management	48	48	0
Recreation facilities	30	0	(30)
Learner driver mentor	19	19	0
Other	4	0	(4)
Total non-recurrent grants	673	137	(536)
Total operating grants	6,500	6,060	-440

Recurrent operating grants will increase marginally by \$0.1 million or 1.65%. Non-recurrent grants will decrease by \$0.54 million as a result of a significant reduction in "one-off" grants for specific projects.

5.1.2 Capital grants (\$10.37 million decrease)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Overall the level of capital grants will decrease by 83% or \$10.37 million compared to 2016/17. A list of capital grants by type and source, classified into recurrent and non-recurrent, is included below.

Capital grants	Forecast		
	Actual 2016/17 \$'000	Budget 2017/18 \$'000	Variance \$'000
<i>Recurrent - Commonwealth Government</i>			
Roads to recovery	2,336	1,976	-360
Total recurrent grants	2,336	1,976	-360
<i>Non-recurrent - Commonwealth Government</i>			
Lexton community hub	500	0	-500
<i>Non-recurrent - State Government</i>			
Natural disaster restoration	8,465	0	-8,465
Lexton community hub	500	0	-500
Recreation facilities	257	187	-70
Township amenity	377	0	-377
Swimming pools	75	0	-75
Other	23	0	-23
Total non-recurrent grants	10,197	187	-10,010
Total capital grants	12,533	2,163	-10,370

Recurrent capital grants will decrease by \$0.36 million, as a result of a reduction in Federal Roads to Recovery funding. Non-recurrent capital grants were exceptionally high in 2016/17 as a result of receiving \$8.465 million in natural disaster restoration grants. In 2017/18 the balance of non-recurrent capital grants will decrease by \$1.545 million as a result of a significant reduction in the number of capital projects.

5.1.3 Statement of borrowings

Total amount borrowed as at 30 June of the prior year	500	0
Total amount proposed to be borrowed	0	0
Total amount projected to be redeemed	(500)	0
Total amount of borrowings as at 30 June	0	0

6 - Capital works program

This section provides details on each capital works project that is funded in the 2017/18 budget.

Capital works program

For the year ending 30 June 2018

New works

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
PROPERTY									
Land									
Beaufort Residential Estate - Land Purchase	213	213							213
Residential Land Development - Beaufort Stages 3 & 4	349	349					41		308
Total Land	562	562	0	0	0	0	0	41	521
Land Improvements									
Transfer Station Upgrades	55			55				55	
Total Land Improvements	55	0	0	55	0	0	0	55	0
Buildings									
Building Renewal Program	100		100					100	
Total Buildings	100	0	100	0	0	0	0	100	0
TOTAL PROPERTY	717	562	100	55	0	0	0	196	521

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
PLANT AND EQUIPMENT									
Plant, Machinery and Equipment									
Water Bore Refurbishment	10		10					10	
Heavy Plant Purchases	565		565					445	120
Minor Plant Purchases	10		10					10	
Motor Vehicle Purchases	382		382					182	200
Total Plant, Machinery and Equipment	967	0	967	0	0	0	0	647	320
Fixtures, Fittings and Furniture									
Furniture & Fittings Purchases	21		21					21	
Total Fixtures, Fittings and Furniture	21	0	21	0	0	0	0	21	0
Computers and Telecommunications									
Information Technology Purchases	90		90					90	
Total Computers and Telecommunications	90	0	90	0	0	0	0	90	0
Library Collection									
Library Collection Purchases	50		50					50	
Total Library Collection	50	0	50	0	0	0	0	50	0
TOTAL PLANT AND EQUIPMENT	1,128	0	1,128	0	0	0	0	808	320

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
INFRASTRUCTURE									
Roads									
Gravel Road Resheets	658		658					658	
Forward Survey & Design	50		50					50	
Reseals	735		735					735	
Reseals - Extra Rate Cap	100		100					100	
Major Patch Program	105		105					105	
Sealed Road Shoulder Rehabilitation	54		54					54	
Council Road Projects	89		73	16				89	
Raglan-Elmhurst Road 1.5km Reconstruction	508		417	91		508			
Trawalla Road 2km Reconstruction	247		202	45		247			
Moonambel-Natte Yallock Road 2km Reconstruction	670		549	121		670			
Trawalla Road 0.90-1.90 Reconstruction	250		205	45		250			
Kerb & Channel Rehabilitation	22		22					22	
Total roads	3,488	0	3,170	318	0	1,675	0	1,813	0
Bridges									
Bridge 154 Renew Floodway	101		101			101			
Total Bridges	101	0	101	0	0	101	0	0	0
Footpaths and Cycleways									
Footpath Rehabilitation	19		19					19	
New Footpaths	5	5						5	
Beaufort Walkability Project	150				150	75		75	
Total Footpaths and Cycleways	174	5	19	0	150	75	0	99	0
Drainage									
Major Culvert Rehabilitation	135		135					135	
Sandy Lane Major Culvert Rehabilitation	110		110					110	
Robertson St Lexton Major Culvert Rehabilitation	68		68					68	
Mount William Rd Major Culvert Rehabilitation	200		200			200			
Total Drainage	513	0	513	0	0	200	0	313	0

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
Recreational, Leisure and Community Facilities									
Playground Equipment Replacement	10		10					10	
Hardcourt Renewal	157		157			112		45	
Solar Lighting of Township Entrances	10				10			10	
Directional Signage Upgrade	35			35				35	
Total Recreational, Leisure and Community Facilities	212	0	167	35	10	112	0	100	0
TOTAL INFRASTRUCTURE	4,488	5	3,970	353	160	2,163	0	2,325	0
TOTAL NEW CAPITAL WORKS	6,333	567	5,198	408	160	2,163	0	3,329	841
Summary									
Property	717	562	100	55	0	0	0	196	521
Plant and Equipment	1,128	0	1,128	0	0	0	0	808	320
Infrastructure	4,488	5	3,970	353	160	2,163	0	2,325	0
TOTAL CAPITAL WORKS 2017/18	6,333	567	5,198	408	160	2,163	0	3,329	841
TOTAL CAPITAL WORKS 2016/17	7,162	236	6,471	353	102	3,613	50	2,988	511

7 - Rates and service charges

This section presents information about rates and charges which the Local Government Act and the Regulations require to be disclosed in the Council's Annual Budget.

In developing the Strategic Resource Plan rates and charges were identified as an important source of revenue, accounting for approximately 49.4% of the total revenue received by Council annually. In 2016 the State Government introduced the Fair Go Rates System (FGRS) which caps the maximum amount councils may increase rates in a year. For 2017/18 the FGRS rates cap has been set at 2%. The cap applies to both general rates and municipal charges and is calculated on the basis of Council's average rates and charges. Future capped rate increases will become an important input of the Strategic Resource Planning process.

The average general rate will increase by 2% which is as set by the Minister for Local Government under the Fair Go Rates System. Waste management service charges will increase on average by 5.2%. Council's waste management service charges have increased by more than the general rate due to the decision to price these services at full cost recovery.

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

Type or class of land	2016/17 cents/\$CIV	2017/18 cents/\$CIV	Change
General rate for rateable residential properties	0.4826	0.4908	1.70%
General rate for rateable commercial properties	0.4826	0.4908	1.70%
General rate for rateable industrial properties	0.4826	0.4908	1.70%
General rate for rateable rural/residential vacant land properties less than two hectares	1.5442	1.5706	1.71%
General rate for rateable non-farm vacant land properties of two hectares or more	1.1581	1.1779	1.71%
General rate for rateable farm properties	0.3860	0.3926	1.71%
Rate concession for rateable recreational properties	0.2413	0.2454	1.70%

* The above rates in the dollar are indicative only as they are based on the rate book as at 22 February 2017. These rates in the dollar will be recalculated in July 2017 using the actual rate book as at 1 July 2017, in order to ensure compliance with the rate capping provisions of the Fair Go Rates System.

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

Type or class of land	2016/17 \$	2017/18 \$	Change
General rate for rateable residential properties	2,822,600	2,937,570	4.07%
General rate for rateable commercial properties #	140,190	129,290	-7.78%
General rate for rateable industrial properties #	42,530	54,570	28.31%
General rate for rateable rural/residential vacant land properties less than two hectares	195,360	204,820	4.84%
General rate for rateable non-farm vacant land properties of two hectares or more	632,510	645,010	1.98%
General rate for rateable farm properties	3,797,900	3,861,710	1.68%
Rate concession for rateable recreational properties	16,850	17,410	3.32%
Total amount to be raised by general rates	7,647,940	7,850,380	2.65%

The significant change in the rates raised from commercial and industrial properties results primarily from a reclassification of telecommunication utilities premises from commercial to industrial classification.

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

Type or class of land	2016/17	2017/18	Change
General rate for rateable residential properties	2,862	2,915	1.85%
General rate for rateable commercial properties #	130	98	-24.62%
General rate for rateable industrial properties #	46	77	67.39%
General rate for rateable rural/residential vacant land properties less than two hectares	339	336	-0.88%
General rate for rateable non-farm vacant land properties of two hectares or more	697	702	0.72%
General rate for rateable farm properties	1,759	1,760	0.06%
Rate concession for rateable recreational properties	42	43	2.38%
Total number of assessments	5,875	5,931	0.95%

The significant change in the number of commercial and industrial assessments results primarily from a reclassification of telecommunication utilities premises from commercial to industrial classification.

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

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

Type or class of land	2016/17 \$	2017/18 \$	Change
General rate for rateable residential properties	584,872,000	598,527,000	2.33%
General rate for rateable commercial properties	29,048,000	26,344,000	-9.31%
General rate for rateable industrial properties	8,812,000	11,118,000	26.17%
General rate for rateable rural/residential vacant land properties less than two hectares	12,651,000	13,041,000	3.08%
General rate for rateable non-farm vacant land properties of two hectares or more	54,616,000	54,759,000	0.26%
General rate for rateable farm properties	983,911,000	983,625,000	-0.03%
Rate concession for rateable recreational properties	6,985,000	7,093,000	1.55%
Total value of land	1,680,895,000	1,694,507,000	0.81%

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

Type of Charge	Per Rateable Property 2016/17 \$	Per Rateable Property 2017/18 \$	Change
Municipal Charge	0	0	0.00%

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

Type of Charge	2016/17 \$	2017/18 \$	Change
Municipal Charge	0	0	0.00%

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

Type of Charge	Per Rateable Property 2016/17 \$	Per Rateable Property 2017/18 \$	Change
Disposal Charge Improved Property	179	188	5.03%
Disposal Charge Unimproved Property	49	52	6.12%
Collection Charge Kerbside, Green & Recycling	310	326	5.16%
Collection Charge Kerbside & Recycling	310	326	5.16%

7.9 The number of waste service charges compared with the previous financial year

Type of Charge	Service Charges 2016/17 \$	Service Charges 2017/18 \$	Change
Disposal Charge Improved Property	1,085	1,085	0.00%
Disposal Charge Unimproved Property	2,170	2,194	1.11%
Collection Charge Kerbside, Green & Recycling	1,332	1,355	1.73%
Collection Charge Kerbside & Recycling	1,288	1,315	2.10%
Total number of waste service charges	5,875	5,949	1.26%

7.10 The estimated total amount to be raised by each type of waste service charge, and the estimated total amount to be raised by waste service charges compared with the previous financial year

Type of Charge	2016/17 \$	2017/18 \$	Change
Disposal Charge Improved Property	194,215	203,980	5.03%
Disposal Charge Unimproved Property	106,330	114,088	7.30%
Collection Charge Kerbside, Green & Recycling	412,920	441,730	6.98%
Collection Charge Kerbside & Recycling	399,280	428,690	7.37%
Total amount to be raised by waste service charges	1,112,745	1,188,488	6.81%

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

Type of Charge	2016/17 \$	2017/18 \$	Change
General rates	7,647,940	7,850,380	2.6%
Municipal charge	0	0	0.0%
Service charges	1,112,745	1,188,488	6.8%
Rates and service charges	8,760,685	9,038,868	3.2%
Supplementary/(objections) general rates		5,000	
Windfarms in lieu of rates		263,000	
Interest on rates		40,000	
Rates and service charges as per Comprehensive Income Statement		9,346,868	

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

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

- The making of supplementary valuations
- The variation of returned levels of value (e.g. valuation appeals)
- Changes of use of land such that rateable land becomes non-rateable land and vice versa
- Changes of use of land such that vacant land becomes non-vacant land and vice versa
- Changes of use of land such that residential land becomes business land and vice versa
- Changes to the level of service provided to a property.

7.13 Differential rates

Rates to be levied

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

- A general rate of 0.4908% (0.4908 cents in the dollar of CIV) for all rateable residential properties;
- A general rate of 0.4908% (0.4908 cents in the dollar of CIV) for all rateable commercial properties;
- A general rate of 0.4908% (0.4908 cents in the dollar of CIV) for all rateable industrial properties;
- A general rate of 1.5706% (1.5706 cents in the dollar of CIV) for all rateable rural/residential vacant land properties less than two hectares;
- A general rate of 1.1779% (1.1779 cents in the dollar of CIV) for all rateable non-farm vacant land properties of two hectares or more;
- A general rate of 0.3926% (0.3926 cents in the dollar of CIV) for all rateable farm properties;
- A general rate of 0.2454% (0.2454 cents in the dollar of CIV) for all rateable recreational 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.

Rural/residential vacant land properties less than two hectares

Vacant land in this class is any land wherever located within the Municipality that is less than two hectares in size and on which no dwelling is erected.

The objective of this differential rate is to encourage development of vacant land.

The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.

Non-farm vacant land properties of two hectares or more

Vacant land in this class is any land wherever located within the Municipality that is two hectares or more in size, on which no dwelling is erected, and which does not meet the definition of farmland.

The objective of this differential rate is to encourage development of vacant land.

The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.

Residential land

Residential land is any land, wherever located within the Municipality which has a dwelling that can be occupied for the principal purpose of physically accommodating persons, and does not have the characteristics of Vacant Land, Farm Land, Commercial Land or Industrial Land.

Commercial and Industrial Land

Commercial and Industrial land is any land which is occupied for the principal purpose of manufacturing or production of, or the trade in, goods or services.

Farm Land

Farm land is defined as any rateable land which meets the definition as described under the Valuation of Land Act 1960.

The Valuation of Land Act 1960, defines farm land as any rateable land:

- (a) that is not less than 2 hectares in area and
- (b) that is used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of these activities; and
- (c) that is used by a business
 - (i) that has a significant and substantial commercial purpose or character;
 - (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.

Objective: Apply a discount to farm land properties as Council believes these properties pay disproportionately higher rates in relation to income generated because of the higher land component.

Recreational Land

Cultural and Recreational land is any single rateable assessment used for recreational or cultural activities including Golf Clubs, Bowls Clubs, Scout or Guide Halls, Masonic Halls, Historical Societies, and Heritage buildings (not for profit).

Budget Analysis

The following reports provide detailed analysis to support and explain the budget reports in the previous section.

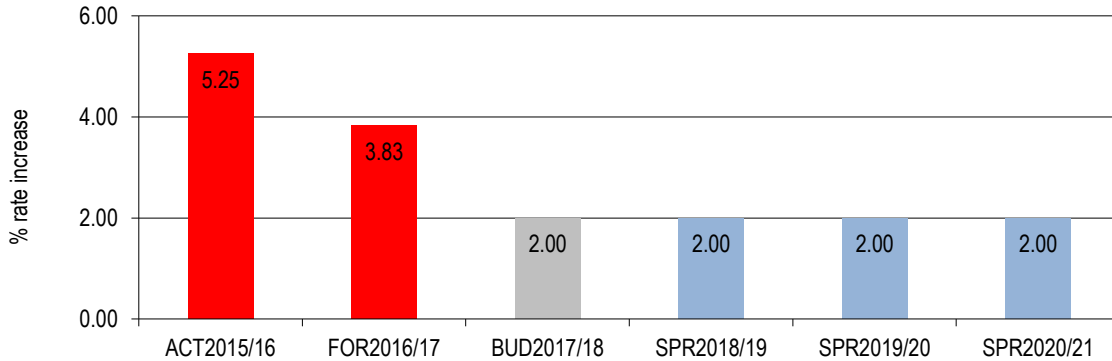
This section includes the following analysis and information.

- 8 - Summary of financial position
- 9 - Analysis of operating budget
- 10 - Rating information
- 11 - Borrowing strategy
- 12 - Schedule of fees and user charges

8 - Summary of financial position

Council has proposed a Budget for the 2017/18 financial year which seeks to balance the community demand for services and the State Government rate cap of 2.00%. Key budget information is provided below about the rate increase, operating result, services, cash and investments, capital works, financial position, financial sustainability and strategic objectives of the Council.

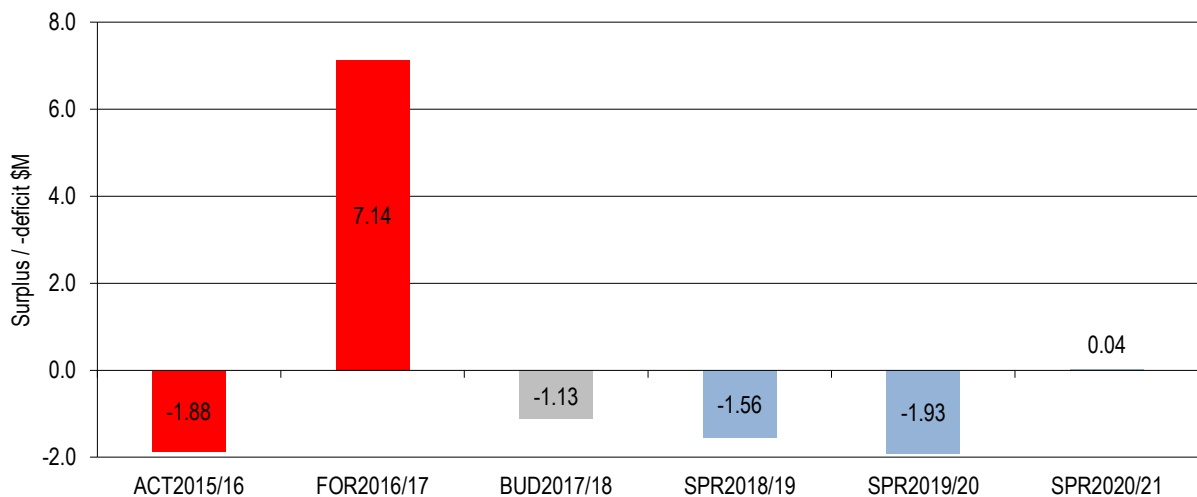
8.1 Rates and Service Charges



ACT = Actual FOR = Forecast BUD = Budget SRP = Strategic Resource Plan estimates

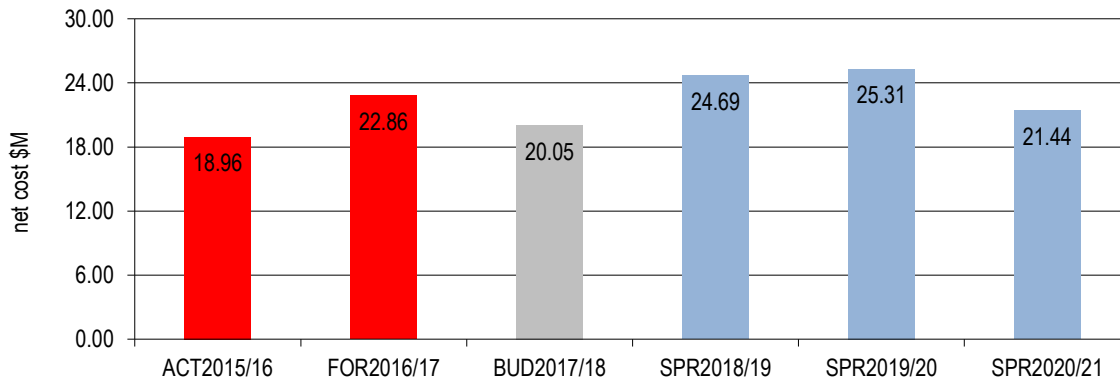
The budget includes an average rates increase of 2% for the 2017/18 year, which is in line with the rate cap set by the Essential Services Commission. The average waste service charges will increase by 5.2%, with all of the additional income going toward ensuring that the cost of providing waste management services throughout the Shire is fully recovered by charges. Refer to Sections 7 - Rates and Charges for more information.

8.2 Comprehensive result



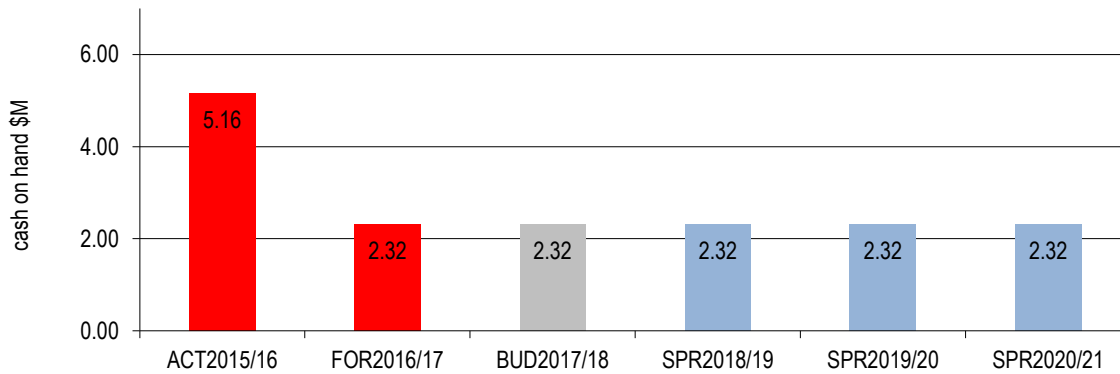
The expected operating result for the 2017/18 year is a deficit of \$1.126 million, which is an improvement over the actual deficit of \$1.88 million for 2015/16. The improved operating result is due mainly to receiving a full year of Federal Assistance Grant allocation in 2017/18 as opposed to only receiving 50% of the allocation in 2015/16. The \$7.139 million operating surplus in 2016/17 is an exceptional circumstance resulting from the receipt of \$8.465 million in natural disaster restoration grants during the year.

8.3 Services



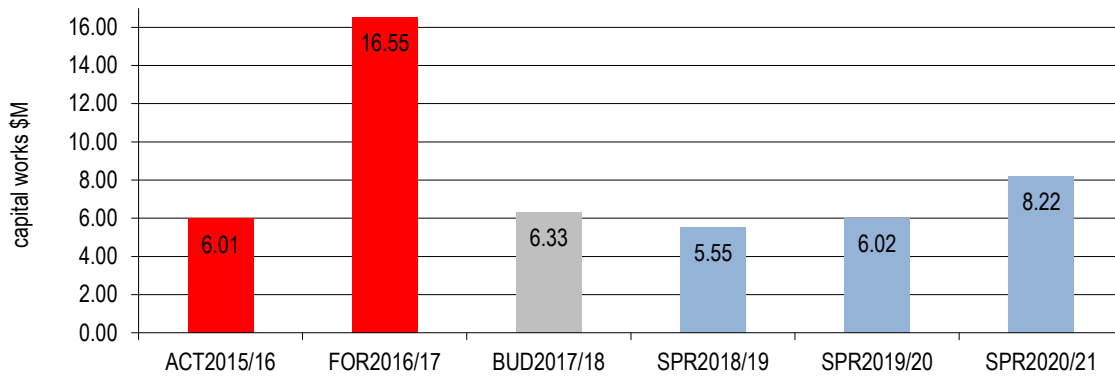
The cost of services delivered to the community for the 2017/18 year is expected to be \$20.045 million which is a decrease of \$2.81 million over 2016/17. A key influencing factor in the development of the 2017/18 budget has been the recently released results of the community satisfaction survey conducted on behalf of Council. The survey results show that while there is a relatively high level of satisfaction with most services provided by Council, there are some areas of concern where there is a clear message that ratepayers want improved service levels. For the 2017/18 year, service levels have been maintained, \$35,000 has been allocated to a new program focussed on township entrance beautification and new community projects program has been created with a budget of \$50,000.

8.4 Cash and investments



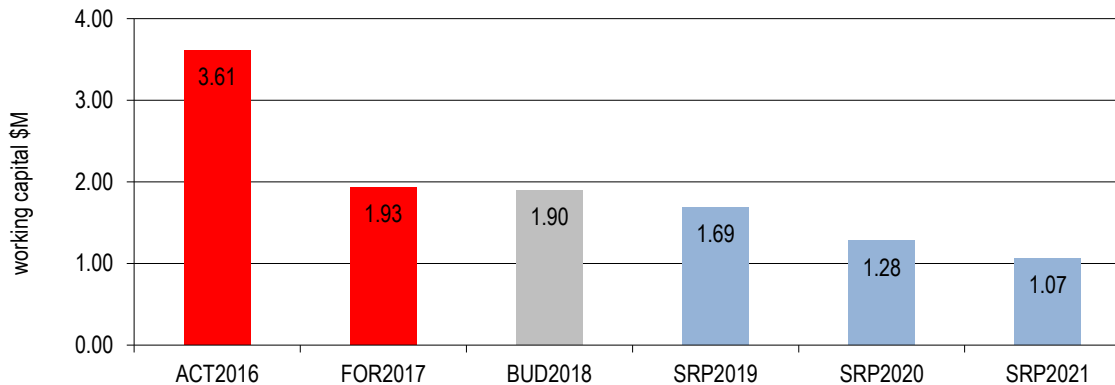
Cash and investments are expected to remain stable at \$2.315 million as at 30 June 2018. This is due entirely to Council producing a balanced cash budget for the coming and future years.

8.5 Capital works



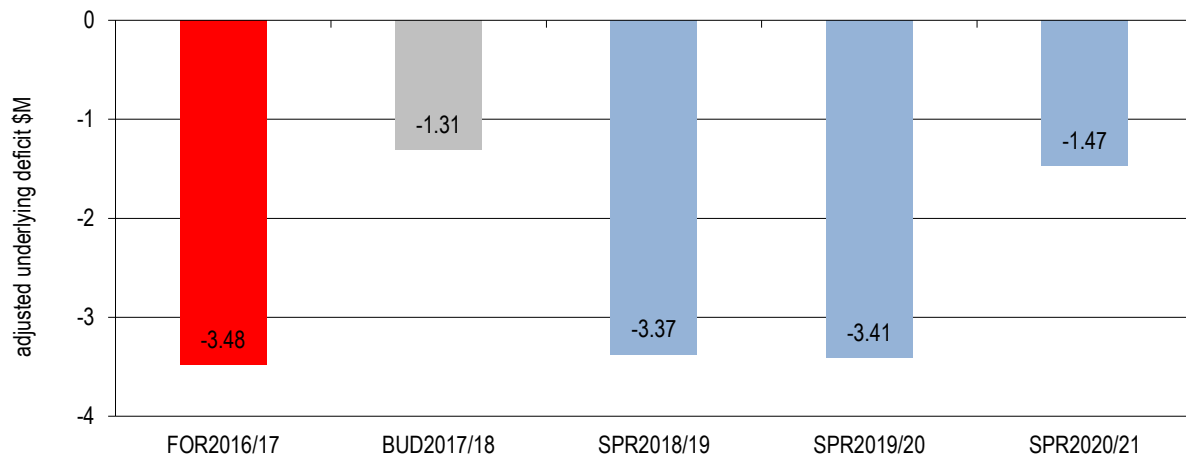
The capital works program for the 2017/18 year is expected to be \$6.333 million, of which \$2.163 million will come from external grants, \$0 from community contributions, \$841,000 from asset sales and the balance of \$3.329 million being cash from operations. The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. The \$16.546 million capital works program in 2016/17 is an exceptional circumstance resulting from natural disaster damage restoration capital expenditure of \$7.172 million.

8.6 Financial position



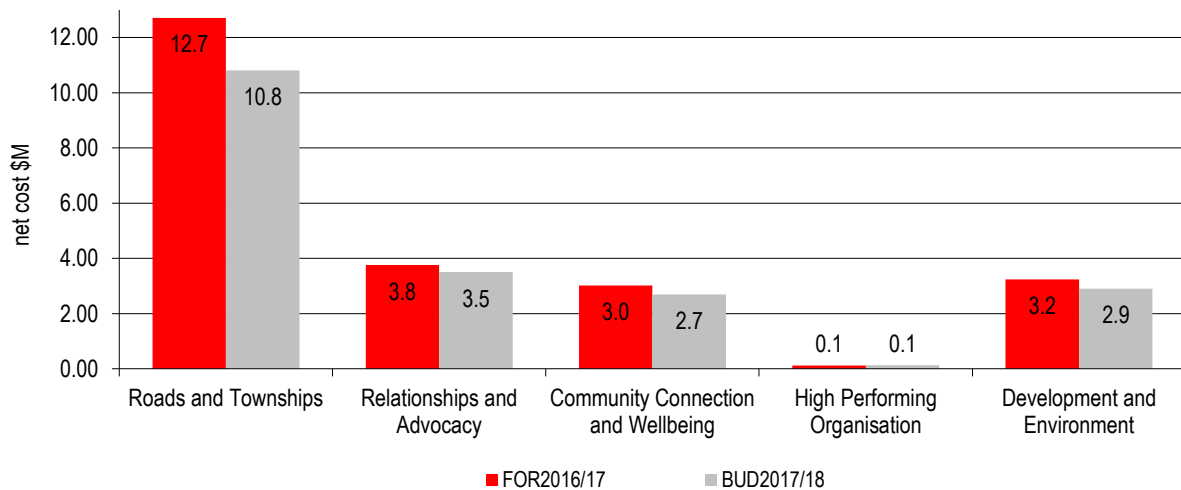
Net current assets (working capital) will decrease by \$0.03 million to \$1.897 million as at 30 June 2018, and will decline slowly over the life of the strategic resource plan primarily as a result of the reduction in the level of industrial and residential land held for resale.

8.7 Financial sustainability



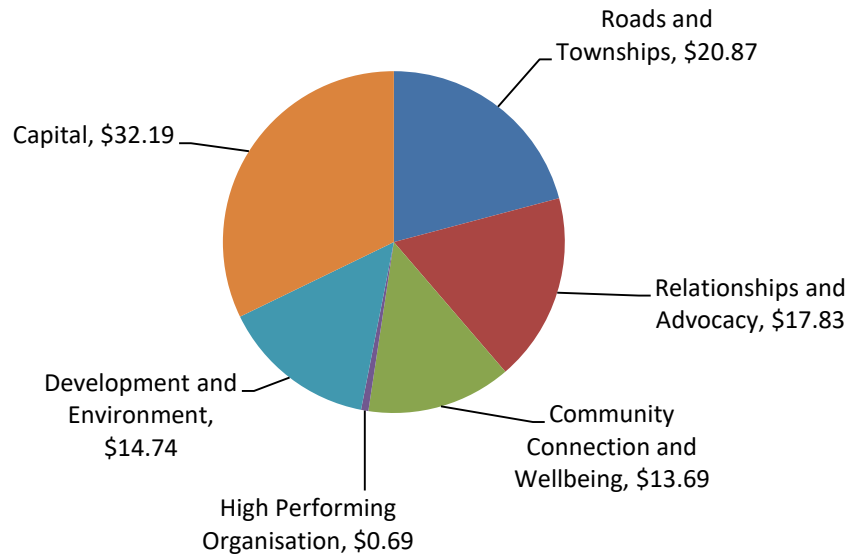
A high level Strategic Resource Plan for the years 2017/18 to 2020/21 has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the Council’s strategic objectives as specified in the Council Plan. The adjusted underlying result, which is one measure of financial sustainability, shows a continuing deficit over the four year period. Depreciation of Council’s extensive roads network is a prime driver of the sizeable underlying deficit, and this graph demonstrates that Council is currently underfunded relative to the asset maintenance responsibilities.

8.8 Strategic objectives



The Annual Budget includes a range of services and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of operating expense allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2017/18 year.

8.9 Council cash expenditure allocations



The above chart provides an indication of how Council allocates its cash expenditure across the main services that it delivers. It shows how much is allocated to each service area for every \$100 that Council spends.

9 - Analysis of operating budget

This section analyses the operating budget including expected income and expenses of the Council for the 2017/18 year.

9.1 Budgeted income statement

	Ref	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Variance \$'000
Total income	4.2	29,794	18,919	(10,875)
Total expenses	4.3	(22,855)	(20,045)	2,810
Surplus/(deficit) for the year		6,939	(1,126)	(8,065)
Grants - Capital (non-recurrent)	4.2.6	(10,197)	(187)	10,010
Contributions - non-monetary assets		0	0	0
Contributions - cash	4.2.4	(221)	0	221
Adjusted underlying (deficit)		(3,479)	(1,313)	2,166

9.1.1 Adjusted underlying deficit (\$2.166 million decrease)

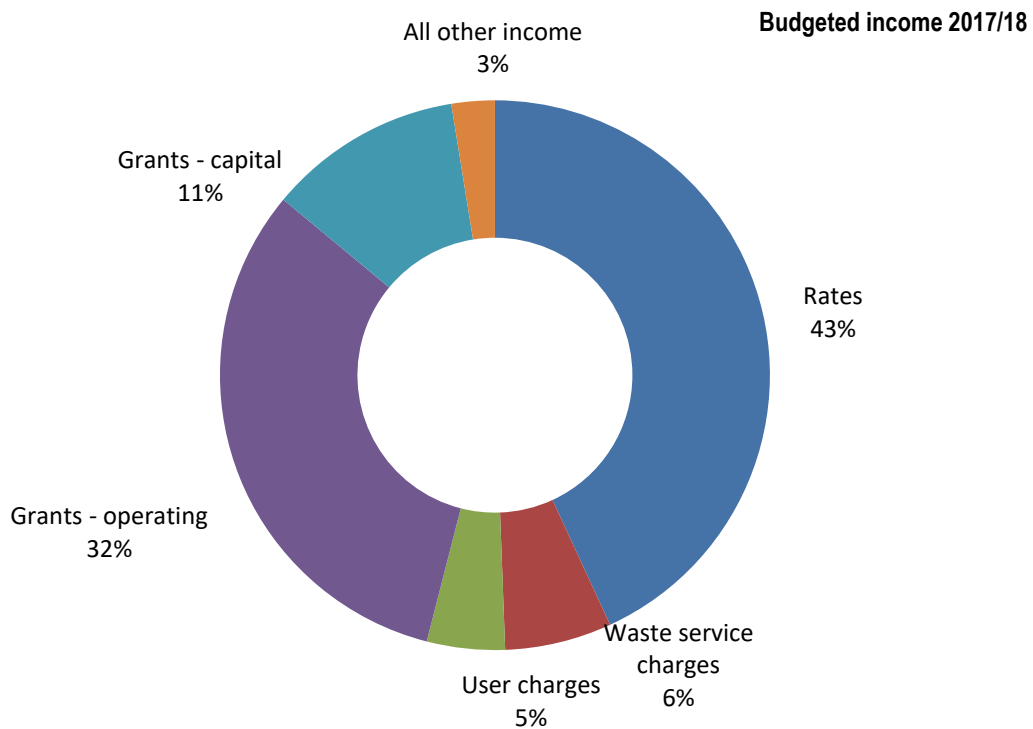
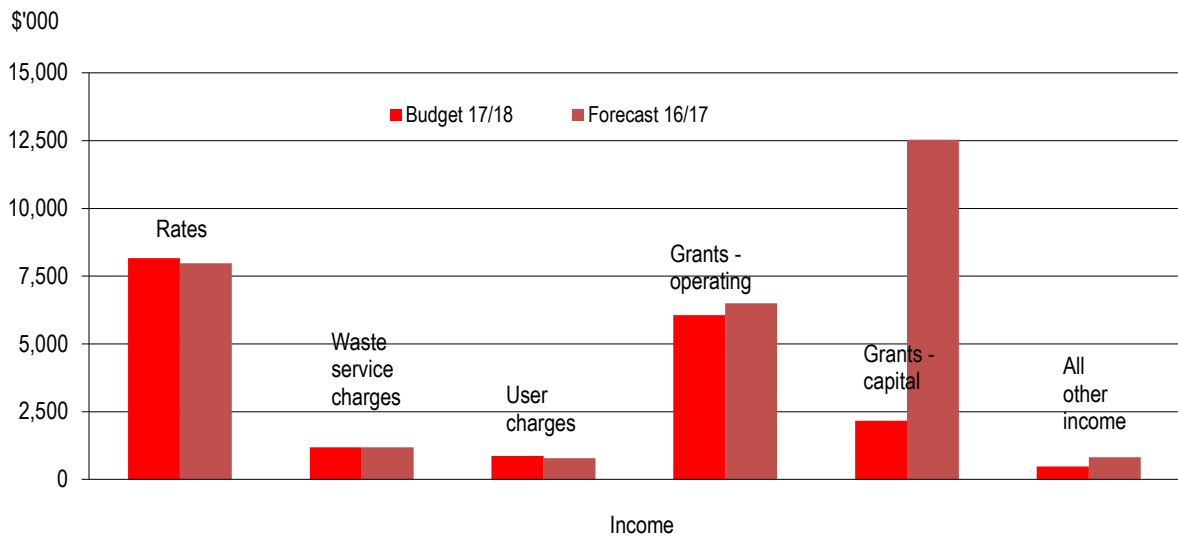
The adjusted underlying result is the net deficit for the year adjusted for non-recurrent capital grants, non-monetary asset contributions, and capital contributions from other sources. It is one measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by capital income items which can often mask the operating result. The adjusted underlying result for the 2017/18 year is a deficit of \$1.313 million which is a decrease of \$2.166 million from forecast for the 2016/17 year. In calculating the adjusted underlying result, Council has excluded grants received for capital purposes which are non-recurrent and capital contributions from other sources. Contributions of non-monetary assets are excluded as the value of assets assumed by Council is dependent on the level of development activity each year.

9.2 Income

Income Types	Ref	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Budget 2017/18 %	Variance \$'000
Rates and service charges	9.2.1	9,160	9,347	49.4%	187
Statutory fees and fines	9.2.2	138	143	0.8%	5
User charges	9.2.3	784	868	4.6%	84
Contributions - cash	9.2.4	221	0	0.0%	(221)
Grants - operating	9.2.5	6,500	6,060	32.0%	(440)
Grants - capital	9.2.6	12,533	2,163	11.4%	(10,370)
Net gain on disposal of assets	9.2.7	122	84	0.5%	(38)
Interest on cash invested	9.2.8	131	136	0.7%	5
Other income	9.2.9	205	118	0.6%	(87)
Total income		29,794	18,919	100.0%	(10,875)

Rates and service charges plus grants make up 92.8% of Council's total income.

Forecast and Budgeted Income by type



9.2.1 Rates and service charges (\$187,000 increase over the 2016/17 forecast)

It is proposed that general rate income be increased by 2.6% or \$202,000 over the 2016/17 budget to \$7.85 million, and that waste service charges income be increased by 6.8% or \$76,000 over the 2016/17 budget to \$1.188 million. Part of the increased revenue from rates results from supplementary valuations predominantly due to subdivision activity and the construction of new buildings, whilst part of the increased revenue from waste service charges is derived from new users being added to the service. Section 7 - Rates and service charges includes a more detailed analysis of the rates and service charges to be levied for 2017/18.

9.2.2 Statutory fees and fines (\$5,000 increase)

Statutory fees and fines relate mainly to fees and fines levied in accordance with legislation and include town planning fees, Public Health and Wellbeing Act 2008 (Environmental Health) registrations and fines relating to these service areas. Increases in statutory fees are made in accordance with legislative requirements.

9.2.3 User charges (\$84,000 increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fee-for-service to users of Council’s services. These include caravan park charges, hire of community facilities, domestic animal registrations, building control charges and the provision of human services such as delivered meals and home care services. In setting the budget, the key principle for determining the level of user charges has been to ensure that increases do not exceed CPI increases or market levels. A detailed listing of user charges is included in Section 12 - Schedule of fees and user charges.

9.2.4 Contributions - cash (\$221,000 decrease)

Contributions relate to monies paid by developers in regard to public resort and recreation, drainage and car parking in accordance with planning permits issued for property development, and contributions made by community groups towards capital projects. There are no community contributions to capital projects budgeted for in 2017/18, down from the seven capital project contributions forecast in 2016/17 valued at \$221,000.

9.2.5 Operating grants (\$440,000 decrease)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council’s services to ratepayers. Overall, the level of operating grants will decrease by 7% or \$0.44 million over 2016/17 levels. Recurrent operating grants will increase marginally by \$0.1 million or 1.65%. Non-recurrent grants will decrease by \$0.54 million as a result of a significant reduction in "one-off" grants for specific projects.

9.2.6 Capital grants (\$10.37 million decrease)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Overall the level of capital grants will decrease by 83% or \$10.37 million compared to 2016/17. Recurrent capital grants will decrease by \$0.36 million, as a result of a reduction in Federal Roads to Recovery funding. Non-recurrent capital grants were exceptionally high in 2016/17 as a result of receiving \$8.465 million in natural disaster restoration grants. In 2017/18 the balance of non-recurrent capital grants will decrease by \$1.545 million as a result of a significant reduction in the number of capital projects.

9.2.7 Net gain on sale of assets (\$38,000 decrease)

Proceeds from the sale of Council assets relate to the planned cyclical replacement of part of the plant and vehicle fleet (\$320,000) and sale of industrial and residential properties (\$521,000). The written down value of assets sold is forecast to be \$757,000. This is a non-cash income item.

9.2.8 Interest on cash invested (\$5,000 increase)

Interest on cash invested is the interest revenue generated on surplus cash invested in term deposits and interest earned on funds in Council's bank account . This budget is slightly higher than the previous year despite the current historically low interest rates on term deposits.

9.2.9 Other income (\$87,000 decrease)

Other income relates to a range of items such as valuation reimbursements, insurance recoveries, rates legal fee recoups and other miscellaneous income items. This income was significantly higher in 2016/17 due to a higher than normal level of insurance reimbursements relating to damage caused by natural disasters. Further details are shown in the table below.

Other income types	Forecast	Budget	Budget	Variance
	Actual	2017/18	2017/18	
	2016/17	2017/18	2017/18	
	\$'000	\$'000	%	\$'000
Reimbursements	52	77	65.3%	25
Insurance recoveries	105	0	0.0%	(105)

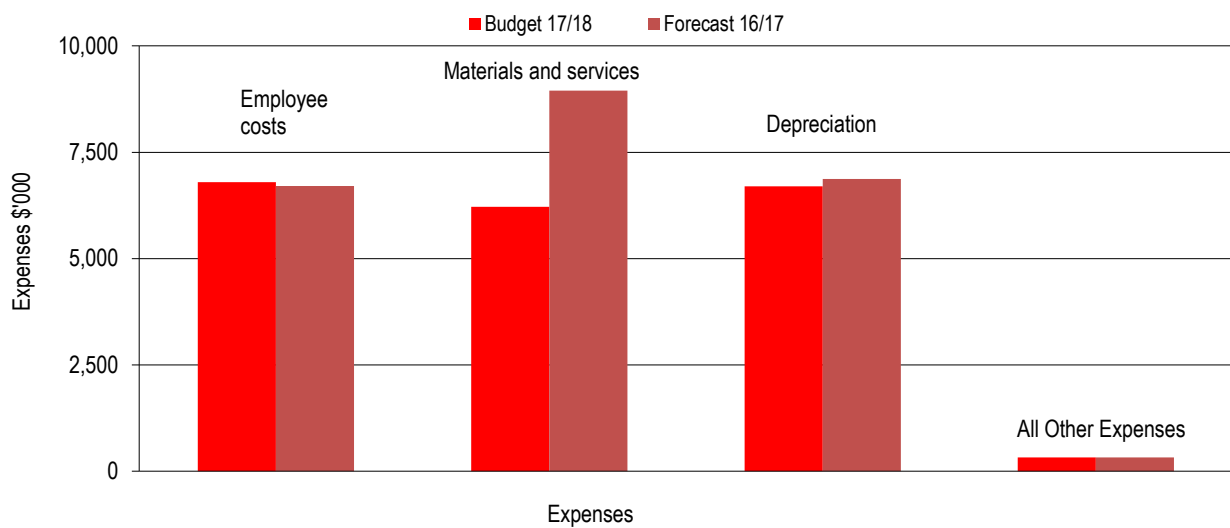
PYRENEES SHIRE COUNCIL Budget - 2017/18

Rates legal fee recoups	45	40	33.9%	(5)
Miscellaneous	3	1	0.8%	(2)
Total other income	205	118	100.0%	(87)

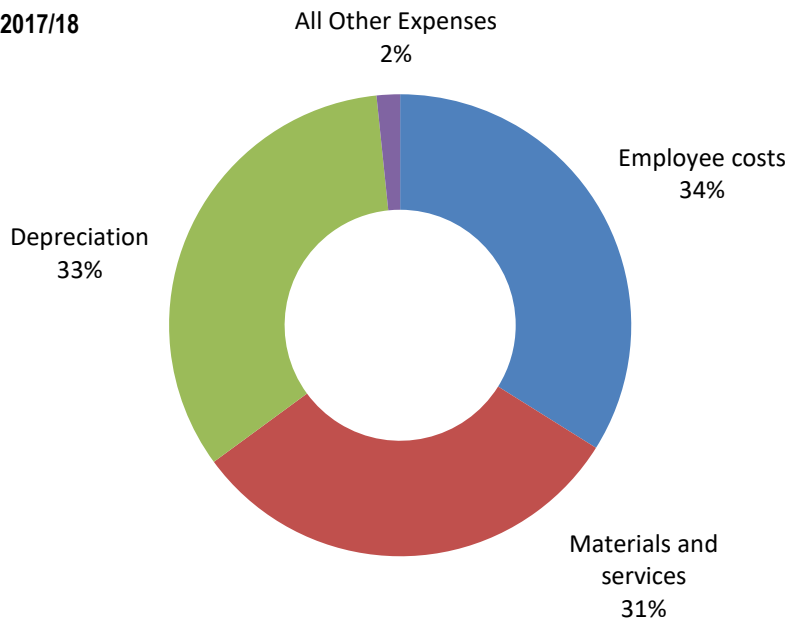
9.3 Expenses

Expense Types	Ref	Forecast		Budget 2017/18 \$'000	Variance \$'000
		Actual 2016/17 \$'000	Budget 2017/18 \$'000		
Employee costs	9.3.1	6,704	6,796	33.9%	92
Materials and services	9.3.2	8,953	6,219	31.0%	(2,734)
Bad and doubtful debts	9.3.3	1	0	0.0%	(1)
Depreciation	9.3.4	6,873	6,702	33.4%	(171)
Borrowing costs	9.3.5	6	0	0.0%	(6)
Other expenses	9.3.6	318	328	1.6%	10
Total expenses		22,855	20,045	100.0%	(2,810)

Forecast and Budgeted Expenses by type



Budgeted expenses 2017/18



9.3.1 Employee costs (\$92,000 increase)

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

Employee costs are budgeted to increase by 1.37% on the 2016/17 forecast, as a result of the outcome of Council's Enterprise Bargaining Agreement (EBA) process.

A summary of human resources expenditure categorised according to the organisational structure of Council is included in the Section 3.6 Statement of Human Resources.

9.3.2 Materials and services (\$2.734 million decrease)

Materials and services include the purchases of consumables, payments to contractors for the provision of services and utility costs. The large reduction in materials and services expenditure occurs as result of a decrease in contracted expenditure, predominantly for natural disaster restoration projects.

9.3.3 Bad and doubtful debts (\$1,000 decrease)

Council anticipates a very minor level of bad or doubtful debt expenditure in 2017/18.

9.3.4 Depreciation (\$171,000 decrease)

Depreciation is an accounting measure which attempts to allocate the value of an asset over its useful life for Council's property, plant and equipment including infrastructure assets such as roads, bridges, buildings and drains. It is anticipated that there will be an 2.49% decrease in the depreciation charge for 2017/18 as a result of the carrying value of road infrastructure decreasing at the most revaluation date of December 2015. Depreciation is a non-cash expense.

9.3.5 Borrowing costs (\$6,000 decrease)

Borrowing costs relate to interest charged by banks on funds borrowed. The reduction in borrowing costs results from Council repaying its final bank loan in 2016/17 and now being debt free.

9.3.6 Other expenses (\$10,000 increase)

Other expenses relate to a range of items including Councillor's allowances, audits and leases of equipment, as set out in the following table.

Other expenses types	Forecast			Variance \$'000
	Actual	Budget	Budget	
	2016/17 \$'000	2017/18 \$'000	2017/18 %	
Councillors' allowances	200	204	62.2%	4
Operating lease rentals	32	40	12.2%	8
Auditors' remuneration - internal auditor	78	76	23.2%	(2)
Auditors' remuneration - Victorian Auditor General's Office (VAGO)	6	6	1.8%	0
Internal audit committee	2	2	0.6%	0
Total other expenses	318	328	100.0%	10

10 - Rating information

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

10.1 Rating context

Rates and service charges are an important source of revenue, accounting for 49.41% of the total revenue received by Council in 2017/18. From 1 July 2016 rate rises have been controlled by the Victorian State Government. The Minister for Local Government sets a rate cap each year. Should any council wish to increase rates above the cap it has to apply for Essential Services Commission approval to do so. This budget has been prepared on the basis of a rate rise of 2.00% as per the State Government's capped rate increase.

10.2 Rating structure

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

- Property values, which form the central basis of rating under the *Local Government Act 1989*
- A user pays component to reflect usage of certain services provided by Council

Council aims to strike a reasonable balance between these elements in order to provide some degree of 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, farming or commercial purposes. The distinction is based on the concept of equity whereby property classes should pay fair and equitable contributions to the overall rates burden, taking into account the benefits derived from the local community.

Council applies the Capital Improved Value (CIV) basis for rates calculations on the grounds that it provides the most equitable distribution of rates across the municipality. There are currently no plans to change that basis, but Council does review its rating structure every four years.

The existing rating structure comprises seven differential rates:

- General rate for rateable residential properties
- General rate for rateable commercial properties
- General rate for rateable industrial properties
- General rate for rateable rural/residential vacant land properties less than two hectares
- General rate for rateable non-farm vacant land properties of two hectares or more
- General rate for rateable farm properties
- Rate concession for rateable recreational properties

These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Local Government Act. Under the Cultural and Recreational Lands Act 1963, provision is made for a Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. The farm rate is set at 80.0% of the residential rate and the rate concession for recreational land is set at 50% of the residential rate. Council has re-affirmed its intention to maintain promotion of residential growth in the Shire and has set the rates for rural/residential vacant land properties less than two hectares at 320% the general rate, and vacant land of two hectares or more other than farmland at 240% the general rate, in order to encourage development. Council also has a kerbside collection service charge and a recycling service charge as allowed under the Act.

A more detailed analysis of the rates to be raised is contained in Section 7 - Rates and service charges. Council has adopted a formal Rating Strategy that contains expanded information on Council's rating structure and the reasons behind its choices in applying the rating mechanisms it has used.

11 - Borrowing strategy

This section sets out Council's borrowing strategy which has been developed and incorporated into the Strategic Resource Plan.

In developing the Strategic Resource Plan, borrowing was identified as one possible funding source for capital works programs. In the past, Council has borrowed to finance large infrastructure projects and since then has been in a phase of debt reduction. This has resulted in a reduction in debt servicing costs, which has freed up Council funds to invest more in its capital works program. As of September 2016 Council is debt free.

The only loan borrowing forecast in the four-year period covered by the Strategic Resource Plan is in 2020/21, when Council has flagged its intention to borrow \$430,000 to help fund the development of an industrial estate in Beaufort. This borrowing will be subsequently repaid with the proceeds from the sale of the industrial blocks created by this development project.

Council is of the opinion that to be financially sustainable in the longer term it needs to be able to fund its ongoing capital works without continuously borrowing. Debt is seen as a source of funding "once in a generation" projects, rather than for funding ongoing asset renewal.

The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2017.

Year	New Borrowings \$'000	Principal Paid \$'000	Interest Paid \$'000	Balance 30 June \$'000
2016/17	0	500	6	0
2017/18	0	0	0	0
2018/19	0	0	0	0
2019/20	0	0	0	0
2020/21	430	0	0	430

PYRENEES
— S H I R E —



PYRENEES SHIRE COUNCIL
Budget - 2017/18

Proposed Budget
3.5% Rate Cap Exemption Rate Rise

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Mayor's introduction

The Councillors and I are pleased to release to the Community the 3.5% rate cap exemption rate rise Budget for 2017/18. This budget builds on our Council Plan 2017/21 vision which focuses on the following five key areas:

- Roads and Townships
- Relationships and Advocacy
- Community Connection and Wellbeing
- High Performing Organisation
- Development and Environment

The Council Plan 2017/21 sets out our strategic plan to deliver our vision over the full term of the Council. As this is the first year of the current Council term, the focus over the next year will be on commencing work on the commitments in our four year plan.

The budget details the resources required over the next year to fund the large range of services we provide for our community. It also includes details of proposed capital expenditure allocations to improve and renew our Shire's physical infrastructure, buildings and operational assets as well as funding proposals for a range of operating projects including the beautification of township entrances.

As Councillors, it is our job to listen to community sentiment and understand your priorities. Since we started our term in 2016, we have consistently heard that Council's services are valued by the community, and that Council also needs to be financially responsible and keep its rates as low as possible. In response, Council has initiated an enterprise wide approach to identify savings that don't impact on its services, in order to provide increased value for money to ratepayers.

The Budget for 2017/18 has been prepared by Councillors and Council officers. As part of the budget process the community was invited to community workshops in the spring of 2016 to provide input into the Gravel Road Strategy and potential higher rate cap application. These workshops were held at Lexton, Beaufort, Avoca, Snake Valley and Landsborough. Budget workshops were also conducted in late March 2017 at Beaufort and Avoca to provide the opportunity for the community to have input into the budget.

The budget includes a rate increase of 3.50%, which is 1.5% above the maximum rate increase allowed under the rate cap set by the Minister for Local Government under the Fair Go Rates System. This additional 1.5% of rate revenue has been quarantined specifically for capital expenditure on renewing Council's road infrastructure assets. In order to balance the remainder of the budget, Council has continued to pursue operational savings and efficiencies which has enabled it to deliver high quality, responsive and accessible services to the community.

Budgeted Capital Works expenditure will decrease from \$7.162 million in 2016/17 to \$6.449 million in 2017/18, predominantly as a result of a reduction in grant income of \$1.45 million. The Capital Works Program will be funded by \$2.163 million of external grants, \$841,000 from asset sales and the balance of \$3.445 million from Council rates. It is pleasing to note that ratepayer funded capital expenditure has increased by \$457,000.

Highlights of the Capital Works Program include:

- Reseals at various locations \$835,000
- Raglan-Elmhurst Road 1.5km Reconstruction \$508,000
- Trawalla Road 2km Reconstruction \$497,000
- Moonambel-Natte Yallock Road 2km Reconstruction \$670,000
- Additional Road Infrastructure Renewal - Extra Rate Cap \$116,000
- Major Culvert Rehabilitation \$513,000
- Solar Lighting of Township Entrances \$10,000

Expenditure on the following projects included in the Capital Works Program will be recouped in future budget periods as the land is sold:

- Beaufort Residential Estate - Land Purchase \$213,000
- Residential Land Development - Beaufort Stages 3 & 4 \$349,000

Projects included in the Capital Works Program that are contingent on yet to be approved government grants include:

- Beaufort Walkability Project \$150,000
- Hardcourt Renewal \$157,000

Our focus for the next year is to continue to deliver on the projects and services that make our Shire a great place to live, work and invest in, and respond to the challenges we are currently facing. These challenges include:

- Rate capping
- State government cost shifting
- The Western Highway bypassing of Beaufort.

Cr Ron Eason
Mayor

Executive summary

Council has prepared a Budget for 2017/18 which is aligned to the vision in the Council Plan 2017/21. It seeks to maintain infrastructure as well as deliver projects and services that are valued by our community, and do this with a rate increase of 3.50%. This rate rise is 1.5% above the maximum capped rate increase allowed by the Victorian State Government, and this budget has been prepared on the assumption that Council's rate capping exemption application to the Essential Services Commission will be successful.

This Budget projects an operating deficit of \$1.01 million for 2017/18 and the adjusted underlying result is a deficit of \$1.197 million after adjusting for capital grants and contributions (refer Section 4 - Financial performance indicators). However, it should be noted that we have a balanced cash budget.

1. Key things we are funding

Ongoing delivery of services to the Pyrenees Shire community funded by an expenditure budget of \$20 million. These services are summarised in Section 3.1.

Continued investment in Infrastructure Assets (\$4.604 million) primarily for renewal works. This includes Roads (\$3.604 million), Bridges (\$101,000), Footpaths and Cycleways (\$174,000), Drainage including major culverts (\$513,000), and Recreational, Leisure and Community Facilities (\$212,000). The Statement of Capital Works can be found in Section 3 and further details on the capital works budget can be found in Section 6.

2. The Rate Rise

a. The budget includes a rate increase of 3.50%, which is 1.5% above the maximum rate increase allowed under the rate cap set by the Minister for Local Government under the Fair Go Rates System.

b. Key drivers

- To fund ongoing service delivery – business as usual (balanced with greater service demands from residents).
- To fund renewal of infrastructure and community assets.
- To cope with cost shifting from the State Government (refer Paragraph 6 below).

c. This will not be a revaluation year. Valuations will be as per the General Revaluation dated 1 January 2016 (as amended by supplementary valuations).

d. The waste service charge incorporating kerbside collection and recycling will increase by an average of 5.2% per property in order to reflect full cost recovery for this service.

e. Note that for every \$100 in taxes paid by Victorian residents, Council rates make up approximately \$3.50. The other \$96.50 goes to the State and Federal Governments.

f. Refer Section 7 for further Rates and Charges details.

3. Key Statistics

- Total Revenue: \$19 million (2016/17 budget - \$20.1 million)
- Total Expenditure: \$20 million (2016/17 budget - \$20 million)
- Operating Surplus/Deficit: \$1.01 million deficit (2016/17 budget \$0.1 million surplus)
(Refer Section 3.1 Comprehensive Income Statement)
- Cash result: \$0 million (2016/17 budget \$0 million)
(Refer Statement of Cash Flows in Section 3.4)

The Cash Result is the net funding result after considering the funding requirements to meet capital expenditure.

4. Budget Influences

External Influences

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

- The Victorian State Government introduced a cap on rate increases from 2016/17. The cap for 2017/18 has been set at 2.00%.
- Council received approval for an additional 1.33% rate rise above the State Government's 2.5% cap on rate increases in 2016/17. This additional income has been quarantined to road resealing.
- Council receiving approval for a rate rise of 3.50% for both the 2017/18 and 2018/19 years. This additional income will be quarantined to road infrastructure renewal.
- State-wide Consumer Price Index price increase is forecast to be 2.00% for the 2017/18 year.
- The Victorian Wage Price Index is projected to be 2.50% in 2017/18.
- Council has renegotiated a new three-year Collective Bargaining Agreement with its staff which commenced in October 2016.
- Anticipated indexation of Federal Assistance Grants as distributed by the Victoria Grants Commission.
- Ongoing cost shifting. This occurs where Council provides a service to the community on behalf of the State and/or Federal Government. Over time the funds received by Council do not increase in line with the cost of providing the service. More information and examples are shown in paragraph 6 below.
- Councils across Australia raise approximately 3.5% of the total taxation collected by all levels of Government in Australia. In addition councils are entrusted with the maintenance of more than 30% of the all Australian public assets including roads, bridges, parks, footpaths, recreational facilities and public buildings. This means that a large proportion of Council's income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.
- The Fire Services Property Levy will continue to be collected by Council on behalf of the State Government as a consequence of the introduction of the Fire Services Property Levy Act 2012.

Internal Influences

- A decision has been made to price waste management charges at a level that provides full recovery of the cost of providing waste management services throughout the Shire.
- Council became free of debt in September 2016 and has reallocated the \$500,000 used for loan principal repayment in 2016/17 to: additional capital works (\$341,000), additional sealed road shoulder grading (\$12,100), additional linemarking (\$9,000), additional rural and urban drainage maintenance (\$25,400), and two new programs focussing on township entrance beautification (\$35,000) and community project funding (\$50,000).

5. State and Federal Budget wish list

- Funding for the provision of reticulated potable water to the Moonambel township.
- Improved telecommunications coverage.
- Funding for an Impact Study of the proposed Western Highway bypass of Beaufort.

6. Cost Shifting

Cost shifting occurs when Commonwealth and/or State programs transfer responsibilities to local government with insufficient funding, or grants which don't keep pace with service delivery cost increases.

Type 1: Cost Shifting for Specific Services

Examples:

- Animal control on VicRoads roads and VicTrack land - because relevant State authorities have insufficient capacity to provide a timely response, Council is required to undertake this work in a timely manner to ensure public safety, despite not being reimbursed for this expenditure.
- Council officers are now doing initial inspections for RSPCA complaints and are not reimbursed for this expenditure.

Type 2: Loss of funding in general

Example:

- A freeze on indexation of the Federal financial assistance grants (which comprise on average approximately 26% of Council's income. The Commonwealth announced in its 2014/15 Budget that it would pause indexation of the total national pool of financial assistance grants to local government for three years (2014/15, 2015/16, 2016/17). The cumulative impact on Pyrenees Shire Council for the three years totals \$463,000.

Type 3: Statutory fees that prohibits full cost recovery

Examples:

- Planning fees are set by the State Government and have been frozen for most of the past 15 years.
- Currently Council only recoups 23% of the cost of providing statutory planning services.

Type 4: Levies

Example:

- State Government landfill levy increased from \$7 per tonne in 2010/11 to \$30.33 per tonne in 2015/16, an increase of 433%.

Type 5: Statutory requirements lead to increased costs

Examples:

- Council incurs considerable expense in naming new roads created by the VicRoads Western Highway re-alignment.
- Police divert traffic from State roads onto Council roads as a result of vehicle accidents on State controlled roads. Council is not reimbursed for damage caused by highway traffic on local roads.
- New legislative requirements for Council to supervise private building surveyors with no matching income for this.
- Film permits - Council is required to undertake permit application processing within five days as a State standard but no receives income.
- Domestic Waste Water Management Plan - inspections of septic tanks are now required every year - this is a new requirement with no matching income.
- Local Government Performance Framework - 95 new measures that require data collection, validation and audit.
- The Fair Go Rates System rate capping reporting framework involves a new comprehensive reporting requirement that has created considerable additional work.
- Administration of the Local Government Legislation Amendment (Environmental Upgrade Agreements) Bill 2015.
- Administration of the State-wide temporary Food registration system 'Stretrader' – additional annual cost to Council since 2013/14 due to the responsibility having been shifted from the State Government to Council.

Budget Reports

The following reports include all statutory disclosures of information and are supported by the analysis contained in sections 8 to 12 of this report.

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

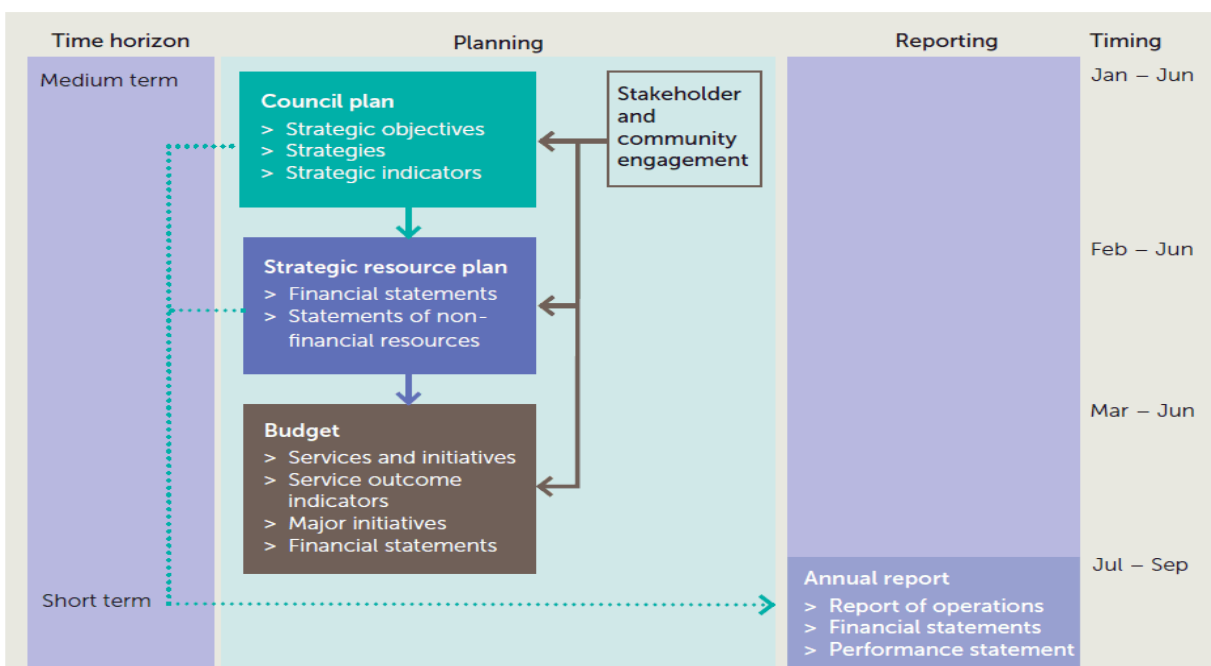
- 1 - Link to the Council Plan
- 2 - Services and service performance indicators
- 3 - Financial statements
- 4 - Financial performance indicators
- 5 - Grants and borrowings
- 6 - Capital works program
- 7 - Rates and service charges

1 - Link to the Council Plan

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

1.1 Planning and accountability framework

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



Source: Department of Environment, Land, Water and Planning

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

1.2 Our purpose

Our vision

“We want the Pyrenees Shire to be a healthy, vibrant, prosperous and connected community.”

Pyrenees Shire Council seeks to create an environmentally sustainable and liveable Shire that will continue to provide a range of opportunities and choices for a diverse and prosperous community.

Our mission

The role Pyrenees Shire Council will take to achieve this vision is to:

- Provide quality road and built infrastructure for the community
- Work with others to provide services to maintain the wellbeing of the community, and
- Operate an efficient, forward looking organisation.

As an innovative and accountable organisation, Pyrenees Shire Council will promote vibrant democracy and provide high-quality services.

Our values

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

- **Service** - Our citizens, community and service users are the focus of all our actions
- **Accountability** - We are responsible for our actions, which are open to review
- **Innovation** - We encourage and seek new ideas in finding solutions
- **Teamwork** - We share our skills, knowledge and experience as part of a team and work together towards achieving Council’s goals
- **Recognition** - We promote the achievements and efforts of others
- **Safety** - We look after our environment and the welfare of others
- **Integrity** - We are open and honest and work to the best of our ability
- **Respect** - We acknowledge the opinions of others and their rights and differences.

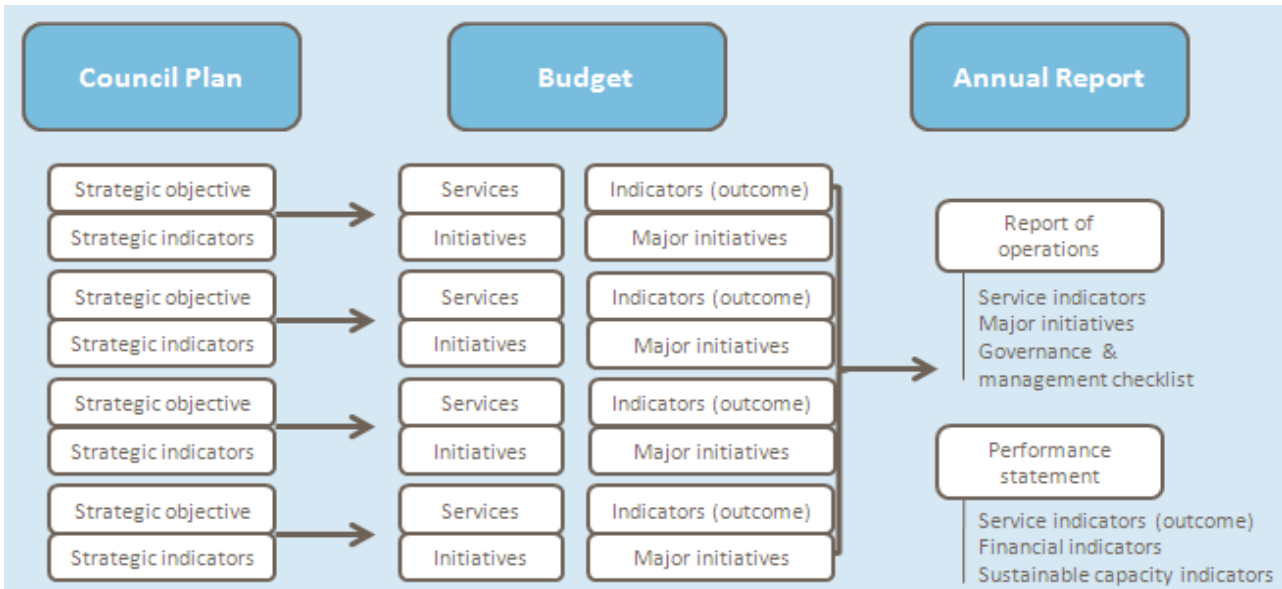
1.3 Strategic objectives

Council delivers activities and initiatives under 38 major strategies. Each contributes to the achievement of one of the five Strategic Objectives as set out in the Council Plan for the 2017/21 years. The following table lists the five Strategic Objectives as described in the Council Plan.

Strategic Objective	Description
1. Roads and Townships	We will plan, manage, maintain and renew roads and community infrastructure in a sustainable way that responds to the needs of residents and visitors.
2. Relationships and Advocacy	We will build and maintain effective community, business and government relationships.
3. Community Connection and Wellbeing	We will engage with communities to provide responsive, efficient services that enhance the quality of life of residents and promote connected, active and resilient communities.
4. High Performing Organisation	We will provide a high level of customer service and be responsive to community needs.
5. Development and Environment	We will build and grow the local economy and show effective leadership in managing our own environmental impacts as well as in the management of the local natural and built environment.

2 - Services and service performance indicators

This section provides a description of the services and initiatives to be funded in the Budget for the 2017/18 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan. It also describes a number of major initiatives, initiatives and service performance outcome indicators for key areas of Council's operations. Council is required by legislation to identify initiatives, major initiatives and service performance outcome indicators in the Budget and report against them in their Annual Report to support transparency and accountability. The relationship between these accountability requirements in the Council Plan, the Budget and the Annual Report is shown below.



Source: Department of Environment, Land, Water and Planning

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

2.1 Strategic Objective 1. Roads and Townships

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Road maintenance	This service is responsible for the maintenance of Council's road network.	2,247 -2,055 192
Depreciation	This is the non-cash charge that reflects the value of the Council assets base that is consumed each year. The majority of this figure relates to Council's road network.	6,702 0 6,702
Traffic and Transportation Services	This service provides strategic planning, policy development and day to day management of traffic and transport related issues in Council. The unit also implements Local Area Traffic Management schemes and assistance with implementation of the Road Safety Strategy.	829 -7 822
Recreation, public halls and parks and reserves	This service provides swimming pool facilities services at three locations, public halls, parks and gardens and provides a customer focused service that caters for the cultural, educational and recreational needs of residents and provides a focal point for the community where they can meet, relax and enjoy the facilities and services offered. Parks Management provides management and implementation of open space strategies and maintenance programs. Parks and gardens maintenance provides management of all parks and gardens.	765 -87 678
Facilities maintenance	This service includes the building maintenance for facilities that provide an extensive range of recreational programs and opportunities accessible to individuals of all ages, gender and abilities.	159 0 159
Public conveniences	This service provides Council with public convenience facilities throughout the Shire.	105 0 105

Initiatives

- 1) Implement the Gravel Road Strategy.
- 2) Communicate weekly through the Pyrenees Advocate column and website regarding road closure works, maintenance and grading.
- 3) Complete the Capital Works Program.
- 4) Implement priority bridge restoration works based on the triennial condition assessment.
- 5) Implement streetscape improvements for Redbank, Raglan and Barkly.

Major Initiatives

- 6) Implement the Gravel Road Strategy
- 7) Implement hall improvements for Redbank, Raglan and Barkly

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Roads and Townships	Satisfaction	Satisfaction with sealed local roads	Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads.

Pool Facilities	Utilisation	Utilisation of pool facilities	Number of visits to pool facilities / Municipal population
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2.2 Strategic Objective 2. Relationships and Advocacy

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Councillors, Chief Executive and Governance	This area of governance includes the Mayor, Councillors, Chief Executive Officer and Governance Team and associated support which cannot be easily attributed to the direct service provision areas.	916 0 <hr/> 916
Customer & Civic Services	This service provides a range of statutory and corporate support services and acts as the main customer interface with the community. Services include the coordination of financial management, insurance, revenue management, audit, records and information management and office support services at the Council Offices.	2,592 -3,199 <hr/> (607)

Initiatives

- 1) Develop and implement priority shared services.
- 2) Implement the recommendations from the CARS review.
- 3) Undertake community engagement via the "Keep me in the Loop" initiative.
- 4) Implement agreed recommendations from the review to assess the cost benefit of gaining quality accreditation.

Major Initiatives

- 5) Lobby for Federal and State Government funding to construct the Lexton Community Hub.
- 6) Develop the Moonambel Water, Beaufort Bypass, and telecommunications upgrade priority projects to the stage of shovel ready to attract government funding.
- 7) In conjunction with the MAV advocate for continuance of roads, bridges and other infrastructure funding.
- 8) Work with VicTrack and the Community to ensure the reopening of the Ararat to Maryborough rail line is both safe and equitable.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Relationships and Advocacy	Satisfaction	Satisfaction with Council decisions	Community satisfaction rating out of 100 with how Council has performed in making decisions in the interests of the community.

2.3 Strategic Objective 3. Community Connection and Wellbeing

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Aged & Disability Services	This service provides a range of home and community care services for the aged and disabled including home delivered meals, personal care, transport, respite care, home maintenance and senior citizen clubs.	1,093 -910 183
Family Services	This service provides family oriented support services including maternal and child health , youth services, immunisation and health and safety.	445 -157 288
Library Services	This service provides public library services at three locations and provides a customer focused service that caters for the cultural, educational and recreational needs of residents and provides a focal point for the community where they can meet, relax and enjoy the facilities and services offered.	167 -118 49
Admin and other	General administration and other expenditure items in this program area.	181 -1 180
Animal control	This service provides the animal management services of the Shire. It maintains and improves the health and safety of people, animals and the environment by providing animal management services including a cat trapping program, a dog and cat collection service, a lost and found notification service, a pound service, a registration and administration service, an afterhours service and an emergency service. It also provides education, regulation and enforcement of the General Local Law and relevant State legislation.	183 -88 95
Environmental Health	This service protects the community's health and well-being by coordinating food safety support programs, Tobacco Act activities and smoke free dining. The service also works to rectify any public health concerns relating to unreasonable noise emissions, housing standards and pest controls.	179 -67 112
Community grants	Council conducts two rounds of community grants each year. This service combines a wide range of opportunities for the community to apply for grants for a variety of projects which contribute to the general well being of the community.	90 0 90
Community action plans	This service assists with the preparation of the community action plans.	27 0 27
Disaster Management	This service facilitates the emergency preparedness and fire management services of the Council. This includes the roadside slashing program that occurs each year, the fire prevention officer's role and the emergency preparedness staff.	328 -83 245

Initiatives

- 1) Manage and coordinate the Community Action Plan process.
- 2) Continue to participate and promote Communities of Respect and Equality throughout the Shire.
- 3) Actively participate in the Regional Children and Youth Area Partnership.
- 4) Implement priority recommendations from Council's Health and Wellbeing Plan.

Major Initiatives

- 5) Develop and implement a Council Recreation Strategy to ensure our communities have access to resources and facilities that encourage participation.
- 6) Undertake a detailed review of Home and Community Services.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Home and Community Care (HACC)	Participation	Participation in HACC service (Percentage of the municipal target population that receive a HACC service)	[Number of people that received a HACC service / Municipal target population for HACC services] x100
		Participation in HACC service by CALD people (Percentage of the municipal target population in relation to CALD people that receive a HACC service)	[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100
# CALD = culturally and linguistically diverse			
Maternal and Child Health (MCH)	Participation	Participation in MCH key ages and stages visits (Percentage of children attending the MCH key ages and stages visits)	Number of actual MCH visits / Number of expected MCH visits] x100
		Participation in MCH key ages and stages visits by Aboriginal children (Percentage of Aboriginal children attending the MCH key ages and stages visits)	[Number of actual MCH visits for Aboriginal children / Number of expected MCH visits for Aboriginal children] x100
Libraries	Participation	Active library members (Percentage of the municipal population that are active library members)	[Number of active library members / municipal population] x100
Animal Management	Health and safety	Animal management prosecutions	Number of successful animal management prosecutions
Food safety	Health and safety	Critical and major non-compliance notifications (Percentage of critical and major non-compliance notifications that are followed up by Council)	[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100

2.4 Strategic Objective 4. High Performing Organisation

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
People and Culture	This service provides the recruitment, training, performance evaluation and departure of Council staff.	136 0 <hr style="width: 100%; border: 0.5px solid black;"/> 136

Initiatives

- 1) Develop an annual service review program.
- 2) Undertake a review of Council's website and prepare a business case and project plan to replace the current website.
- 3) Conduct an annual staff satisfaction survey and implement key findings.
- 4) Implement the key recommendations from the IT strategy encompassing the digital first methodology.

Major Initiatives

- 5) Conduct two service reviews as identified by the annual service review plan.
- 6) Review and develop a revised Performance Management System.

2.5 Strategic Objective 5. Development and Environment

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

Services

Business area	Description of services provided	Expenditure (Revenue) Net Cost \$'000
Caravan parks	This service provides caravan park facilities for residents and visitors to the municipality.	175 -182 (7)
Information centres	This service provides, supports and maintains reliable and cost effective visitor information facilities and infrastructure to Council.	311 -60 251
Economic development	This service provides Council with general economic development services, community building, events management, tourism, sponsorship, contribution towards state funded initiatives and promotional activities throughout the Shire.	534 -34 500
Planning	This statutory planning service processes all planning applications, provides advice and makes decisions about development proposals which require a planning permit, as well as representing Council at the Victorian Civil and Administrative Tribunal where necessary. It monitors the Council's Planning Scheme as well as preparing major policy documents shaping the future of the Shire. It also prepares and processes amendments to the Council Planning Scheme and carries out research on demographic, urban development, economic and social issues affecting Council.	313 -73 240
Waste Management Services	This service provides waste collection including kerbside rubbish collections of garbage, hard waste and green waste from households and some commercial properties in Council. It also provides street litter bins throughout the Shire.	1,156 -1,211 (55)
Environmental Planning	This service develops environmental policy, coordinates and implements environmental projects and works with other services to improve Council's environmental performance. It also provides roadside weeds and pest animal management programs.	145 -48 97
Building Services	This service provides statutory building services to the community including processing of building permits, emergency management responsibilities, fire safety inspections, audits of swimming pool barriers and investigations of complaints and illegal works.	267 -134 133

Initiatives

- 1) Work with the Central Victorian Greenhouse Alliance on sustainability initiatives which seek to reduce Council's environmental footprint and build community resilience.
- 2) Work with participating councils to implement the Line of Sight Project.
- 3) Work with Cultivate Agribusiness to enhance the prosperity of the farming sector.
- 4) Continue to plan, develop and sell residential land in Beaufort and Avoca.
- 5) Continue to plan, develop and sell industrial land in Beaufort and Avoca.
- 6) Support and promote existing and future events in the Shire.

Major Initiatives

- 7) Undertake the Pyrenees Futures Project - Place Based Planning Project.
- 8) Work with windfarm developers and the community to assist the development of windfarms in the Shire.
- 9) Implement the agreed recommendations from the Municipal Waste Services Review.

- 10) Drive economic growth and prosperity through advocacy for the provision of telecommunication improvements under the Federal Government Blackspot funding program.
- 11) Implement the agreed recommendations from the Tourism Strategy.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Statutory planning	Decision making	Council planning decisions upheld at VCAT (Percentage of planning application decisions subject to review by VCAT and that were upheld in favour of the Council)	[Number of VCAT decisions that upheld Council's decision in relation to a planning application / Number of decisions in relation to planning applications subject to review by VCAT] x100
# VCAT = Victorian Civil and Administrative Tribunal			
Waste collection	Waste diversion	Kerbside collection waste diverted from landfill (Percentage of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill)	[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100
Economic Development	Economic activity	Change in number of businesses (Percentage change in the number of businesses with an ABN in the municipality)	[Number of businesses with an ABN in the municipality at the end of the financial year less the number of businesses at the start of the financial year / Number of businesses with an ABN in the municipality at the start of the financial year] x100

2.7 Performance Statement

The service performance indicators detailed in the preceding pages will be reported on in the Performance Statement which is prepared at the end of the year as required by Section 132 of the Act and included in the 2017/18 Annual Report. The Performance Statement will also include reporting on prescribed indicators of financial performance (outlined in Section 4) and sustainable capacity, which are not included in this budget report. The prescribed performance indicators contained in the Performance Statement are audited each year by the Victorian Auditor-General who issues an audit opinion on the Performance Statement. The major initiatives detailed in the preceding pages will be reported in the Annual Report in the form of a statement of progress in the Report of Operations.

2.8 Reconciliation with budgeted operating result

	Net Cost \$'000	Expenditure \$'000	Revenue \$'000
Roads and Townships	(8,658)	(10,807)	2,149
Relationships and Advocacy	(309)	(3,508)	3,199
Community Connection and Wellbeing	(1,269)	(2,693)	1,424
High Performing Organisation	(136)	(136)	0
Development and Environment	(1,159)	(2,901)	1,742
Total services and initiatives	(11,531)	(20,045)	8,514
Other non-attributable	0		
Deficit before funding	(11,531)		
Funding sources:			
Rates	8,274		
Capital grants	2,163		
Gain on asset sales	84		
Total funding sources	10,521		
Deficit for the year	(1,010)		

3 - Financial statements

This section presents information in regard to the Financial Statements. The budget information for the years 2018/19 to 2020/21 has been extracted from the Strategic Resource Plan.

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

3.1 Comprehensive Income Statement

3.2 Balance Sheet

3.3 Statement of Changes in Equity

3.4 Statement of Cash Flows

3.5 Statement of Capital Works

3.6 Statement of Human Resources

3.1 Comprehensive Income Statement

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Income					
Rates and service charges	9,160	9,463	9,832	10,080	10,991
Statutory fees and fines	138	143	147	151	155
User charges	784	868	890	912	935
Grants - Operating (recurrent)	5,827	5,923	6,086	6,253	6,425
Grants - Operating (non-recurrent)	673	137	3,247	3,252	284
Grants - Capital (recurrent)	2,336	1,976	988	1,100	1,100
Grants - Capital (non-recurrent)	10,197	187	0	225	1,450
Contributions - cash	221	0	1,010	1,010	60
Contributions - non-monetary assets	0	0	0	0	0
Net gain on disposal of property, infrastructure, plant and equipment	122	84	116	128	59
Fair value adjustments for investment property	0	0	0	0	0
Interest on cash invested	131	136	143	150	158
Other income	205	118	121	124	127
Total income	29,794	19,035	22,580	23,385	21,744
Expenses					
Employee costs	(6,704)	(6,796)	(6,963)	(7,137)	(7,315)
Materials and services	(8,953)	(6,219)	(10,541)	(10,799)	(6,573)
Bad and doubtful debts	(1)	0	(1)	(1)	(1)
Depreciation	(6,873)	(6,702)	(6,870)	(7,042)	(7,218)
Borrowing costs	(6)	0	0	0	0
Other expenses	(318)	(328)	(336)	(344)	(353)
Total expenses	(22,855)	(20,045)	(24,711)	(25,323)	(21,460)
Surplus (deficit) for the year	6,939	(1,010)	(2,131)	(1,938)	284
Other comprehensive income Items that will not be reclassified to surplus or deficit in future periods:					
Net asset revaluation increment /(decrement)	200	0	800	250	0
Total comprehensive result	7,139	(1,010)	(1,331)	(1,688)	284

3.2 Balance Sheet

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Assets					
Current assets					
Cash and cash equivalents	2,315	2,315	2,315	2,315	2,315
Trade and other receivables	882	908	935	963	992
Land held for resale	1,497	1,487	1,342	955	1,197
Other assets	137	140	143	146	149
Total current assets	4,831	4,850	4,735	4,379	4,653
Non-current assets					
Trade and other receivables	101	88	74	59	43
Property, infrastructure, plant and equipment	237,978	237,022	235,922	234,669	235,190
Total non-current assets	238,079	237,110	235,996	234,728	235,233
Total assets	242,910	241,960	240,731	239,107	239,886
Liabilities					
Current liabilities					
Trade and other payables	948	976	1,005	1,035	1,066
Trust funds and deposits	188	192	196	200	204
Provisions	1,765	1,785	1,846	1,867	1,888
Interest-bearing loans and borrowings	0	0	0	0	430
Total current liabilities	2,901	2,953	3,047	3,102	3,588
Non-current liabilities					
Provisions	160	168	176	185	194
Total non-current liabilities	160	168	176	185	194
Total liabilities	3,061	3,121	3,223	3,287	3,782
Net assets	239,849	238,839	237,508	235,820	236,104
Equity					
Accumulated surplus	90,229	89,219	87,088	85,150	85,434
Statutory reserve (recreational land)	9	9	9	9	9
Asset revaluation reserve	149,611	149,611	150,411	150,661	150,661
Total equity	239,849	238,839	237,508	235,820	236,104

3.3 Statement of Changes in Equity

For the four years ending 30 June 2021

	Total	Accumulated	Revaluation	Other
	\$'000	Surplus	Reserve	Reserves
	\$'000	\$'000	\$'000	\$'000
2018				
Balance at beginning of the financial year	239,849	90,229	149,611	9
Surplus/(deficit) for the year	(1,010)	(1,010)	0	0
Net asset revaluation increment(decrement)	0	0	0	0
Balance at end of the financial year	238,839	89,219	149,611	9
2019				
Balance at beginning of the financial year	238,839	89,219	149,611	9
Surplus/(deficit) for the year	(2,131)	(2,131)	0	0
Net asset revaluation increment(decrement)	800	0	800	0
Balance at end of the financial year	237,508	87,088	150,411	9
2020				
Balance at beginning of the financial year	237,508	87,088	150,411	9
Surplus/(deficit) for the year	(1,938)	(1,938)	0	0
Net asset revaluation increment(decrement)	250	0	250	0
Balance at end of the financial year	235,820	85,150	150,661	9
2021				
Balance at beginning of the financial year	235,820	85,150	150,661	9
Surplus/(deficit) for the year	284	284	0	0
Net asset revaluation increment(decrement)	0	0	0	0
Balance at end of the financial year	236,104	85,434	150,661	9

3.4 Statement of Cash Flows

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and service charges	9,160	9,463	9,832	10,080	10,991
Statutory fees and fines	138	143	147	151	155
User charges	862	955	979	1,003	1,029
Grants - operating	12,705	4,034	7,256	7,376	4,527
Grants - capital	6,069	4,189	3,065	3,454	4,732
Contributions - cash	243	0	1,111	1,111	66
Interest on cash invested	131	136	143	150	158
Trust funds and deposits taken	25	25	25	25	25
Other receipts	205	118	121	124	127
Net GST refund / payment	2,483	1,180	1,431	1,476	1,433
Employee costs	(6,719)	(6,807)	(6,976)	(7,149)	(7,326)
Materials and services	(9,848)	(6,844)	(11,595)	(11,879)	(7,230)
Trust funds and deposits repaid	(25)	(25)	(25)	(25)	(25)
Other payments	(334)	(344)	(353)	(361)	(371)
Net cash provided by operating activities	15,095	6,223	5,161	5,536	8,291
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(17,405)	(6,531)	(5,608)	(6,260)	(8,703)
Payments for land held for resale	(875)	(618)	(827)	(690)	(666)
Proceeds from sale of property, infrastructure, plant and equipment	346	352	341	341	330
Proceeds from sale of land held for resale	504	574	933	1,073	318
Payments for investments	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Proceeds from sale of investments	12,000	12,000	12,000	12,000	12,000
Net cash used in investing activities	(17,430)	(6,223)	(5,161)	(5,536)	(8,721)
Cash flows from financing activities					
Borrowing costs	(6)	0	0	0	0
Proceeds from borrowings	0	0	0	0	430
Repayment of borrowings	(500)	0	0	0	0
Net cash used in financing activities	(506)	0	0	0	430
Net (decrease)/increase in cash and cash equivalents	(2,841)	0	0	0	0
Cash and cash equivalents at beginning of the financial year	5,156	2,315	2,315	2,315	2,315
Cash and cash equivalents at end of the financial year	2,315	2,315	2,315	2,315	2,315

3.5 Statement of Capital Works

For the four years ending 30 June 2021

	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Strategic Resource Plan Projections		
			2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Property					
Land	796	562	752	628	606
Land improvements	55	55	55	55	55
Total land	851	617	807	683	661
Buildings	1,200	100	129	145	2,128
Building improvements	210	0	0	0	0
Leasehold improvements	204	0	0	0	0
Total buildings	1,614	100	129	145	2,128
Total property	2,465	717	936	828	2,789
Plant and equipment					
Plant, machinery and equipment	1,122	967	982	997	1,012
Fixtures, fittings and furniture	15	21	21	22	23
Computers and telecommunications	97	90	114	125	146
Library collection	52	50	52	54	56
Total plant and equipment	1,286	1,128	1,169	1,198	1,237
Infrastructure					
Roads	9,380	3,604	2,911	3,061	3,388
Bridges	1,192	101	487	558	597
Footpaths and cycleways	130	174	25	26	28
Drainage	853	513	139	143	203
Recreational, leisure and community facilities	1,240	212	115	448	221
Total infrastructure	12,795	4,604	3,677	4,236	4,437
Total capital works expenditure	16,546	6,449	5,782	6,262	8,463
Represented by:					
New asset expenditure	839	567	757	633	2,582
Asset renewal expenditure	13,761	5,314	4,770	5,349	5,583
Asset expansion expenditure	102	160	15	15	15
Asset upgrade expenditure	1,844	408	240	265	283
Total capital works expenditure	16,546	6,449	5,782	6,262	8,463

3.6 Statement of Human Resources

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	Actual 2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Staff expenditure					
Employee costs - operating	6,704	6,796	6,963	7,137	7,315
Employee costs - capital	177	182	187	193	199
Total staff expenditure	6,881	6,978	7,150	7,330	7,514
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	77.6	77.1	77.1	77.1	77.1
Total staff numbers	77.6	77.1	77.1	77.1	77.1

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

Department	Budget 2016/17 \$'000	Comprises		
		Permanent Full Time \$'000	Permanent Part Time \$'000	Casual \$'000
Assets and Development	1,046	801	245	0
Community Wellbeing	1,195	285	893	17
Corporate Services	1,362	925	400	37
Culture and Leisure	485	190	246	49
Environment and Amenity	2,293	1,971	294	28
Strategy and Governance	597	544	53	0
Total staff expenditure	6,978	4,716	2,131	131

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

Department	Budget FTE	Comprises		
		Permanent Full Time	Permanent Part Time	Casual
Assets and Development	10.0	7.5	2.5	0.0
Community Wellbeing	14.9	3.0	11.8	0.1
Corporate Services	13.1	8.5	4.1	0.5
Culture and Leisure	5.5	2.0	2.9	0.6
Environment and Amenity	29.0	25.0	3.5	0.5
Strategy and Governance	4.6	4.0	0.6	0.0
Total staff FTE	77.1	50.0	25.4	1.7

4 - Financial performance indicators

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

Indicator	Measure	Notes	Forecast			Strategic Resource Plan			Trend +/-
			Actual 2015/16	Actual 2016/17	Budget 2017/18	Projections 2018/19 2019/20 2020/21			
Operating position									
Adjusted underlying result	Adjusted underlying deficit / Adjusted underlying revenue	1	-40.3%	-18.0%	-6.4%	-14.6%	-14.3%	-6.1%	o
Liquidity									
Working Capital	Current assets / current liabilities	2	197.0%	166.5%	164.2%	155.4%	141.2%	129.7%	-
Unrestricted cash	Unrestricted cash / current liabilities		39.1%	73.0%	71.6%	69.2%	67.9%	58.6%	-
Obligations									
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	5.8%	0.0%	0.0%	0.0%	0.0%	3.9%	-
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		9.1%	5.5%	0.0%	0.0%	0.0%	0.0%	+
Indebtedness	Non-current liabilities / own source revenue		1.1%	0.8%	0.9%	0.8%	0.8%	1.0%	o
Asset renewal	Asset renewal expenditure / depreciation	4	60.2%	200.2%	79.3%	69.4%	76.0%	77.3%	-
Stability									
Rates concentration	Rate revenue / adjusted underlying revenue	5	64.2%	47.3%	50.2%	45.6%	45.5%	54.3%	-
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.54%	0.54%	0.56%	0.58%	0.59%	0.59%	o
Efficiency									
Expenditure level	Total expenditure / number of property assessments		\$3,249	\$3,890	\$3,380	\$4,146	\$4,227	\$3,565	+
Revenue level	Residential rate revenue / Number of residential property assessments		\$916	\$986	\$1,023	\$1,051	\$1,080	\$1,110	+
Workforce turnover	Number of permanent staff resignations and terminations / average number of permanent staff for the financial year		3.9%	13.6%	7.5%	7.5%	7.5%	7.5%	o

Key to Forecast Trend:

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

Notes to indicators

1 Adjusted underlying result – One indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. Relative stability in financial performance is expected over the period, although continued losses means reliance on capital grants to fund capital expenditure.

2 Working Capital - The proportion of current liabilities represented by current assets. Working capital is forecast to decline slightly in later years but remain at an acceptable level.

3 Debt compared to rates - Council is forecast to remain free of long term debt until year four of the Strategic Resource Plan, and has a policy to minimise loan borrowings and hence interest paid on loans.

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

In 2016/17 Council received more than double the "normal" level of Commonwealth Roads to Recovery grant funding, and also received \$7.2 million of natural disaster restoration grants as a consequence of the September 2016 flood events. These two factors had the combined effect of significantly distorting this asset renewal indicator on a one-off basis.

5 Rates concentration - Reflects extent of reliance on rate revenues to fund all of Council's on-going services. Trend indicates Council's reliance on rate revenue will remain stable throughout the forecast period, until 2020/21 when a very large wind farm is forecast to commence operation.

5 - Grants and borrowings

This section includes the following statements and reports

5.1.1 Operating grants

5.1.2 Capital grants

5.1.3 Statement of borrowings

5.1.1 Operating grants (\$0.44 million decrease)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. Overall, the level of operating grants will decrease by 7% or \$0.44 million over 2016/17 levels. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

Operating grants	Forecast		
	Actual 2016/17 \$'000	Budget 2017/18 \$'000	Variance \$'000
<i>Recurrent - Commonwealth Government</i>			
Federal Assistance Grant - general purpose	2,907	2,943	36
Federal Assistance Grant - local roads	2,001	2,026	25
Aged and disability support	344	350	6
Adult day care	75	76	1
<i>Recurrent - State Government</i>			
Aged and disability support	204	230	26
Library	113	115	2
Maternal & child health	109	110	1
Youth outreach	33	33	0
Tobacco sales testing	16	16	0
Other	25	24	(1)
Total recurrent grants	5,827	5,923	96
<i>Non-recurrent - Commonwealth Government</i>			
Moonambel water supply	180	0	(180)
Swimming Pools	13	0	(13)
<i>Non-recurrent - State Government</i>			
<i>Natural disaster restoration</i>			
Emergency planning	60	70	10
Moonambel water supply	60	0	(60)
Roadside weeds and pests management	48	48	0
Recreation facilities	30	0	(30)
Learner driver mentor	19	19	0
Other	4	0	(4)
Total non-recurrent grants	673	137	(536)
Total operating grants	6,500	6,060	-440

Recurrent operating grants will increase marginally by \$0.1 million or 1.65%. Non-recurrent grants will decrease by \$0.54 million as a result of a significant reduction in "one-off" grants for specific projects.

5.1.2 Capital grants (\$10.37 million decrease)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Overall the level of capital grants will decrease by 83% or \$10.37 million compared to 2016/17. A list of capital grants by type and source, classified into recurrent and non-recurrent, is included below.

Capital grants	Forecast		
	Actual 2016/17 \$'000	Budget 2017/18 \$'000	Variance \$'000
<i>Recurrent - Commonwealth Government</i>			
Roads to recovery	2,336	1,976	-360
Total recurrent grants	2,336	1,976	-360
<i>Non-recurrent - Commonwealth Government</i>			
Lexton community hub	500	0	-500
<i>Non-recurrent - State Government</i>			
Natural disaster restoration	8,465	0	-8,465
Lexton community hub	500	0	-500
Recreation facilities	257	187	-70
Township amenity	377	0	-377
Swimming pools	75	0	-75
Other	23	0	-23
Total non-recurrent grants	10,197	187	-10,010
Total capital grants	12,533	2,163	-10,370

Recurrent capital grants will decrease by \$0.36 million, as a result of a reduction in Federal Roads to Recovery funding. Non-recurrent capital grants were exceptionally high in 2016/17 as a result of receiving \$8.465 million in natural disaster restoration grants. In 2017/18 the balance of non-recurrent capital grants will decrease by \$1.545 million as a result of a significant reduction in the number of capital projects.

5.1.3 Statement of borrowings

Total amount borrowed as at 30 June of the prior year	500	0
Total amount proposed to be borrowed	0	0
Total amount projected to be redeemed	(500)	0
Total amount of borrowings as at 30 June	0	0

6 - Capital works program

This section provides details on each capital works project that is funded in the 2017/18 budget.

Capital works program

For the year ending 30 June 2018

New works

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
PROPERTY									
Land									
Beaufort Residential Estate - Land Purchase	213	213							213
Residential Land Development - Beaufort Stages 3 & 4	349	349					41		308
Total Land	562	562	0	0	0	0	0	41	521
Land Improvements									
Transfer Station Upgrades	55			55				55	
Total Land Improvements	55	0	0	55	0	0	0	55	0
Buildings									
Building Renewal Program	100		100					100	
Total Buildings	100	0	100	0	0	0	0	100	0
TOTAL PROPERTY	717	562	100	55	0	0	0	196	521

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
PLANT AND EQUIPMENT									
Plant, Machinery and Equipment									
Water Bore Refurbishment	10		10					10	
Heavy Plant Purchases	565		565					445	120
Minor Plant Purchases	10		10					10	
Motor Vehicle Purchases	382		382					182	200
Total Plant, Machinery and Equipment	967	0	967	0	0	0	0	647	320
Fixtures, Fittings and Furniture									
Furniture & Fittings Purchases	21		21					21	
Total Fixtures, Fittings and Furniture	21	0	21	0	0	0	0	21	0
Computers and Telecommunications									
Information Technology Purchases	90		90					90	
Total Computers and Telecommunications	90	0	90	0	0	0	0	90	0
Library Collection									
Library Collection Purchases	50		50					50	
Total Library Collection	50	0	50	0	0	0	0	50	0
TOTAL PLANT AND EQUIPMENT	1,128	0	1,128	0	0	0	0	808	320

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
INFRASTRUCTURE									
Roads									
Gravel Road Resheets	658		658					658	
Road Infrastructure	116		116					116	
Renewal - Extra Rate Cap									
Forward Survey & Design	50		50					50	
Reseals	735		735					735	
Reseals - Extra Rate Cap	100		100					100	
Major Patch Program	105		105					105	
Sealed Road Shoulder	54		54					54	
Rehabilitation									
Council Road Projects	89		73	16				89	
Raglan-Elmhurst Road	508		417	91		508			
1.5km Reconstruction									
Trawalla Road 2km	247		202	45		247			
Reconstruction									
Moonambel-Natte Yallock	670		549	121		670			
Road 2km Reconstruction									
Trawalla Road 0.90-1.90	250		205	45		250			
Reconstruction									
Kerb & Channel	22		22					22	
Rehabilitation									
Total roads	3,604	0	3,286	318	0	1,675	0	1,929	0
Bridges									
Bridge 154 Renew	101		101			101			
Floodway									
Total Bridges	101	0	101	0	0	101	0	0	0
Footpaths and Cycleways									
Footpath Rehabilitation	19		19					19	
New Footpaths	5	5						5	
Beaufort Walkability	150				150	75		75	
Project									
Total Footpaths and	174	5	19	0	150	75	0	99	0
Cycleways									
Drainage									
Major Culvert	135		135					135	
Rehabilitation									
Sandy Lane Major Culvert	110		110					110	
Rehabilitation									
Robertson St Lexton Major	68		68					68	
Culvert Rehabilitation									
Mount William Rd Major	200		200			200			
Culvert Rehabilitation									
Total Drainage	513	0	513	0	0	200	0	313	0

Capital Works Area	Project cost \$'000	Asset expenditure type				Summary of funding sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Expansion \$'000	Grants \$'000	Contri- butions \$'000	Council cash \$'000	Asset Sales \$'000
Recreational, Leisure and Community Facilities									
Playground Equipment Replacement	10		10					10	
Hardcourt Renewal	157		157			112		45	
Solar Lighting of Township Entrances	10				10			10	
Directional Signage Upgrade	35			35				35	
Total Recreational, Leisure and Community Facilities	212	0	167	35	10	112	0	100	0
TOTAL INFRASTRUCTURE	4,604	5	4,086	353	160	2,163	0	2,441	0
TOTAL NEW CAPITAL WORKS	6,449	567	5,314	408	160	2,163	0	3,445	841
Summary									
Property	717	562	100	55	0	0	0	196	521
Plant and Equipment	1,128	0	1,128	0	0	0	0	808	320
Infrastructure	4,604	5	4,086	353	160	2,163	0	2,441	0
TOTAL CAPITAL WORKS 2017/18	6,449	567	5,314	408	160	2,163	0	3,445	841
TOTAL CAPITAL WORKS 2016/17	7,162	236	6,471	353	102	3,613	50	2,988	511

7 - Rates and service charges

This section presents information about rates and charges which the Local Government Act and the Regulations require to be disclosed in the Council's Annual Budget.

In developing the Strategic Resource Plan rates and charges were identified as an important source of revenue, accounting for approximately 49.7% of the total revenue received by Council annually. In 2016 the State Government introduced the Fair Go Rates System (FGRS) which caps the maximum amount councils may increase rates in a year. For 2017/18 the FGRS rates cap has been set at 2.00%. The cap applies to both general rates and municipal charges and is calculated on the basis of Council's average rates and charges. Future capped rate increases will become an important input of the Strategic Resource Planning process. Council has applied to the Essential Services Commission for a rate increase of 3.5% for both the 2017-18 and 2018/19 years, and this budget has been prepared on the basis of that application being successful.

The average general rate will increase by 3.50% which is in line with the rate capping exemption approval provided by the Essential Services Commission under the Fair Go Rates System. Waste management service charges will increase on average by 5.2%. Council's waste management service charges have increased by more than the general rate due to the decision to price these services at full cost recovery.

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

Type or class of land	2016/17 cents/\$CIV	2017/18 cents/\$CIV	Change
General rate for rateable residential properties	0.4826	0.4980	3.19%
General rate for rateable commercial properties	0.4826	0.4980	3.19%
General rate for rateable industrial properties	0.4826	0.4980	3.19%
General rate for rateable rural/residential vacant land properties less than two hectares	1.5442	1.5937	3.21%
General rate for rateable non-farm vacant land properties of two hectares or more	1.1581	1.1952	3.20%
General rate for rateable farm properties	0.3860	0.3984	3.21%
Rate concession for rateable recreational properties	0.2413	0.2490	3.19%

* The above rates in the dollar are indicative only as they are based on the rate book as at 22 February 2017. These rates in the dollar will be recalculated in July 2017 using the actual rate book as at 1 July 2017, in order to ensure compliance with the rate capping provisions of the Fair Go Rates System.

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

Type or class of land	2016/17 \$	2017/18 \$	Change
General rate for rateable residential properties	2,822,600	2,980,660	5.60%
General rate for rateable commercial properties #	140,190	131,190	-6.42%
General rate for rateable industrial properties #	42,530	55,370	30.19%
General rate for rateable rural/residential vacant land properties less than two hectares	195,360	207,830	6.38%
General rate for rateable non-farm vacant land properties of two hectares or more	632,510	654,480	3.47%
General rate for rateable farm properties	3,797,900	3,918,760	3.18%
Rate concession for rateable recreational properties	16,850	17,660	4.81%
Total amount to be raised by general rates	7,647,940	7,965,950	4.16%

The significant change in the rates raised from commercial and industrial properties results primarily from a reclassification of telecommunication utilities premises from commercial to industrial classification.

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

Type or class of land	2016/17	2017/18	Change
General rate for rateable residential properties	2,862	2,915	1.85%
General rate for rateable commercial properties #	130	98	-24.62%
General rate for rateable industrial properties #	46	77	67.39%
General rate for rateable rural/residential vacant land properties less than two hectares	339	336	-0.88%
General rate for rateable non-farm vacant land properties of two hectares or more	697	702	0.72%
General rate for rateable farm properties	1,759	1,760	0.06%
Rate concession for rateable recreational properties	42	43	2.38%
Total number of assessments	5,875	5,931	0.95%

The significant change in the number of commercial and industrial assessments results primarily from a reclassification of telecommunication utilities premises from commercial to industrial classification.

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

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

Type or class of land	2016/17 \$	2017/18 \$	Change
General rate for rateable residential properties	584,872,000	598,527,000	2.33%
General rate for rateable commercial properties	29,048,000	26,344,000	-9.31%
General rate for rateable industrial properties	8,812,000	11,118,000	26.17%
General rate for rateable rural/residential vacant land properties less than two hectares	12,651,000	13,041,000	3.08%
General rate for rateable non-farm vacant land properties of two hectares or more	54,616,000	54,759,000	0.26%
General rate for rateable farm properties	983,911,000	983,625,000	-0.03%
Rate concession for rateable recreational properties	6,985,000	7,093,000	1.55%
Total value of land	1,680,895,000	1,694,507,000	0.81%

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

Type of Charge	Per Rateable Property 2016/17 \$	Per Rateable Property 2017/18 \$	Change
Municipal Charge	0	0	0.00%

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

Type of Charge	2016/17 \$	2017/18 \$	Change
Municipal Charge	0	0	0.00%

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

Type of Charge	Per Rateable Property 2016/17 \$	Per Rateable Property 2017/18 \$	Change
Disposal Charge Improved Property	179	188	5.03%
Disposal Charge Unimproved Property	49	52	6.12%
Collection Charge Kerbside, Green & Recycling	310	326	5.16%
Collection Charge Kerbside & Recycling	310	326	5.16%

7.9 The number of waste service charges compared with the previous financial year

Type of Charge	Service Charges 2016/17 \$	Service Charges 2017/18 \$	Change
Disposal Charge Improved Property	1,085	1,085	0.00%
Disposal Charge Unimproved Property	2,170	2,194	1.11%
Collection Charge Kerbside, Green & Recycling	1,332	1,355	1.73%
Collection Charge Kerbside & Recycling	1,288	1,315	2.10%
Total number of waste service charges	5,875	5,949	1.26%

7.10 The estimated total amount to be raised by each type of waste service charge, and the estimated total amount to be raised by waste service charges compared with the previous financial year

Type of Charge	2016/17 \$	2017/18 \$	Change
Disposal Charge Improved Property	194,215	203,980	5.03%
Disposal Charge Unimproved Property	106,330	114,088	7.30%
Collection Charge Kerbside, Green & Recycling	412,920	441,730	6.98%
Collection Charge Kerbside & Recycling	399,280	428,690	7.37%
Total amount to be raised by waste service charges	1,112,745	1,188,488	6.81%

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

Type of Charge	2016/17 \$	2017/18 \$	Change
General rates	7,647,940	7,965,950	4.2%
Municipal charge	0	0	0.0%
Service charges	1,112,745	1,188,488	6.8%
Rates and service charges	8,760,685	9,154,438	4.5%
Supplementary/(objections) general rates		5,000	
Windfarms in lieu of rates		263,000	
Interest on rates		40,000	
Rates and service charges as per Comprehensive Income Statement		9,462,438	

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

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

- The making of supplementary valuations
- The variation of returned levels of value (e.g. valuation appeals)
- Changes of use of land such that rateable land becomes non-rateable land and vice versa
- Changes of use of land such that vacant land becomes non-vacant land and vice versa
- Changes of use of land such that residential land becomes business land and vice versa
- Changes to the level of service provided to a property.

7.13 Differential rates

Rates to be levied

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

- A general rate of 0.498% (0.498 cents in the dollar of CIV) for all rateable residential properties;
- A general rate of 0.498% (0.498 cents in the dollar of CIV) for all rateable commercial properties;
- A general rate of 0.498% (0.498 cents in the dollar of CIV) for all rateable industrial properties;
- A general rate of 1.5937% (1.5937 cents in the dollar of CIV) for all rateable rural/residential vacant land properties less than two hectares;
- A general rate of 1.1952% (1.1952 cents in the dollar of CIV) for all rateable non-farm vacant land properties of two hectares or more;
- A general rate of 0.3984% (0.3984 cents in the dollar of CIV) for all rateable farm properties;
- A general rate of 0.249% (0.249 cents in the dollar of CIV) for all rateable recreational 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.

Rural/residential vacant land properties less than two hectares

Vacant land in this class is any land wherever located within the Municipality that is less than two hectares in size and on which no dwelling is erected.

The objective of this differential rate is to encourage development of vacant land.

The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.

Non-farm vacant land properties of two hectares or more

Vacant land in this class is any land wherever located within the Municipality that is two hectares or more in size, on which no dwelling is erected, and which does not meet the definition of farmland.

The objective of this differential rate is to encourage development of vacant land.

The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.

Residential land

Residential land is any land, wherever located within the Municipality which has a dwelling that can be occupied for the principal purpose of physically accommodating persons, and does not have the characteristics of Vacant Land, Farm Land, Commercial Land or Industrial Land.

Commercial and Industrial Land

Commercial and Industrial land is any land which is occupied for the principal purpose of manufacturing or production of, or the trade in, goods or services.

Farm Land

Farm land is defined as any rateable land which meets the definition as described under the Valuation of Land Act 1960.

The Valuation of Land Act 1960, defines farm land as any rateable land:

- (a) that is not less than 2 hectares in area and
- (b) that is used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of these activities; and
- (c) that is used by a business
 - (i) that has a significant and substantial commercial purpose or character;
 - (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.

Objective: Apply a discount to farm land properties as Council believes these properties pay disproportionately higher rates in relation to income generated because of the higher land component.

Recreational Land

Cultural and Recreational land is any single rateable assessment used for recreational or cultural activities including Golf Clubs, Bowls Clubs, Scout or Guide Halls, Masonic Halls, Historical Societies, and Heritage buildings (not for profit).

Budget Analysis

The following reports provide detailed analysis to support and explain the budget reports in the previous section.

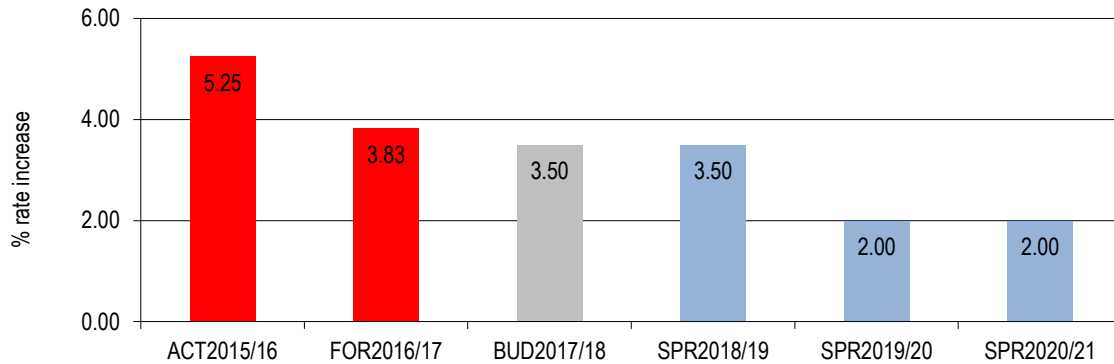
This section includes the following analysis and information.

- 8 - Summary of financial position
- 9 - Analysis of operating budget
- 10 - Rating information
- 11 - Borrowing strategy
- 12 - Schedule of fees and user charges

8 - Summary of financial position

Council has proposed a Budget for the 2017/18 financial year which seeks to balance the community demand for services and a successful rate cap exemption application to increase rates by 3.50%, which is 1.5% about the rate cap set by the Minister for Local Government for 2017/18 of 2.00%. Key budget information is provided below about the rate increase, operating result, services, cash and investments, capital works, financial position, financial sustainability and strategic objectives of the Council.

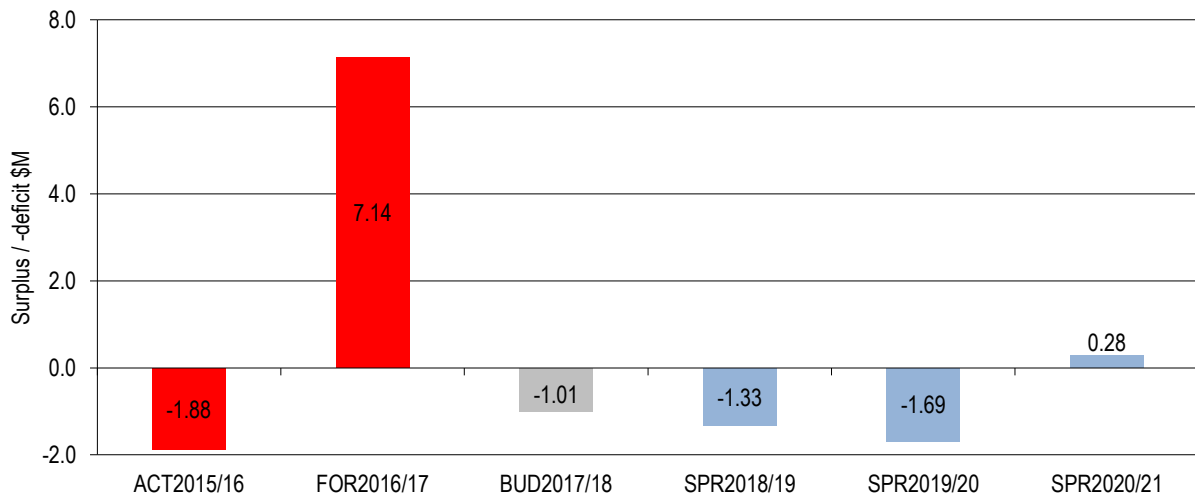
8.1 Rates and Service Charges



ACT = Actual FOR = Forecast BUD = Budget SRP = Strategic Resource Plan estimates

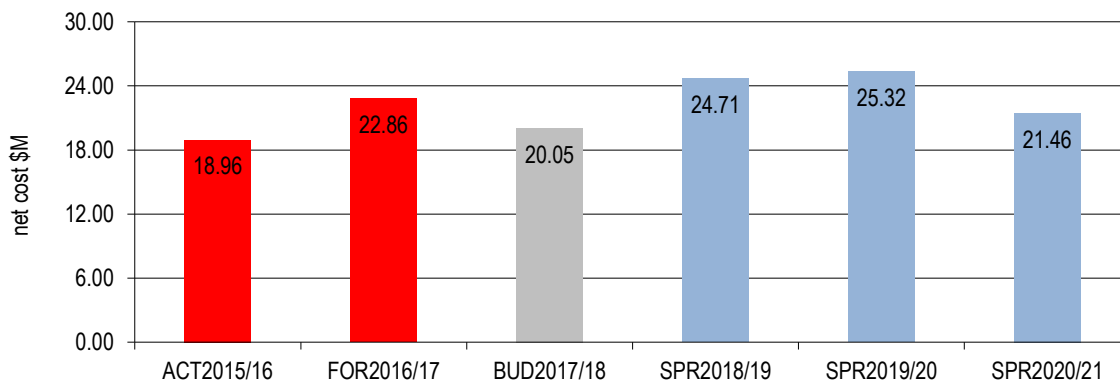
The budget includes an average rates increase of 3.5% for the 2017/18 year, which is in line with the rate capping exemption approved by the Essential Services Commission. The average waste service charges will increase by 5.2%, with all of the additional income going toward ensuring that the cost of providing waste management services throughout the Shire is fully recovered by charges. Refer to Sections 7 - Rates and Charges for more information.

8.2 Comprehensive result



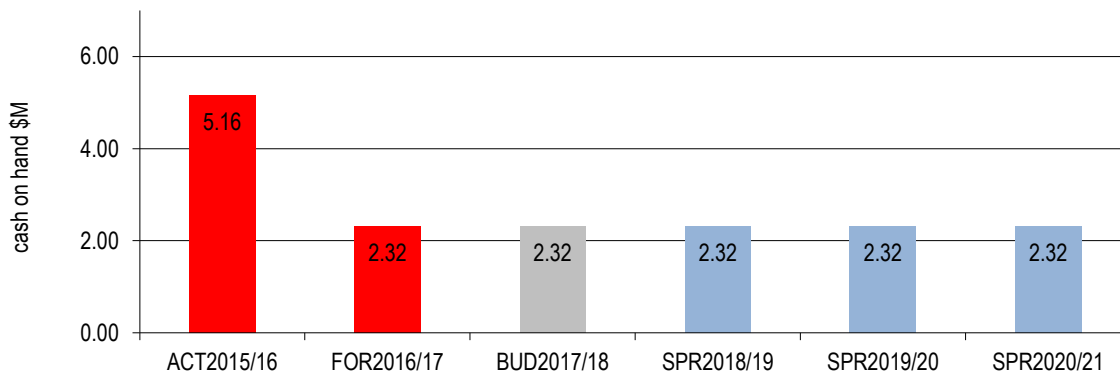
The expected operating result for the 2017/18 year is a deficit of \$1.01 million, which is an improvement over the actual deficit of \$1.88 million for 2015/16. The improved operating result is due mainly to receiving a full year of Federal Assistance Grant allocation in 2017/18 as opposed to only receiving 50% of the allocation in 2015/16. The \$7.139 million operating surplus in 2016/17 is an exceptional circumstance resulting from the receipt of \$8.465 million in natural disaster restoration grants during the year.

8.3 Services



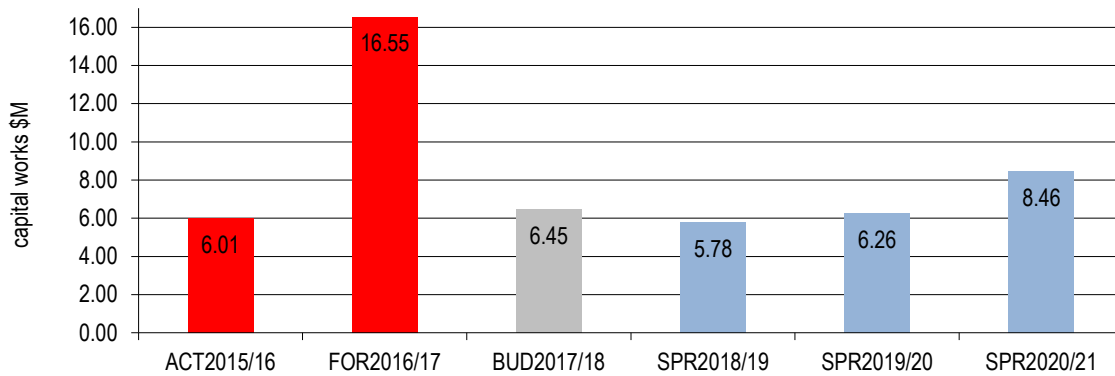
The cost of services delivered to the community for the 2017/18 year is expected to be \$20.045 million which is a decrease of \$2.81 million over 2016/17. A key influencing factor in the development of the 2017/18 budget has been the recently released results of the community satisfaction survey conducted on behalf of Council. The survey results show that while there is a relatively high level of satisfaction with most services provided by Council, there are some areas of concern where there is a clear message that ratepayers want improved service levels. For the 2017/18 year, service levels have been maintained, \$35,000 has been allocated to a new program focussed on township entrance beautification and a new community projects program has been created with a budget of \$50,000.

8.4 Cash and investments



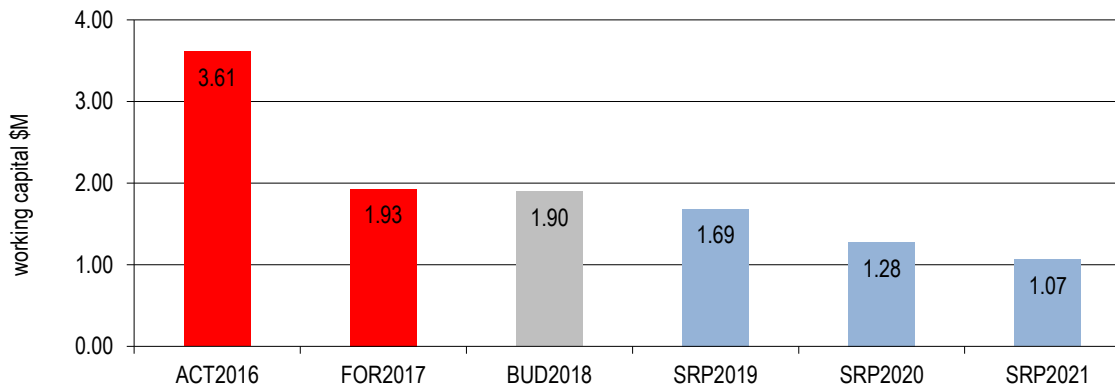
Cash and investments are expected to remain stable at \$2.315 million as at 30 June 2018. This is due entirely to Council producing a balanced cash budget for the coming and future years.

8.5 Capital works



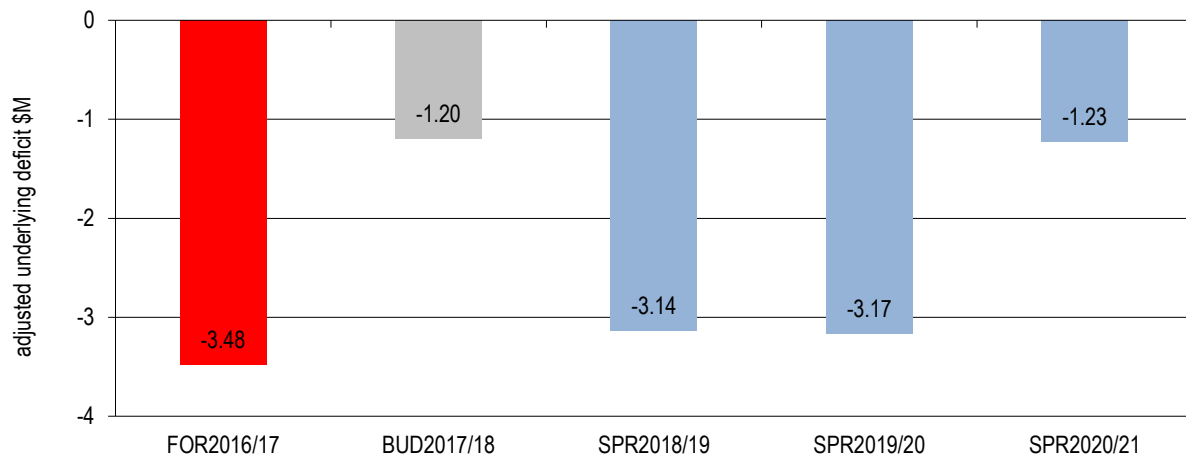
The capital works program for the 2017/18 year is expected to be \$6.449 million, of which \$2.163 million will come from external grants, \$0 from community contributions, \$841,000 from asset sales and the balance of \$3.445 million being cash from operations. The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. The \$16.546 million capital works program in 2016/17 is an exceptional circumstance resulting from natural disaster damage restoration capital expenditure of \$7.172 million.

8.6 Financial position



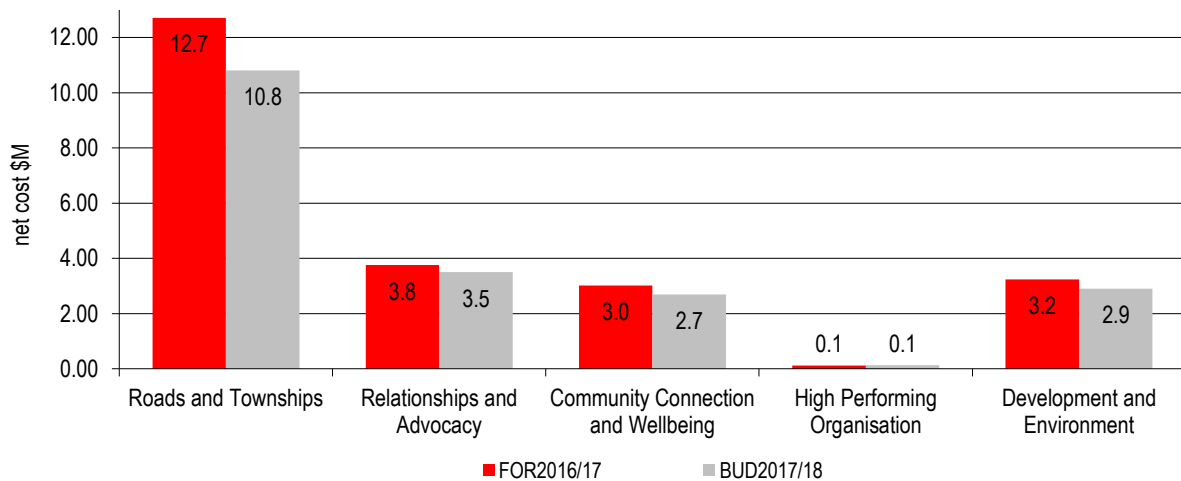
Net current assets (working capital) will decrease by \$0.03 million to \$1.897 million as at 30 June 2018, and will decline slowly over the life of the strategic resource plan primarily as a result of the reduction in the level of industrial and residential land held for resale.

8.7 Financial sustainability



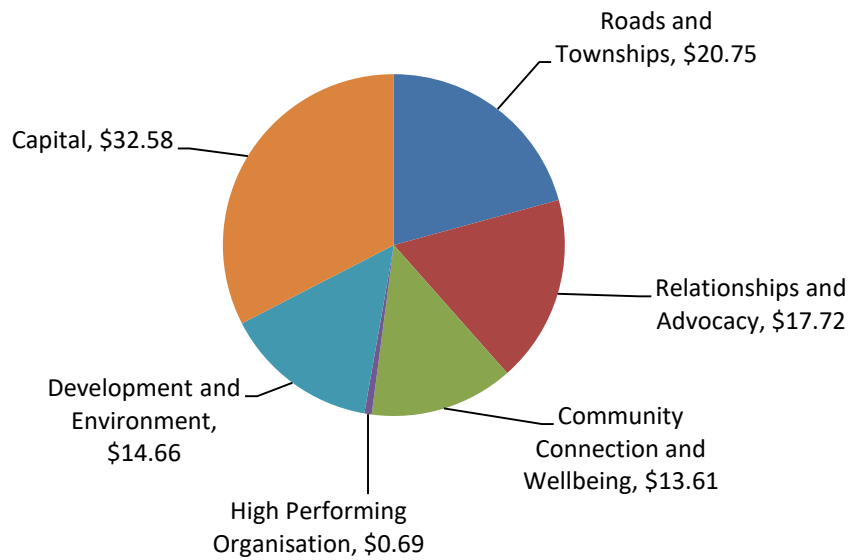
A high level Strategic Resource Plan for the years 2017/18 to 2020/21 has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the Council’s strategic objectives as specified in the Council Plan. The adjusted underlying result, which is one measure of financial sustainability, shows a continuing deficit over the four year period. Depreciation of Council’s extensive roads network is a prime driver of the sizeable underlying deficit, and this graph demonstrates that Council is currently underfunded relative to the asset maintenance responsibilities.

8.8 Strategic objectives



The Annual Budget includes a range of services and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of operating expense allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2017/18 year.

8.9 Council cash expenditure allocations



The above chart provides an indication of how Council allocates its cash expenditure across the main services that it delivers. It shows how much is allocated to each service area for every \$100 that Council spends.

9 - Analysis of operating budget

This section analyses the operating budget including expected income and expenses of the Council for the 2017/18 year.

9.1 Budgeted income statement

	Ref	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Variance \$'000
Total income	4.2	29,794	19,035	(10,759)
Total expenses	4.3	(22,855)	(20,045)	2,810
Surplus/(deficit) for the year		6,939	(1,010)	(7,949)
Grants - Capital (non-recurrent)	4.2.6	(10,197)	(187)	10,010
Contributions - non-monetary assets		0	0	0
Contributions - cash	4.2.4	(221)	0	221
Adjusted underlying (deficit)		(3,479)	(1,197)	2,282

9.1.1 Adjusted underlying deficit (\$2.282 million decrease)

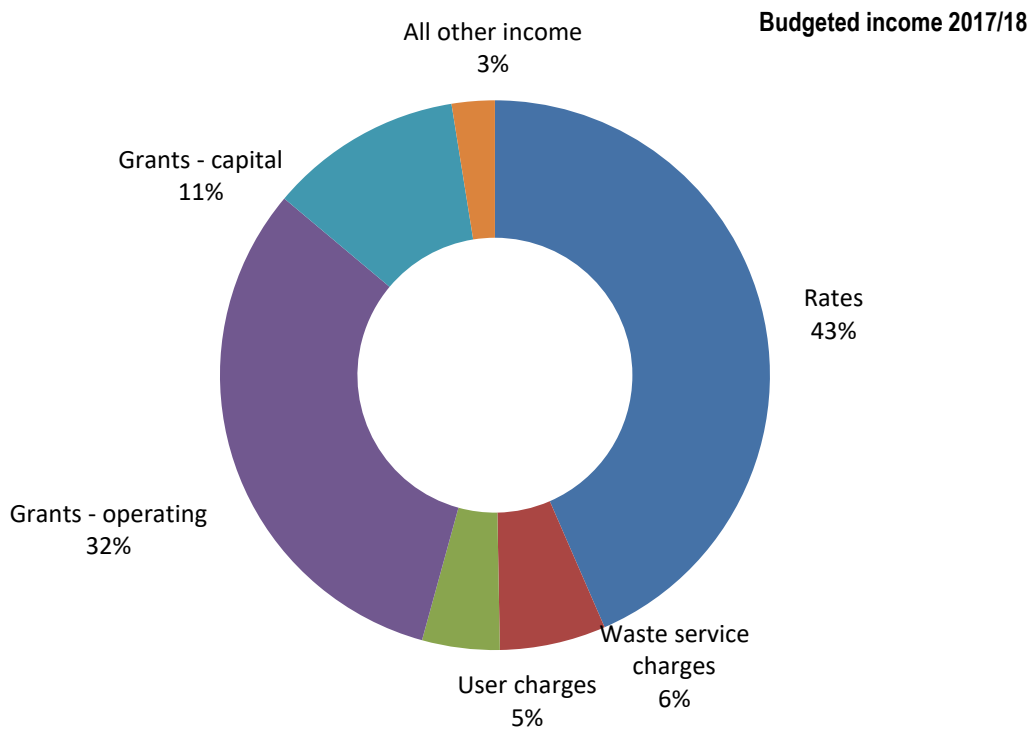
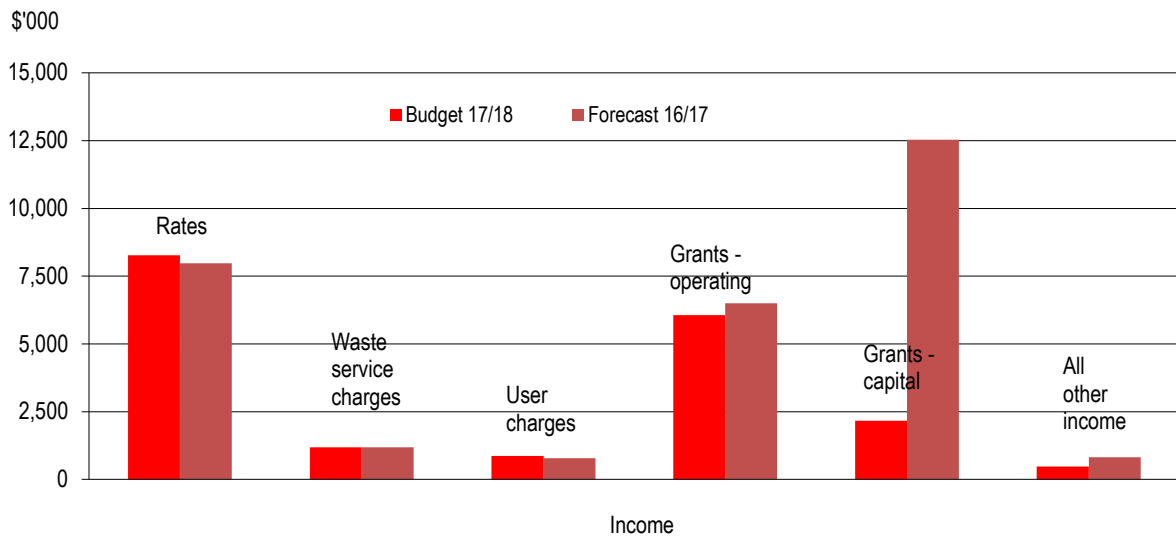
The adjusted underlying result is the net deficit for the year adjusted for non-recurrent capital grants, non-monetary asset contributions, and capital contributions from other sources. It is one measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by capital income items which can often mask the operating result. The adjusted underlying result for the 2017/18 year is a deficit of \$1.197 million which is a decrease of \$2.282 million from forecast for the 2016/17 year. In calculating the adjusted underlying result, Council has excluded grants received for capital purposes which are non-recurrent and capital contributions from other sources. Contributions of non-monetary assets are excluded as the value of assets assumed by Council is dependent on the level of development activity each year.

9.2 Income

Income Types	Ref	Forecast Actual 2016/17 \$'000	Budget 2017/18 \$'000	Budget 2017/18 %	Variance \$'000
Rates and service charges	9.2.1	9,160	9,463	49.7%	303
Statutory fees and fines	9.2.2	138	143	0.8%	5
User charges	9.2.3	784	868	4.6%	84
Contributions - cash	9.2.4	221	0	0.0%	(221)
Grants - operating	9.2.5	6,500	6,060	31.8%	(440)
Grants - capital	9.2.6	12,533	2,163	11.4%	(10,370)
Net gain on disposal of assets	9.2.7	122	84	0.5%	(38)
Interest on cash invested	9.2.8	131	136	0.7%	5
Other income	9.2.9	205	118	0.6%	(87)
Total income		29,794	19,035	100.1%	(10,759)

Rates and service charges plus grants make up 92.9% of Council's total income.

Forecast and Budgeted Income by type



9.2.1 Rates and service charges (\$303,000 increase over the 2016/17 forecast)

It is proposed that general rate income be increased by 4.2% or \$318,000 over the 2016/17 budget to \$7.966 million, and that waste service charges income be increased by 6.8% or \$76,000 over the 2016/17 budget to \$1.188 million. Part of the increased revenue from rates results from supplementary valuations predominantly due to subdivision activity and the construction of new buildings, whilst part of the increased revenue from waste service charges is derived from new users being added to the service. Section 7 - Rates and service charges includes a more detailed analysis of the rates and service charges to be levied for 2017/18.

9.2.2 Statutory fees and fines (\$5,000 increase)

Statutory fees and fines relate mainly to fees and fines levied in accordance with legislation and include town planning fees, Public Health and Wellbeing Act 2008 (Environmental Health) registrations and fines relating to these service areas. Increases in statutory fees are made in accordance with legislative requirements.

9.2.3 User charges (\$84,000 increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fee-for-service to users of Council’s services. These include caravan park charges, hire of community facilities, domestic animal registrations, building control charges and the provision of human services such as delivered meals and home care services. In setting the budget, the key principle for determining the level of user charges has been to ensure that increases do not exceed CPI increases or market levels. A detailed listing of user charges is included in Section 12 - Schedule of fees and user charges.

9.2.4 Contributions - cash (\$221,000 decrease)

Contributions relate to monies paid by developers in regard to public resort and recreation, drainage and car parking in accordance with planning permits issued for property development, and contributions made by community groups towards capital projects. There are no community contributions to capital projects budgeted for in 2017/18, down from the seven capital project contributions forecast in 2016/17 valued at \$221,000.

9.2.5 Operating grants (\$440,000 decrease)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council’s services to ratepayers. Overall, the level of operating grants will decrease by 7% or \$0.44 million over 2016/17 levels. Recurrent operating grants will increase marginally by \$0.1 million or 1.65%. Non-recurrent grants will decrease by \$0.54 million as a result of a significant reduction in "one-off" grants for specific projects.

9.2.6 Capital grants (\$10.37 million decrease)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Overall the level of capital grants will decrease by 83% or \$10.37 million compared to 2016/17. Recurrent capital grants will decrease by \$0.36 million, as a result of a reduction in Federal Roads to Recovery funding. Non-recurrent capital grants were exceptionally high in 2016/17 as a result of receiving \$8.465 million in natural disaster restoration grants. In 2017/18 the balance of non-recurrent capital grants will decrease by \$1.545 million as a result of a significant reduction in the number of capital projects.

9.2.7 Net gain on sale of assets (\$38,000 decrease)

Proceeds from the sale of Council assets relate to the planned cyclical replacement of part of the plant and vehicle fleet (\$320,000) and sale of industrial and residential properties (\$521,000). The written down value of assets sold is forecast to be \$757,000. This is a non-cash income item.

9.2.8 Interest on cash invested (\$5,000 increase)

Interest on cash invested is the interest revenue generated on surplus cash invested in term deposits and interest earned on funds in Council's bank account . This budget is slightly higher than the previous year despite the current historically low interest rates on term deposits.

9.2.9 Other income (\$87,000 decrease)

Other income relates to a range of items such as valuation reimbursements, insurance recoveries, rates legal fee recoups and other miscellaneous income items. This income was significantly higher in 2016/17 due to a higher than normal level of insurance reimbursements relating to damage caused by natural disasters. Further details are shown in the table below.

Other income types	Forecast	Budget	Budget	Variance
	Actual 2016/17 \$'000	2017/18 \$'000	2017/18 %	\$'000
Reimbursements	52	77	65.3%	25
Insurance recoveries	105	0	0.0%	(105)

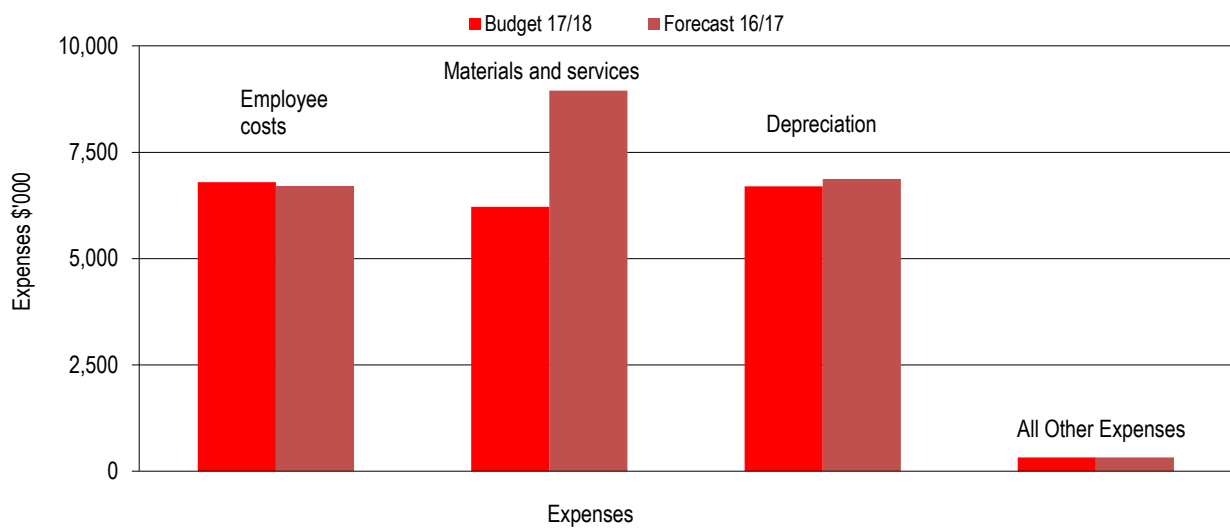
PYRENEES SHIRE COUNCIL Budget - 2017/18

Rates legal fee recoups	45	40	33.9%	(5)
Miscellaneous	3	1	0.8%	(2)
Total other income	205	118	100.0%	(87)

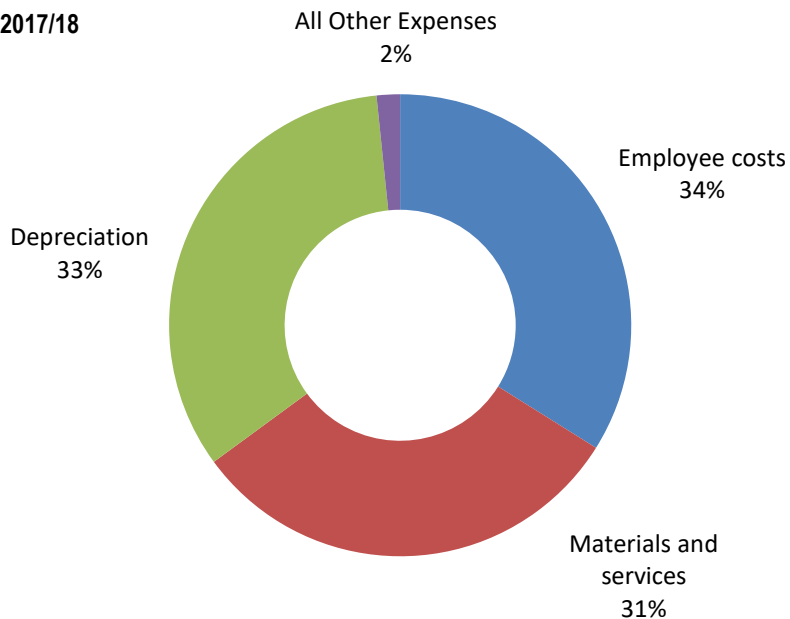
9.3 Expenses

Expense Types	Ref	Forecast		Budget 2017/18 \$'000	Variance \$'000
		Actual 2016/17 \$'000	Budget 2017/18 \$'000		
Employee costs	9.3.1	6,704	6,796	33.9%	92
Materials and services	9.3.2	8,953	6,219	31.0%	(2,734)
Bad and doubtful debts	9.3.3	1	0	0.0%	(1)
Depreciation	9.3.4	6,873	6,702	33.4%	(171)
Borrowing costs	9.3.5	6	0	0.0%	(6)
Other expenses	9.3.6	318	328	1.6%	10
Total expenses		22,855	20,045	100.0%	(2,810)

Forecast and Budgeted Expenses by type



Budgeted expenses 2017/18



9.3.1 Employee costs (\$92,000 increase)

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

Employee costs are budgeted to increase by 1.37% on the 2016/17 forecast, as a result of the outcome of Council's Enterprise Bargaining Agreement (EBA) process.

A summary of human resources expenditure categorised according to the organisational structure of Council is included in the Section 3.6 Statement of Human Resources.

9.3.2 Materials and services (\$2.734 million decrease)

Materials and services include the purchases of consumables, payments to contractors for the provision of services and utility costs. The large reduction in materials and services expenditure occurs as result of a decrease in contracted expenditure, predominantly for natural disaster restoration projects.

9.3.3 Bad and doubtful debts (\$1,000 decrease)

Council anticipates a very minor level of bad or doubtful debt expenditure in 2017/18.

9.3.4 Depreciation (\$171,000 decrease)

Depreciation is an accounting measure which attempts to allocate the value of an asset over its useful life for Council's property, plant and equipment including infrastructure assets such as roads, bridges, buildings and drains. It is anticipated that there will be an 2.49% decrease in the depreciation charge for 2017/18 as a result of the carrying value of road infrastructure decreasing at the most revaluation date of December 2015. Depreciation is a non-cash expense.

9.3.5 Borrowing costs (\$6,000 decrease)

Borrowing costs relate to interest charged by banks on funds borrowed. The reduction in borrowing costs results from Council repaying its final bank loan in 2016/17 and now being debt free.

9.3.6 Other expenses (\$10,000 increase)

Other expenses relate to a range of items including Councillor's allowances, audits and leases of equipment, as set out in the following table.

Other expenses types	Forecast			Variance \$'000
	Actual	Budget	Budget	
	2016/17 \$'000	2017/18 \$'000	2017/18 %	
Councillors' allowances	200	204	62.2%	4
Operating lease rentals	32	40	12.2%	8
Auditors' remuneration - internal auditor	78	76	23.2%	(2)
Auditors' remuneration - Victorian Auditor General's Office (VAGO)	6	6	1.8%	0
Internal audit committee	2	2	0.6%	0
Total other expenses	318	328	100.0%	10

10 - Rating information

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

10.1 Rating context

Rates and service charges are an important source of revenue, accounting for 49.71% of the total revenue received by Council in 2017/18. From 1 July 2016 rate rises have been controlled by the Victorian State Government. The Minister for Local Government sets a rate cap each year. Should any Council wish to increase rates above the cap it has to apply for Essential Services Commission approval to do so. This budget has been prepared on the basis of a rate rise of 2.00% as per the State Government's capped rate increase.

10.2 Rating structure

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

- Property values, which form the central basis of rating under the *Local Government Act 1989*
- A user pays component to reflect usage of certain services provided by Council

Council aims to strike a reasonable balance between these elements in order to provide some degree of 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, farming or commercial purposes. The distinction is based on the concept of equity whereby property classes should pay fair and equitable contributions to the overall rates burden, taking into account the benefits derived from the local community.

Council applies the Capital Improved Value (CIV) basis for rates calculations on the grounds that it provides the most equitable distribution of rates across the municipality. There are currently no plans to change that basis, but Council does review its rating structure every four years.

The existing rating structure comprises seven differential rates:

- General rate for rateable residential properties
- General rate for rateable commercial properties
- General rate for rateable industrial properties
- General rate for rateable rural/residential vacant land properties less than two hectares
- General rate for rateable non-farm vacant land properties of two hectares or more
- General rate for rateable farm properties
- Rate concession for rateable recreational properties

These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Local Government Act. Under the Cultural and Recreational Lands Act 1963, provision is made for a Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. The farm rate is set at 80.0% of the residential rate and the rate concession for recreational land is set at 50% of the residential rate. Council has re-affirmed its intention to maintain promotion of residential growth in the Shire and has set the rates for rural/residential vacant land properties less than two hectares at 320% the general rate, and vacant land of two hectares or more other than farmland at 240% the general rate, in order to encourage development. Council also has a kerbside collection service charge and a recycling service charge as allowed under the Act.

A more detailed analysis of the rates to be raised is contained in Section 7 - Rates and service charges. Council has adopted a formal Rating Strategy that contains expanded information on Council's rating structure and the reasons behind its choices in applying the rating mechanisms it has used.

11 - Borrowing strategy

This section sets out Council's borrowing strategy which has been developed and incorporated into the Strategic Resource Plan.

In developing the Strategic Resource Plan, borrowing was identified as one possible funding source for capital works programs. In the past, Council has borrowed to finance large infrastructure projects and since then has been in a phase of debt reduction. This has resulted in a reduction in debt servicing costs, which has freed up Council funds to invest more in its capital works program. As of September 2016 Council is debt free.

The only loan borrowing forecast in the four-year period covered by the Strategic Resource Plan is in 2020/21, when Council has flagged its intention to borrow \$430,000 to help fund the development of an industrial estate in Beaufort. This borrowing will be subsequently repaid with the proceeds from the sale of the industrial blocks created by this development project.

Council is of the opinion that to be financially sustainable in the longer term it needs to be able to fund its ongoing capital works without continuously borrowing. Debt is seen as a source of funding "once in a generation" projects, rather than for funding ongoing asset renewal.

The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2017.

Year	New Borrowings \$'000	Principal Paid \$'000	Interest Paid \$'000	Balance 30 June \$'000
2016/17	0	500	6	0
2017/18	0	0	0	0
2018/19	0	0	0	0
2019/20	0	0	0	0
2020/21	430	0	0	430



Local Government: 2015–16 Audit Snapshot



VICTORIA

Victorian
Auditor-General

Local Government: 2015–16 Audit Snapshot

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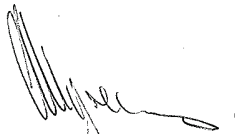
The Hon Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Telmo Languiller MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report
Local Government: 2015–16 Audit Snapshot.

Yours faithfully



Andrew Greaves
Auditor-General

24 November 2016

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Audit overview

In this report, we detail matters arising from the 2015–16 financial and performance report audits of the 79 councils, 11 regional library corporations and 14 associated entities that make up the local government sector. We also assess the sector's financial performance during 2015–16 and its financial sustainability as at 30 June 2016.

Conclusion

At 30 June 2016, local governments collectively generated a net surplus for the year of \$1.6 billion. We assess the sector generally as having relatively low financial sustainability risks. However, this is not uniform. Financial sustainability issues are emerging for the cohort of 19 small shire councils. Declining revenues are forecasted for this cohort over the next three years, while expenditure is expected to remain consistent.

Asset valuation processes across the sector require more attention. Some councils do not:

- provide complete and accurate asset registers to their valuation experts for review
- have sufficient understanding to review and challenge their valuers' assessments
- have appropriate governance measures to identify and mitigate risks associated with the valuation process.

Findings

Financial audit outcomes

We issued clear audit opinions for the 2015–16 financial and performance statements of the 79 councils in the local government sector.

We reviewed the internal control framework of each council as part of our financial audits, and reported on 211 new internal control weaknesses that require attention. Councils have not taken remedial action to rectify similar issues we raised in prior audits—45 per cent of these issues have not been resolved at 30 June 2016. The weaknesses we have identified have the potential to result in material frauds or errors going undetected. They need to be resolved in a more timely way.

Financial performance

The local government sector generated a combined net surplus of \$1.6 billion for the 2015–16 financial year. Most of this was contributed by the nine interface councils¹ from their cash and in-kind developer contributions, both of which are recognised as revenue when they are handed over to councils. These interface councils recorded \$692.4 million in contributions in 2015–16—\$519.5 million in assets and \$172.9 million in cash—a 54.7 per cent increase on the prior year.

While in-kind developer contributions are recognised as revenue when received, councils then have an ongoing obligation to maintain the assets they receive and also to spend developers' cash contributions on community assets.

At the sector level, while developer contributions were up, payments of Commonwealth financial assistance grants to councils were down compared to the prior year. However, this was largely a timing difference. The first tranche of the 2015–16 grant was paid early and therefore was recognised during 2014–15, so only half the 2015–16 grant was recognised as revenue in 2015–16.

Financial position

At 30 June 2016, the local government sector was responsible for \$84.6 billion of fixed assets. Councils control a large variety of fixed assets to enable them to deliver services to their communities—such as land, buildings, roads and drainage. Overall, we were satisfied that the value of fixed assets reported by the sector at 30 June 2016 is materially accurate.

However, not all councils have complete underlying data about their assets. In 2015–16, 31 councils found \$149.3 million of assets that they had not known about or recorded. Our case studies illustrate that this is a recurring issue.

By improving their asset data, and asset valuation frameworks, councils will be able to use this information for purposes other than financial reporting. In particular, this would provide additional details for councils to consider as part of their asset maintenance and capital works planning.

At 30 June 2016, the local government sector held \$3.4 billion in cash and investment assets, and \$1.2 billion in interest-bearing liabilities. The sector has a low level of net debt.

¹ Interface councils are the nine municipalities that form a ring around metropolitan Melbourne. See Appendix B.

Financial sustainability

Overall, we assessed the local government sector as having a relatively low financially sustainable risk at 30 June 2016. When assessed against six financial sustainability risk ratios, the sector received positive ratings for both short- and long-term indicators of financial sustainability risk, but this was not a uniform result.

Small shire councils

Our financial sustainability analysis of the five council cohorts indicated that, taken collectively, the 19 small shire councils have emerging financial sustainability risks.

This cohort generated a combined net deficit of \$0.1 million for the 2015–16 financial year, \$67.3 million less than last year. This related directly to the timing of the financial assistance grants. This cohort did not collect other revenue to counteract this impact, unlike other cohorts within the sector. This resulted in increased financial sustainability risks for the small shire council cohort.

Looking ahead, the small shire council cohort is expecting to experience a decline in capital grant revenue over the next three financial years. From our review of the cohort councils' unaudited budgets, this loss of revenue—combined with a steady level of expenditure—will have the following impact:

- a decline in the net result of the cohort
- a reduction of funds available for investment in property, plant and equipment—with the number of councils within this cohort forecast to spend less than depreciation on their assets over each of the three financial years.

Recommendations

We recommend that councils:

1. promptly address matters raised in this and previous years' audits to prevent their potential reoccurrence and rectify any weaknesses in their control environment to mitigate the risk of their financial statements having material errors (see Part 2)
2. review their asset valuation frameworks and incorporate better practice elements as required (see Part 4)
3. ensure the asset register is accurate and reconciled with asset management systems (see Part 4).

Responses to recommendations

We have consulted with all local councils and the Department of Environment, Land, Water & Planning, and we considered their views when reaching our audit conclusions. As required by section 16(3) of the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

The following is a summary of those responses. The full responses are included in Appendix A.

The Department of Environment, Land, Water & Planning responded, noting that 79 local governments were issued a clear opinion on their financial statements and performance reports for 2015–16. Local Government Victoria (LGV) is to begin discussions to decide how councils may share their information from management letters with the Minister for Local Government and LGV. LGV will reissue its *Asset Management Better Practice Guidelines* and continue to work with the sector to improve asset management practices. In conjunction with Regional Development Victoria, LGV will work with rural councils to assist in developing strategies to strengthen the financial sustainability of small rural councils.

1 Context

1.1 The local government sector

Victoria's constitution recognises local government as the third tier of government. It comprises 79 councils, 11 regional library corporations and 14 associated entities. In this report, the local government sector refers to the 79 councils.

We have classified councils into five cohorts based broadly on size, demographics and funding. These cohorts are consistent with the classification that Local Government Victoria (LGV) uses. Figure 1A provides details of the cohorts used.

Figure 1A
Council cohorts

Cohort	Definition	Number of councils
Metropolitan	A metropolitan council is predominantly urban in character and located within Melbourne's densely populated urban core and its surrounding less populated territories.	22
Interface	An interface council is one of the nine municipalities that form a ring around metropolitan Melbourne.	9
Regional city	A regional city council is a council that is partly urban and partly rural in character.	10
Large shire	A large shire is defined as a municipality with more than 16 000 inhabitants that is predominantly rural in character.	19
Small shire	A small shire council is defined as a municipality with less than 16 000 inhabitants that is predominantly rural in character.	19
		79

Source: VAGO.

Appendix B lists the councils included in each cohort.

1.2 What we cover in this report

In this report, we detail the outcomes of the 2015–16 financial audits of Victoria's local government sector. We identify and discuss the key matters arising from our audits, and provide an analysis of information included in councils' financial reports.

Figure 1B outlines the structure of this report.

Figure 1B
Report structure

Part	Description
2: Results of audits	Provides commentary on the results of the financial and performance report audits and the financial outcomes of the 79 councils for 2015–16. Discusses our findings from our review of internal control and/or financial reporting matters identified during the 2015–16 financial audits and previous audits.
3: Financial sustainability	Provides an insight into the local government sector's financial sustainability risks, based on financial sustainability risk indicators analysed over the preceding five financial years, and provides forecasts for the next three years.
4: Asset valuations	Provides commentary on the asset valuation frameworks in place across the 79 councils.

The financial audits of the 104 entities included in this report were undertaken in accordance with section 15 of the *Audit Act 1994* and Australian Auditing and Assurance Standards. The total cost of preparing this report was \$210 000, which is funded by Parliament.

2 Results of audits

In this Part we detail the outcomes of our financial audits of the local government sector for the 2015–16 financial year. We discuss the main reasons for the combined net result achieved by the 79 councils, and focus our analysis on the five council cohorts.

We also comment on the internal control matters we found during 2015–16, and provide an update on matters raised in previous audits.

2.1 Financial audit outcomes for 2015–16

2.1.1 Financial report opinions

Independent audit opinions add credibility to financial reports by providing reasonable assurance that the information reported is reliable and accurate. A clear audit opinion confirms that the financial report presents fairly the transactions and balances for the reporting period, in accordance with the requirements of the applicable accounting standards and relevant legislation.

All 79 councils were issued with clear audit opinions for their financial statements for the financial years ended 30 June 2015 and 30 June 2016.

At the date of reporting, 10 regional library corporations and 14 associated entities had been issued with clear audit opinions for their financial statements for the financial year ended 30 June 2016. The audit of one regional library corporation is still to be finalised.

2.1.2 Performance statement opinions

Councils' performance statements contain 90 performance indicators, of which we audit 30. Our audit opinion notes that the performance statement presents fairly, in all material respects, the outcome of the audited performance indicators.

We issued all 79 councils with clear audit opinions for their performance statements for the financial years ended 30 June 2015 and 30 June 2016.

2.2 Council financial results

Figure 2A summarises the key financial balances of the local government sector—comprising the 79 councils—for the financial year ended 30 June 2016. The sector generated a net surplus of \$1.6 billion (\$1.5 billion in 2014–15).

We measure financial performance using net result—the difference between revenues and expenses. We measure financial position as the difference between total assets and total liabilities.

Figure 2A
Key balances for local government sector for the financial year ended 30 June 2016

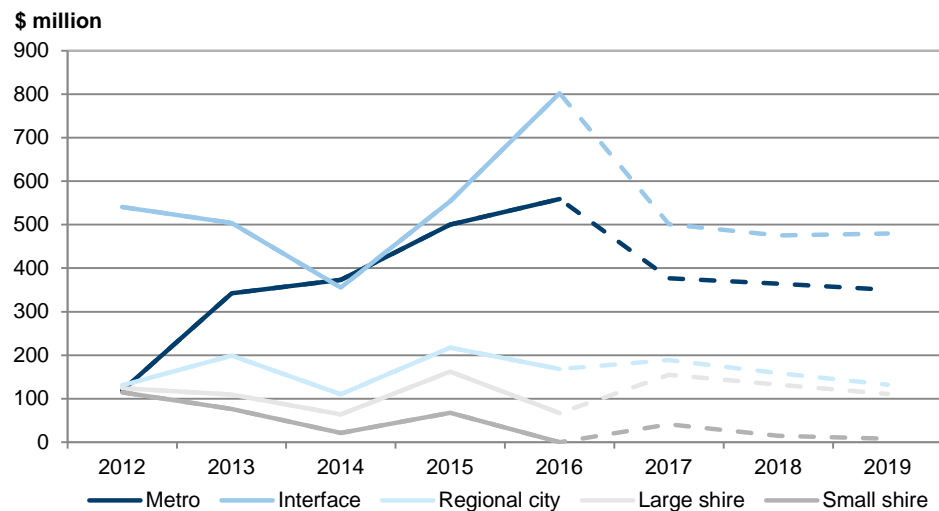
Cohort	Revenue \$ million	Expenditure \$ million	Net result \$ million	Net assets \$ million
Metro	4 000.6	3 441.3	559.3	44 561.0
Interface	2 428.9	1 626.6	802.3	17 875.5
Regional city	1 373.5	1 205.2	168.3	9 875.3
Large shire	1 126.9	1 060.1	66.8	9 731.0
Small shire	447.7	447.8	-0.1	4 087.5
Total	9 377.6	7 781.0	1 596.6	86 130.3

Source: VAGO.

Figure 2B shows the net result of the cohorts for the financial years 2011–12 to 2018–19. The information for this figure, and all analysis in this Part, has been drawn from:

- councils' audited financial statements for the 2011–12 to 2015–16 financial years
- councils' 2016–17 budget, which contains forward estimates for the 2016–17, 2017–18 and 2018–19 financial years—this information has not been audited.

Figure 2B
Net result per council cohort for years ended 30 June 2012 to 2019



Note: Dashed line represents budgeted forward estimates.

Source: VAGO.

The net result for the sector at 30 June 2016 was a \$100 million increase on the prior year. Two key revenue changes affected this result:

- timing of grant funding provided to councils—which reduced revenue, due to half of the funding being received in the prior year
- growth in developer contributions—which increased revenue.

Financial assistance grants

The combined net result of the 79 councils is influenced by the timing of payments of the financial assistance grant from the Commonwealth Government—received through the state government. This grant is provided to councils each year, to be used towards the provision of council services. Under Australian Accounting Standard AASB 1004 *Contributions*, councils are required to recognise this income in the financial year it is received, even if it relates to the provision of services in the following financial year.

In recent financial years, councils have sometimes received a portion of the grant early. The first payment for 2015–16 was received in June 2015. This resulted in additional revenue of \$269.8 million, which councils would ordinarily have recorded in 2015–16, being recorded in 2014–15.

During 2015–16, councils received the balance of their financial assistance grants for that financial year, but the first payment of their 2016–17 grant was paid in 2016–17. This meant that councils recognised only \$269.6 million grant income in 2015–16, compared to \$811.5 million in 2014–15.

In 2014, the Commonwealth Government announced that it would stop indexation of the financial assistance grant until 2017–18. This means that the total value of the grant provided to Victoria will be similar each year until 2017–18, and may not reflect the cost increases councils incur as they provide services to their communities. As a result, councils will need to ensure they have other funds available to meet any shortfall in grant funding.

Developer contributions

Developer contributions are received either as cash or physical assets (in-kind contributions) when a new community has been built. The council then maintains the assets on an ongoing basis. Items include infrastructure—footpaths, roads, drainage—or community buildings, such as a school or library. Alternatively, the developer will provide cash to enable the council to build these items as required. Both types of contribution are recognised as revenue when they are handed over to the council.

While total in-kind developer contributions are recognised as revenue up front, councils have an ongoing obligation to maintain the assets they receive and also to spend developers' cash contributions on community assets.

Interface councils generated the largest surplus in most of the last five financial years. This reflects their 'growth council' status—which means that they undertake more community development than other councils. This results in these councils receiving more developer contributions than other councils each financial year. The peak in 2015–16 was driven by \$692.4 million in contributions, a 54.7 per cent increase on the \$447.7 million they received in 2014–15.

2.3 Financial reporting controls

When carrying out our financial audits of the sector, we found that councils' internal controls generally were adequate for financial reporting. However, we found instances where important internal controls needed to be strengthened.

We report the weaknesses we find in a council's internal controls to the mayor, chief executive officer and audit committee in a management letter.

2.3.1 Issues identified in 2015–16

In 2015–16, we reported 211 issues that we classified as extreme, high and medium risk in our management letters across the 79 councils. Figure 2C summarises the issues by area and risk. Appendix C provides additional information on our risk ratings, and our expected time lines for resolving issues.

Figure 2C
Reported issues by area and risk rating for 2015–16

Area of issue	Risk rating of issue			Total
	Extreme	High	Medium	
Governance	–	1	8	9
Information systems	1	19	26	46
General ledger	–	1	6	7
Revenue and receivables	–	–	13	13
Expenditure and payables	–	1	21	22
Employee benefits	–	1	16	17
Property, infrastructure, plant and equipment	–	5	85	90
Cash and other assets	–	1	6	7
Total	1	29	181	211

Note: Issues rated as low risk are excluded from this analysis.

Source: VAGO.

We found the key areas of weakness across the councils relate to the areas of information systems (IS) controls and fixed assets.

Information systems

IS are an integral part of day-to-day council processes. In particular, each council has several key systems that feed into the financial reporting processes. It is important that data held within these systems is secure, and the risk of an unauthorised person accessing the data and systems is minimised.

Across the 79 councils, we raised 46 issues relating to:

- poor patch installation—the latest security updates may not be in place across a particular system or on networked computers
- the use of software that is no longer supported by the provider—these applications will not be subject to updates that enable them to remain secure
- poor password policies—increasing the risk that an unauthorised user may be able to gain access to the IS
- back-up restoration procedures were not documented and/or had not been recently tested—increasing the risk that they may not work when required, resulting in lost data.

All of these issues increase the vulnerability of council IS systems to a potential loss of data or the failure of a particular system, which would reduce the integrity of the data available to the council, and potentially affect their financial information.

Property, infrastructure, plant and equipment

We raised 90 issues regarding the fixed assets and the valuation framework in place across the 79 councils, including failure to:

- regularly update the fixed asset register to ensure that it is accurate and complete
- put an asset valuation policy in place for non-current physical assets
- identify and mitigate asset valuation risks through the risk management process
- conduct a thorough review of valuers' reports before adopting the results of the valuation.

These issues are discussed further in Part 4 of this report, where we assess the non-current physical assets valuation frameworks in place across the 79 councils.

2.3.2 Status of issues raised in previous audits

Through our management letters, we provide an update on the status of internal controls that have been identified and reported during previous audits. We monitor these issues to ensure that they are resolved. Figure 2D shows the status of these issues, as reported in our management letters to the 79 councils.

Figure 2D
Prior-period internal control deficiency issues—resolution status by risk

Issue status	Risk rating		Total
	High	Medium	
Unresolved	17	81	98
Resolved	25	97	122
Total	42	178	220

Note: Issues rated as low risk are excluded from this analysis.

Source: VAGO.

While councils are taking corrective action—with 55 per cent of prior-year issues resolved in 2015–16—issues are still being left unresolved for too long. We recommend that high risk issues are resolved within two months of our management letter being issued. Medium risk issues should be resolved within six months.



3 Financial sustainability

In this Part we review the financial results and performance of Victoria's local government sector for the 2015–16 financial year. We also provide an assessment of each council cohort according to six financial sustainability risk indicators at 30 June 2016.

We discuss the main reasons for the net results achieved, and analyse the trends in key balances—such as types of revenue and capital expenditure—for eight financial years from 2011–12 to 2018–19.

3.1 Conclusion

At 30 June 2016, the local government sector had a relatively low financial sustainability risk assessment.

However, the small shire council cohort is facing an increased financial sustainability risk, with budget projections for the next three financial years showing a fall in expected revenue. This will reduce the funds these councils have available to invest in new and replacement assets which may adversely affect the services they can provide to their communities.

3.2 Financial sustainability risks

To be financially sustainable, councils should aim to generate enough revenue from their own operations to meet their financial obligations, and to fund asset replacement and asset acquisitions.

We use six financial sustainability risk indicators over a five-year period to assess the potential financial sustainability risks in the local government sector. The financial sustainability indicators, risk assessment criteria and benchmarks we use in this report are described in Appendix D.

Figure 3A summarises the financial sustainability risk ratings for the sector at 30 June 2016 based on the council cohorts. The financial sustainability risk indicators are calculated using the financial transactions and balances of each council's audited financial report.

Figure 3A
Financial sustainability risk indicators for the
local government sector at 30 June 2016

Indicator		Average across councils for year ended 30 June 2016					
		All councils	Metro	Interface	Regional	Large	Small
Net result	per cent	11.4	13.7	29.0	9.4	4.9	-0.1
Liquidity	ratio	2.4	2.2	2.9	2.1	2.2	2.7
Internal financing	per cent	138.0	211.7	171.6	111.7	101.8	93.2
Indebtedness	per cent	26.1	16.3	27.6	36.2	30.3	20.2
Capital replacement	ratio	1.5	1.6	1.6	1.5	1.3	1.2
Renewal gap	ratio	1.0	1.1	0.9	0.9	1.0	1.0

Note: Yellow result = medium risk assessment; green result = low risk assessment.

Source: VAGO.

3.2.1 Overall analysis

Figure 3B shows that, over the past five years, the local government sector is in a financially sustainable position.

Figure 3B
Financial sustainability risk indicators for the
local government sector at 30 June, 2012 to 2016

Indicator		All councils for 30 June				
		2012	2013	2014	2015	2016
Net result	per cent	13.0	13.7	8.0	15.6	11.4
Liquidity	ratio	2.1	2.1	1.9	2.3	2.4
Internal financing	per cent	128.1	100.0	92.0	147.8	138.0
Indebtedness	per cent	28.7	23.1	23.7	26.3	26.1
Capital replacement	ratio	1.8	1.6	1.6	1.5	1.5
Renewal gap	ratio	1.2	1.1	1.1	1.0	1.0

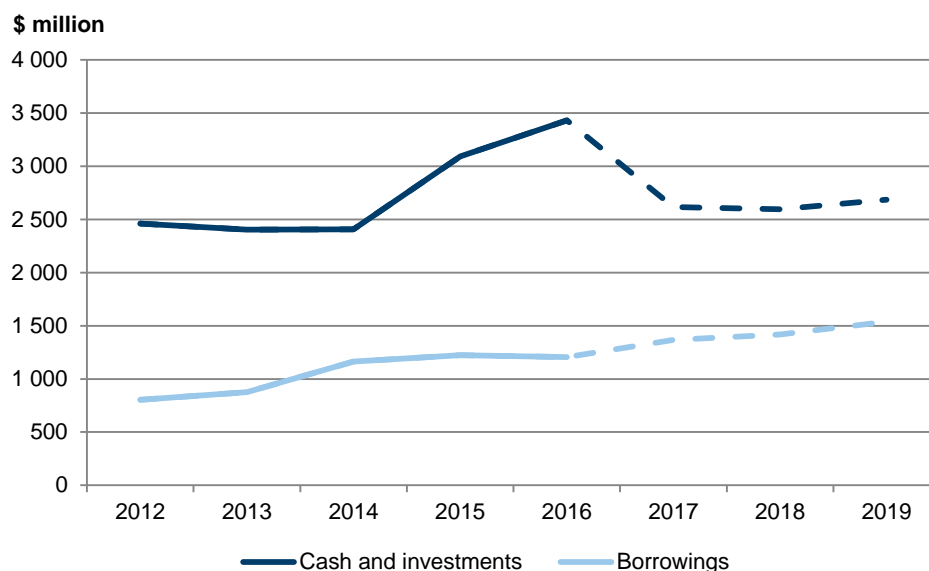
Note: Yellow result = medium risk assessment; green result = low risk assessment.

Source: VAGO.

The slight drop in the net result indicator between 2015–16 and 2014–15 reflects the disparity in the payment schedules for the financial assistance grant. However, the result is still positive. This—when combined with a strong liquidity result for all cohorts—indicates that councils are in a good financial position, and able to meet their commitments when they fall due over the next 12 months.

Our review of councils' financial statements has highlighted that the strong financial position is driven by a high level of cash and investment assets and a low level of borrowings at 30 June 2016. As shown in Figure 3C, this trend has been in place over the last five financial years, and is projected to continue over the budget period.

Figure 3C
Cash and investments and borrowings for the
local government sector from 2011–12 to 2018–19



Note: Dashed line represents budget information.

Source: VAGO.

Figure 3C highlights:

- a peak in cash holding across the 79 councils at 30 June 2016—reflecting councils' building cash reserves
- an increase in borrowings from the 2012–13 financial year—this is linked to the Municipal Authority Victoria setting up a sponsored funding vehicle that enabled councils to borrow at lower rates.

As councils seek to increase their debt profile, they need to ensure that they are able to meet the repayments when they fall due.

The indebtedness indicator measures councils' ability to meet their non-current liabilities through own-source income—meaning, can they meet their longer-term debts through rates and other income raised by the council, rather than relying on grants for this purpose. Although this covers more than just the repayment of borrowings, it is a good indicator of whether the council is at risk of defaulting on a debt.

At 30 June 2016, the local government sector is rated strongly for this indicator, and is in a position to meet commitments as required. This is consistent with prior years.

The capital renewal indicator provides a snapshot of councils' spending on renewing and replacing their non-current physical assets. This is assessed against the level of depreciation expense for the financial year as this represents use of the assets within the same period. The internal financing ratio assesses whether this capital expenditure can be met from council funds, or additional funding is required.

3.2.2 Small shire councils

When compared with the local government sector as a whole, the small shire council cohort is facing a relatively higher level of financial sustainability risks—particularly in the forecast years. Figure 3D summarises the financial sustainability risk ratings for this cohort from 30 June 2012 to 30 June 2019.

Figure 3D
Financial sustainability risk indicators for the small shire cohort, 2012–19

Indicator		Small shire cohort							
		2012	2013	2014	2015	2016	2017	2018	2019
Net result	per cent	16.1	12.4	0.2	12.7	-0.1	8.2	3.4	1.2
Liquidity	ratio	2.7	2.6	2.1	2.8	2.7	2.1	2.0	1.8
Internal financing	per cent	148.3	98.8	78.1	140.9	93.2	93.3	103.7	99.4
Indebtedness	per cent	23.9	15.7	16.4	19.2	20.2	18.4	17.4	13.8
Capital replacement	ratio	2.1	1.7	1.8	1.4	1.2	1.7	1.3	1.1
Renewal gap	ratio	1.4	1.5	1.5	1.1	1.0	1.4	1.0	0.9

Note: Yellow result = medium risk assessment; green result = low risk assessment.

Source: VAGO.

Overall, small shire councils are facing additional pressures due to smaller year-on-year revenue increases, and steady increases in expenditure. This has a direct impact on the level of funds these councils have available for capital expenditure. This could potentially have an adverse impact on the services and infrastructure that councils are able to offer to their communities.

Net result

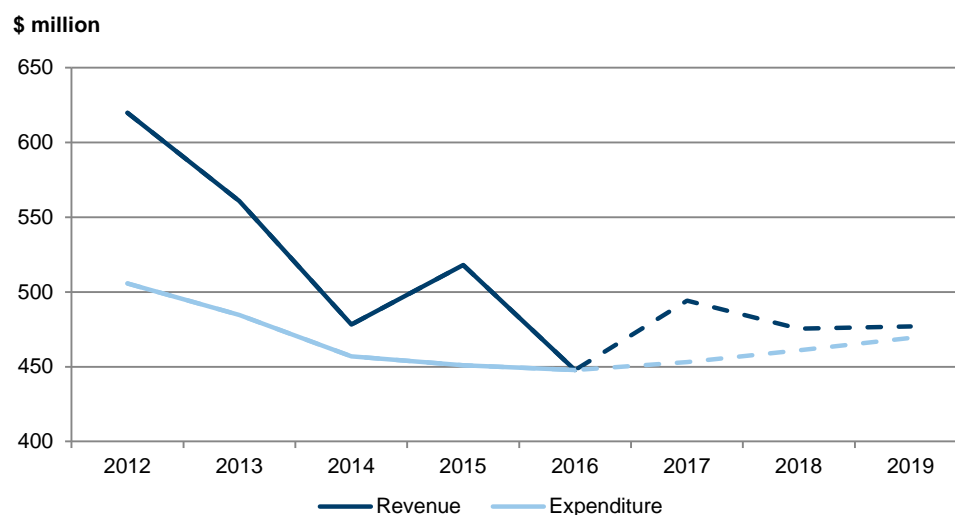
The small shire council cohort reported a net deficit of \$0.1 million for the financial year. This reflects:

- a reduction of \$69.8 million in revenue compared to the prior year, reflecting the receipt of the first payment of the 2015–16 financial assistance grant in 2014–15
- a combined deficit of \$0.3 million from the councils' joint ventures, compared to a \$0.2 million surplus in 2014–15.

The small shire councils are not budgeting to rebuild a strong surplus over the upcoming three financial years.

Figure 3E shows the revenue and expenditure for the small shire council cohort over the financial years ended 30 June 2012 to 2019.

Figure 3E
Revenue versus expenditure for the
small shire council cohort at 30 June, 2012 to 2019



Note: Dashed line represents budget information.

Source: VAGO.

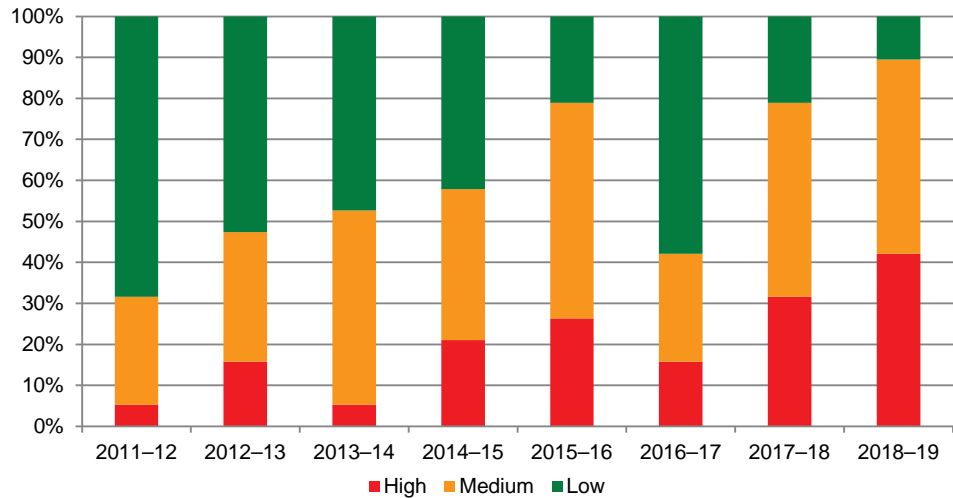
Figure 3E shows that the revenue for these councils is expected to fall slightly over the budget period, decreasing from \$494.3 million in 2016–17 to \$476.9 million in 2018–19, a fall of 3.5 per cent. This fall in revenue is linked to an expected 42.5 per cent reduction in capital grants. For these financial years, councils are expecting to generate only small increases in rates revenue—due to rate capping—and expect limited increases in their financial assistance grant.

Over the same period, the cohort's expenditure is expected to increase by 3.6 per cent, from \$453.0 million in 2016–17 to \$469.3 million in 2018–19. This will result in a small surplus, reducing each financial year. By 2018–19, the cohort projects to generate a collective surplus of \$7.6 million.

Capital renewal and renewal gap analysis

Figure 3F shows the capital renewal indicator for the small shire council cohort from 2011–12 to 2018–19. This chart indicates that the cohort is facing an increasing risk that they will not be able to replace or build new assets as required.

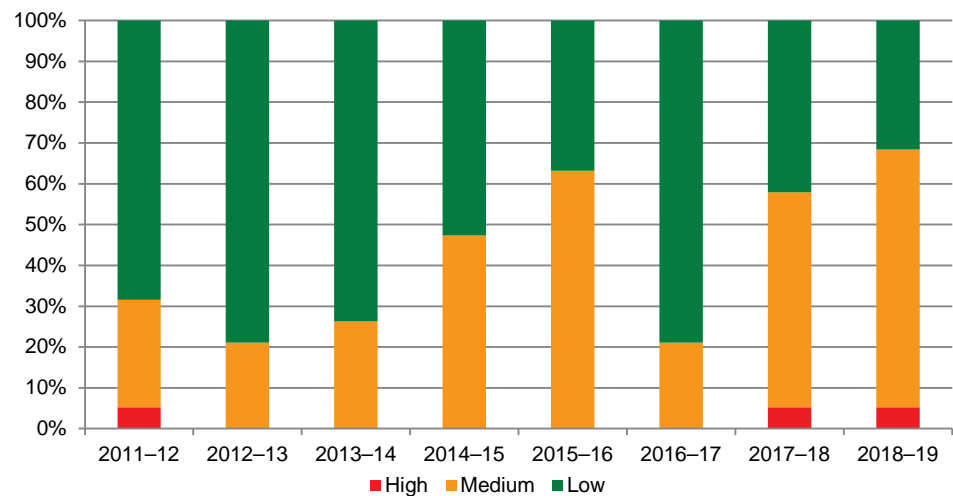
Figure 3F
Small shire council cohort—capital renewal financial sustainability indicator results, 2011–12 to 2018–19



Note: 2016–17 to 2018–19 analysis based on unaudited budget information.
 Source: VAGO.

Figure 3G shows our assessment of the renewal gap indicator for the small shire council cohort. It shows our analysis of the level of capital renewal expenditure that was—or is forecast to be—spent on renewing their existing assets, and illustrates that spending on capital renewal is reducing, therefore spending will not be focused on replacing existing assets.

Figure 3G
Small shire council cohort—renewal gap financial sustainability indicator results, 2011–12 to 2018–19



Note: 2016–17 to 2018–19 analysis based on unaudited budget information.
 Source: VAGO.

Although building new assets and infrastructure is important for the local community, councils need to ensure that existing assets can continue to be used as required. Councils need to find the right balance between new and replacement asset expenditure to offer the best outcomes for their community.

4 Asset valuations

At 30 June 2016, the 79 Victorian councils controlled \$84.6 billion of fixed assets, compared with \$78.4 billion in 2015. Councils hold a wide variety of fixed assets, both for community use—such as roads, bridges, drains—and to provide services to the community—such as buildings and land. Figure 4A provides a summary of the types of assets held across the local government sector at 30 June 2016.

Figure 4A
Fixed assets held by local government at 30 June 2016



Source: VAGO.

The information that councils hold about these assets needs to be accurate and complete. Understanding the details of an asset's location, condition, valuation and expected life span will enable a council to:

- inform asset management and maintenance planning
- identify underused assets that can be sold or re-purposed
- comply with the disclosure and valuation requirements of the Australian Accounting Standards.

This Part of the report focuses on the last of these items. We provide details on issues identified in our audit of council valuations for the financial year ended 30 June 2016. We also look at the asset valuation frameworks in place across the 79 councils during 2015–16, and provide two case studies highlighting the issues faced by the sector that affect their ability to report on the assets they hold.

4.1 Conclusion

Asset valuation frameworks in place across the 79 councils are not in line with better practice. Improvements to asset recognition processes are required to reduce the frequency of 'found' and duplicated assets recorded by councils.

4.2 Valuations

4.2.1 Australian Accounting Standards requirements

In their annual financial statements, councils are required to report on the value of their fixed assets in accordance with Australian Accounting Standards AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These accounting standards detail the valuation and reporting requirements councils need to comply with for financial reporting purposes.

The valuation process is complex due to the scale and variety of assets that councils control. Asset valuation requires sound management judgement, the engagement of a valuation expert, and the identification and use of a number of key assumptions to underpin the methodology applied when determining fair value. Incomplete or inaccurate asset information may lead to noncompliance with these standards, or result in a material error in the council's financial statements.

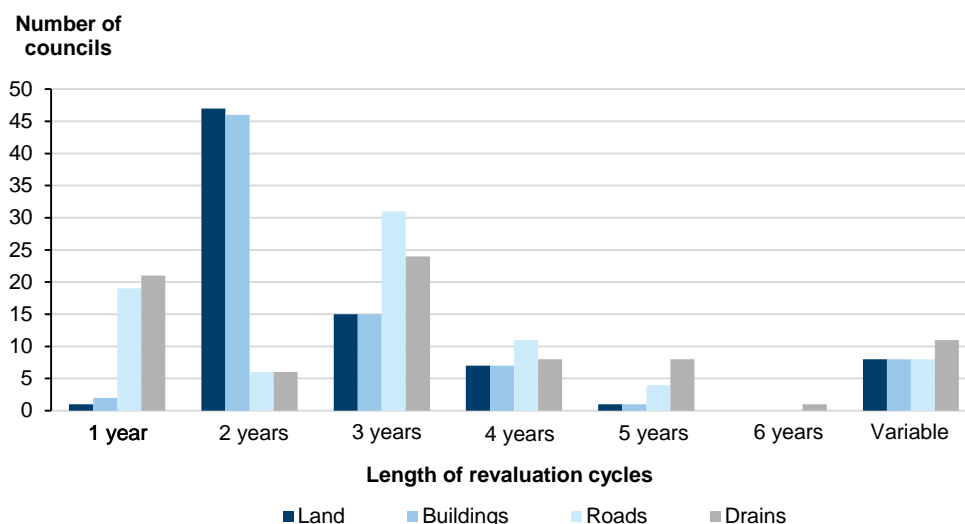
4.2.2 Cyclical asset valuations

Councils are required to review the value of their fixed assets annually, and engage valuers to undertake formal valuations as required. This is a complex process that relies on strong data and good judgement. If there is reason to believe the value of an asset is materially inaccurate, then a council should complete a revaluation.

Councils often have programs detailing when they will conduct a formal valuation process on each type of asset, rather than valuing all assets at the same time. For example, drains might be revalued every three years, but roads every second year. There are no set cycles for this process, and this approach is acceptable under AASB 116 and AASB 13.

Figure 4B summarises the revaluation cycles of the four main asset classes for the 79 councils.

Figure 4B
Revaluation cycles for major asset classes in the 79 councils



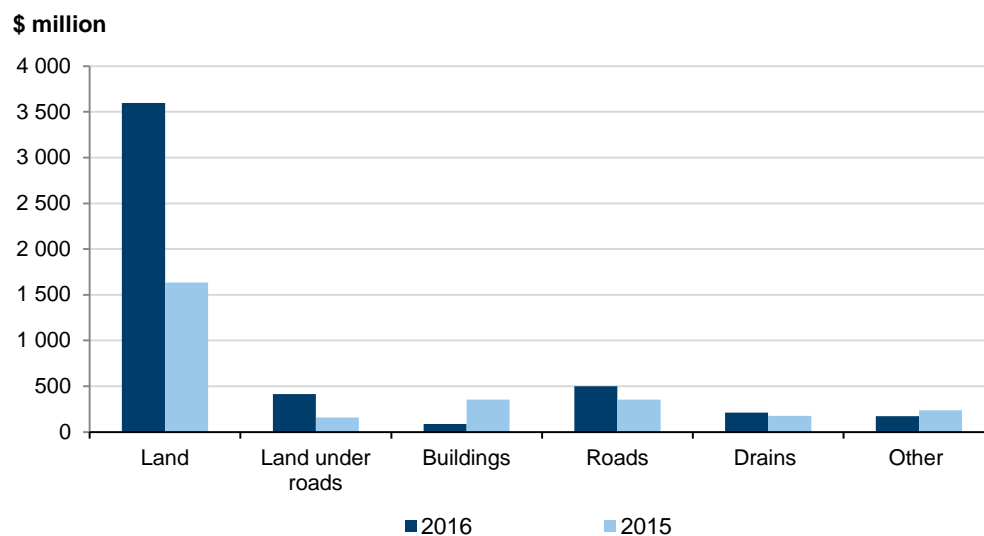
Note: 'Variable' indicates that revaluations take place within a range of years—for example, 2–5 years, 3–5 years or 'ad hoc'.

Source: VAGO.

4.2.3 Financial impact of asset valuations

The revaluation of an asset class needs to be accounted for in the council's financial statements. Figure 4C shows the impact of asset valuations for the different asset categories across the local government sector for the last two financial years.

Figure 4C
Asset revaluation increments per asset category, for financial years ended 30 June 2015 and 30 June 2016



Source: VAGO.

4.2.4 Issues arising from 2015–16 valuation process

Due to its complexity, we identify asset revaluations as a key risk that we need to address through our financial audit. This means that we assess each element of the judgements made by management and the valuation experts to ensure that the figures reported in the financial statements are materially accurate.

During 2015–16, our review found the following issues with valuations:

- the use of incorrect unit costs when revaluing assets
- asset condition assessments not being completed for all revalued assets
- proposals to depreciate assets on a deterioration curve basis when a straight line basis is required.

Councils could improve their approach to valuations by implementing an appropriate quality assurance process, and improving communication between the council's accounting and finance area and their engineering area.

All of the issues we identified were resolved by the councils concerned before signing their financial statements.

Found, ghost and duplicate assets

A common issue across councils is the identification of 'found' assets—an asset that the council was unaware of, but for which they have control. As a result, the asset has not been valued nor included in the asset valuation process until the point it is found.

In 2015–16, councils have accounted for found assets either by:

- recording them as income in the financial year they were identified
- making a correction to the prior-year asset information.

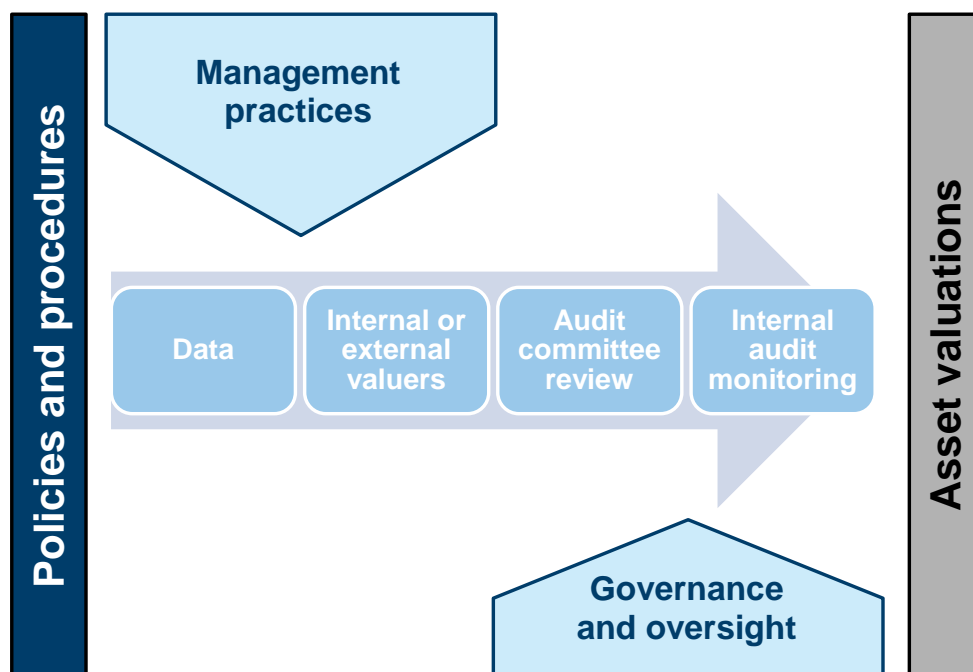
During this process, 'ghost' or 'duplicate' assets may also be identified. A ghost asset is one that the council has been recording as an asset but is identified as no longer existing, and a duplicate is an asset that has been identified as a duplicate of an existing asset.

Across the local government sector, 31 councils identified \$149.3 million of found assets in the 2015–16 financial year, and \$36.8 million of duplicate and ghost assets.

4.2.5 Key systems

All councils have an asset register in place to collate information about their physical assets. The data in this register must be accurate and complete, both for financial reporting purposes and to assist in the valuation process. Figure 4D shows how these elements are linked.

Figure 4D
Asset valuation process



Source: VAGO.

Asset management system

The asset management system should store all of the data relating to the council's assets. Ideally, it should be available to both the finance and engineering functions of the council to enable asset information to be kept up to date, and to inform all aspects of asset management.

Asset register

Councils collate and store all financial information regarding their physical assets in an asset register. This is the key source of information for councils' financial statements. The asset register must be updated every time the council acquires, disposes of, or revalues an asset. Often the accounting and finance department of a council maintains the asset register.

Asset registers—which can be specialist systems or spreadsheets—are usually updated manually. Many have been in place for a number of years. This increases the risk that they contain errors. Council management must carry out regular quality assurance reviews of the data to confirm that it is complete and accurate.

Our review identified 57 councils (72 per cent) that carried out formal quality assurance reviews of data held in the asset register before providing the data to the valuers. If this review is not done, the valuation may not cover all assets, or may value the wrong assets. It is not the valuer's role to confirm the accuracy of the asset register—only to value the items listed.

Geographical Information System

All councils also operate a Geographical Information System (GIS). The GIS can hold a more detailed registry of all assets similar to the asset register, but with more information about individual assets— such as a description, accurately measured physical dimensions, the geographic location, and photos.

Often a council's engineering department maintains its GIS. Like the asset register, the system needs to be manually updated when a council acquires, disposes of, or reassesses the condition of an asset.

Integrity of the datasets

One of the ways to maintain accurate asset information is to reconcile these separate systems. By performing a reconciliation, councils will be able to identify and investigate any discrepancies, such as:

- assets missing from one system but included in another
- assets included in different asset classifications on the two systems.

By undertaking this reconciliation, council management will also build up a familiarity with their assets base, improving their ability to review and question the valuers' assessments as required.

4.2.6 Valuation frameworks across councils

Councils should have an effective asset valuation framework in place to provide guidance, oversight and management of the asset valuation process. The key elements of an asset valuation framework are shown in Appendix E.

Our review identified 49 councils (62 per cent) had an approved or draft policy covering asset valuations. From those, 25 policies had been reviewed in the last two years, which means that these policies reflect the introduction of AASB 13 *Fair Value Measurement* for the financial year ended 30 June 2014. Older policies may not include these requirements.

Councils without policies mainly relied on accounting standards for guidance on asset valuations. Although this provides details on the financial statements reporting requirements, it does not cover key aspects of a valuation framework for individual councils, including:

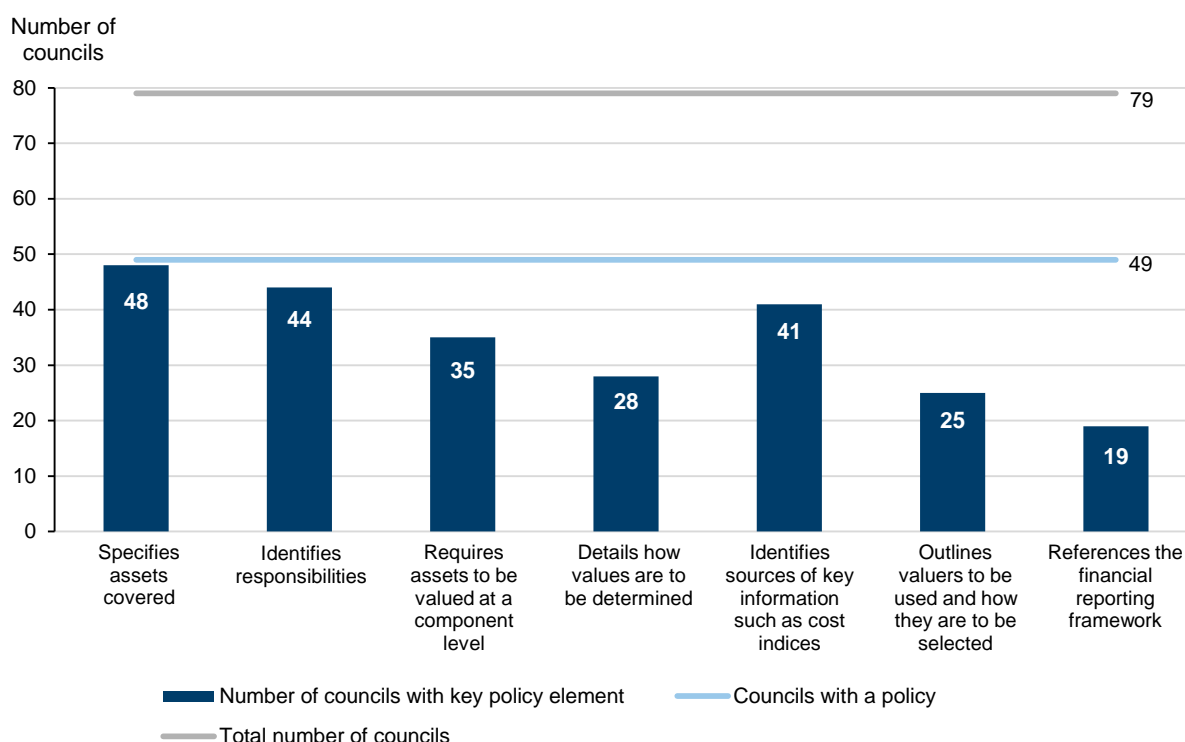
- roles and responsibilities
- frequency of revaluation
- valuation approach and methods
- sources of valuation information
- quality assurance requirements.

Without a policy, councils lack formal direction about how to complete, manage and assess the valuation of their assets. This could lead to potential misstatements in the financial statements. In turn, incorrect valuations will affect the council's depreciation expenses and, potentially, their asset management processes.

Key elements of policies

We analysed the 49 asset valuation policies in place in the sector using the key elements listed in Appendix E. This analysis highlighted common weaknesses across the policies. This is illustrated in Figure 4E.

Figure 4E
Assessment of council asset valuation policies against key elements of better practice



Source: VAGO.

Councils need to improve their policies to include all elements of better practice. For example, by not identifying agreed sources of key information, there is a risk that councils are changing the information they use for each valuation from one cycle to the next. This may mean the valuations are not comparable and could result in wide fluctuations in the outcome. The eventual impact of this will be on the depreciation expense and asset revaluation reserve, and on the council’s retained surplus.

Similarly, if councils do not specify whether assets should be valued at a component level or not, they are not providing a consistent methodology for capturing data within the asset register. By not capturing the components of an asset, councils are at risk of noncompliance with the requirement under AASB 116 *Property, Plant and Equipment* that major components of assets are identifiable and depreciated individually, rather than as a single asset—for example, a leisure centre is not recorded as a single item—but itemised as a building, a swimming pool, gym equipment, fixtures and fittings, etc. It may then be possible to further specify items such as components of the building.

By including all the better practice elements in their valuation frameworks, councils will be able to get the most accurate valuation for their assets possible at the appropriate time. As well as complying with the financial standards, this information can be used in their asset planning processes across the council, to ensure that both the finance and engineering functions have a complete and accurate list of all assets, their useful lives and values.

Management practices

Council management is responsible for maintaining complete and accurate records to prepare financial statements in line with reporting requirements. This includes maintaining control of the asset valuation process, making key decisions at each stage and ensuring that appropriate quality assurance procedures are in place.

Our review identified that 58 councils (73 per cent) review and agree to the terms of reference before starting the asset valuation process.

Similarly, we noted that management formally reviews the proposed methodology to be adopted by the valuers at 60 councils (76 per cent). This is important for management to be able oversee and understand the asset values.

All councils should use these elements of better practice, regardless of whether the valuers engaged are external contractors or internal council staff. In both cases, the valuers need to have reliable data from the asset systems to enable them to provide an accurate valuation.

Governance and oversight

A good governance and oversight process is required to ensure that the results of the asset revaluation stand up to scrutiny. Management must review and query valuers' reports to ensure that they understand any substantial movements in asset valuations within a financial year. Errors arising from the valuation process could lead to material misstatements in a council's financial statements.

Encouragingly, 75 of the 79 councils performed the quality assurance processes over asset valuation reports. These checks included reviewing the unit rates used, assessing the condition and remaining useful lives of assets, and determining asset component levels. Management generally sought answers to any queries from the valuers after reviewing the reports.

Asset valuation risks

Due to the complexity of asset valuations, councils need to identify and mitigate the risks arising from the revaluation process using their risk management framework. This will add an extra level of oversight to the valuation process.

Our review identified that 28 councils (35 per cent) have identified asset valuation risks as part of their risk registers. Councils who are not identifying, mitigating and resolving issues related to the asset valuation process have an increased risk of material errors arising during the process.

Working with audit committees

Councils require their audit committee to independently review the draft financial statements and to recommend whether they should be adopted. Therefore, the audit committee is an ideal high-level reviewer of asset valuation movements. The committee should complete its review before the financial statements are completed.

However, we found that 69 councils (87 per cent) did not separately brief the audit committees about the results of the valuation process to outline key movements in the asset balances.

Review by an audit committee of a revaluation's terms of reference, the key assumptions made in a revaluation and the reasons for the underlying movements in asset values will provide greater assurance over the revaluation process.

Although the audit committee review does not replace robust oversight by management, it should be included in the oversight process. Our recent report *Audit Committee Governance*, tabled in August 2016, notes that audit committees should be an independent and objective source of advice on matters including financial expertise. Reviewing and understanding asset revaluation movements is a key area where this should occur.

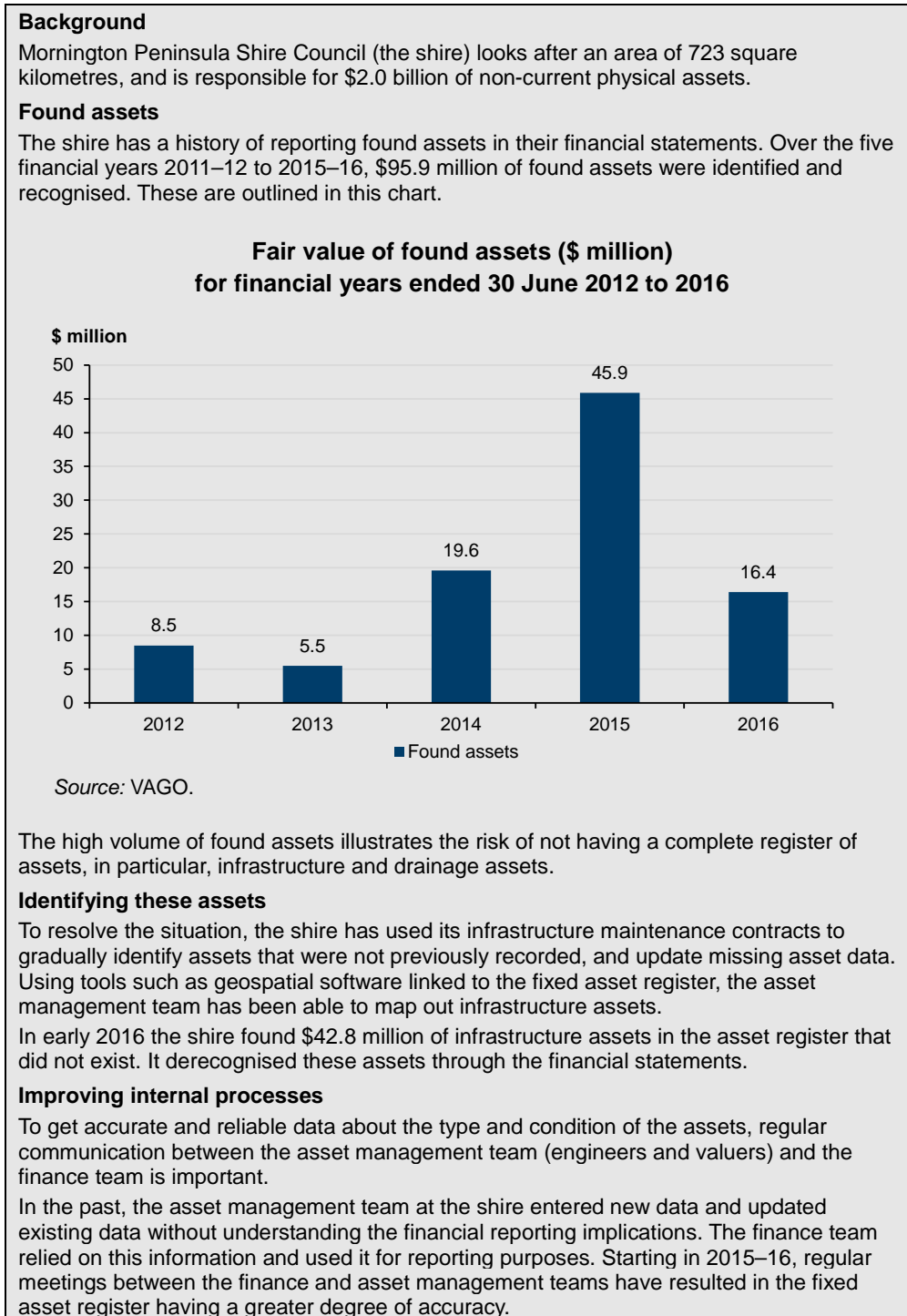
4.2.7 Case studies

Our review identified two councils that provide good examples of the challenges faced by councils as they undertake the valuation process.

Case study: Reconciling asset systems

Mornington Peninsula Shire Council has undertaken a comprehensive review of their asset register, including a reconciliation with the GIS system. As a result of this process, the council found assets they were previously unaware of, and removed duplications in the systems. The case study in Figure 4F provides an example of the issues that councils face.

Figure 4F
Case study: Mornington Peninsula Shire Council



Source: VAGO.

Case study: Found assets

If councils do not have a formal valuation policy, or good governance and oversight in place, errors may arise in the valuation process. These councils may also have a higher than expected number of found assets. Figure 4G provides a case study of Maroondah City Council, which illustrates the impact on a council in this situation.

Figure 4G

Maroondah City Council case study: Asset valuations and data issues

Background

Maroondah City Council, part of the metropolitan cohort of councils, is located east of Melbourne and has a population of 111 000. At 30 June 2016, the council was responsible for \$1.4 billion of non-current physical assets.

The asset valuation framework

Maroondah City Council has no documented asset valuation policy or procedures in place. Its asset valuation framework relies on its experienced and knowledgeable staff to carry out the valuations in line with mandated reporting requirements.

The council engages external valuers to complete their asset valuations, with council management setting the terms of reference for the process. However, the external valuers are required to determine the datasets—such as cost indices for asset materials—and other information used in the review. This means that council management has limited oversight of the valuation methodologies.

This may limit management's ability to review and challenge the final valuation report.

The audit committee is briefed on valuation matters. However, this is completed as part of the financial statement review process, rather than as a separate briefing, which does not reflect the risks and management judgements involved in the asset valuation process.

Found assets

Maroondah City Council has identified a net total of \$41.9 million in found assets and \$0.7 million in duplicated assets over the financial years ended 30 June 2012 to 2016.

These assets have been identified in two main ways:

- limited record keeping by previous councils before amalgamation (in 1996) has resulted in asset details not being transferred to the current asset register
- mapping of new asset reserves has led to the identification of hidden assets—particularly drainage.

An example of how drainage assets have been identified occurred in 2015–16, with the mapping of two reserves located in Ringwood and Croydon. Through this process, 3.9 kilometres of drains were identified as found assets. These have since been included in council's asset registers and included in the valuation schedules.

At 30 June 2016, the council had yet to map the underground stormwater drainage in other reserves, including 13 large reserves, most of which contain cricket ovals or other sporting and play facilities, and about 25 small or 'link' reserves. These reserves may also contain unidentified underground stormwater drainage assets.

Source: VAGO.

Appendix A.

Audit Act 1994 section 16— submissions and comments

We have consulted with all councils and the Department of Environment, Land, Water & Planning, and we considered their views when reaching our audit conclusions. As required by section 16(3) of the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to named agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

A response was received from the Department of Environment, Land, Water & Planning.

RESPONSE provided by the Secretary, Department of Environment, Land, Water & Planning



Department of Environment,
Land, Water & Planning

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Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000



Ref: SEC012521

15 NOV 2016

Dear Mr Greaves

Andrew,

PROPOSED LOCAL GOVERNMENT: 2015-16 AUDIT SNAPSHOT REPORT

Thank you for your letter of 8 November 2016 providing me the opportunity to make a submission in accordance with section 16(3) of the Audit Act 1994.

I am pleased to note that all 79 local governments were issued a clear audit opinion in respect of both their financial statements and performance report for 2015-16. Ten regional library corporations and 13 related entities were also given a clear audit opinion.

I note also other matters that were identified in the audit process, specifically the failure to address previous management letter concerns in a timely manner, the asset valuation process and the future financial sustainability of small rural councils.

With respect to the management letter concerns, you will appreciate that neither Local Government Victoria (LGV) or the Minister for Local Government are provided with copies of management letters issued to councils and others and therefore are not aware of such contents. I have requested that LGV commence discussions with your office to ascertain how best the information arising from these letters might be shared with the Minister for Local Government and LGV. This is particularly important in that such findings should inform future design of guidance material and/or directions to the local government sector.

Your findings in respect of asset management practices and valuations is noted and whilst there may have been general improvements over the years in the recording of assets there is clearly more work to be done. LGV will reissue the 2015 Asset Management Better Practice guidelines and continue to work with the sector to identify training and development opportunities in this important area.

The financial sustainability of small rural councils is also noted. My department is aware that small rural councils face a particular set of challenges. These include structural challenges of large geographic areas, extensive road lengths and a higher dependency upon government grants. These factors together with limited own source revenue opportunities and lower capacity of rural communities to meet additional costs creates a challenging financial sustainability environment.

Any personal information about you or a third party in your correspondence will be protected under the provisions of the Privacy and Data Protection Act 2014. It will only be used or disclosed to appropriate Ministerial, Statutory Authority, or departmental staff in regard to the purpose for which it was provided, unless required or authorized by law. Enquiries about access to information about you held by the Department should be directed to the Privacy Coordinator, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.



RESPONSE provided by the Secretary, Department of Environment, Land, Water & Planning – continued

LGV, in conjunction with Regional Development Victoria will continue to work with rural councils to assist in developing strategies aimed at strengthening financial sustainability. Funding provided by the Local Government Finance and Accounting Support Program (introduced in 2016-17) has been earmarked to benefit rural councils directly in areas such as financial planning, collaboration and efficient business practices.

It is acknowledged that the challenges faced by rural councils will require a suite of mechanisms to enhance local capacity and to address long term financial sustainability.

Once tabled in Parliament, LGV will write to all mayors and CEO's to remind them of the importance of timely resolution of issues identified in VAGO's audit process.

Thank you for providing an opportunity for me to make a submission to your recent audit report.

Yours sincerely



Adam Fennessy
Secretary

Appendix B.

Local council cohorts

As detailed in Part 1, to assist with our analysis of the local government sector, the 79 local councils have been divided into five cohorts, based broadly on size, demographics and funding.

Figure B1 lists the local councils that make up each category.

Figure B1
Local council cohorts

Local council cohort	
Metropolitan—22 local councils	
Banyule City Council	Manningham City Council
Bayside City Council	Maribyrnong City Council
Boroondara City Council	Maroondah City Council
Brimbank City Council	Melbourne City Council
Darebin City Council	Monash City Council
Frankston City Council	Moonee Valley City Council
Glen Eira City Council	Moreland City Council
Greater Dandenong City Council	Port Phillip City Council
Hobsons Bay City Council	Stonnington City Council
Kingston City Council	Whitehorse City Council
Knox City Council	Yarra City Council
Interface—nine local councils	
Cardinia Shire Council	Nillumbik Shire Council
Casey City Council	Whittlesea City Council
Hume City Council	Wyndham City Council
Melton City Council	Yarra Ranges Shire Council
Mornington Peninsula Shire Council	
Regional city—10 local councils	
Ballarat City Council	Latrobe City Council
Greater Bendigo City Council	Mildura Rural City Council
Greater Geelong City Council	Wangaratta Rural City Council
Greater Shepparton City Council	Warrnambool City Council
Horsham Rural City Council	Wodonga City Council

Figure B1
Local council cohorts – *continued*

Local council cohort	
Large shire—19 local councils	
Bass Coast Shire Council	Moira Shire Council
Baw Baw Shire Council	Moorabool Shire Council
Campaspe Shire Council	Mount Alexander Shire Council
Colac–Otway Shire Council	Moyne Shire Council
Corangamite Shire Council	South Gippsland Shire Council
East Gippsland Shire Council	Southern Grampians Shire Council
Glenelg Shire Council	Surf Coast Shire Council
Golden Plains Shire Council	Swan Hill Rural City Council
Macedon Ranges Shire Council	Wellington Shire Council
Mitchell Shire Council	
Small shire—19 local councils	
Alpine Shire Council	Mansfield Shire Council
Ararat Shire Council	Murrindindi Shire Council
Benalla Shire Council	Northern Grampians Shire Council
Buloke Shire Council	Pyrenees Shire Council
Central Goldfields Shire Council	Borough of Queenscliffe
Gannawarra Shire Council	Strathbogie Shire Council
Hepburn Shire Council	Towong Shire Council
Hindmarsh Shire Council	West Wimmera Shire Council
Indigo Shire Council	Yarriambiack Shire Council
Loddon Shire Council	

Source: VAGO.

Appendix C.

Management letter risk ratings

Figure C1 shows the risk ratings applied to points raised during an audit review and included in a management letter.

Figure C1
Risk definitions applied to issues reported in audit management letters

Rating	Definition	Management action required
Extreme	<p>The issue represents:</p> <ul style="list-style-type: none"> a control weakness that could cause or is causing severe disruption of the process or a severe adverse effect on the ability to achieve process objectives and comply with relevant legislation, or a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> a control weakness that could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation, or a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> a control weakness that could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation, or a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation, or a misstatement in the financial report that is likely to occur but is not expected to be material, or an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>

Source: VAGO.

Appendix D.

Financial sustainability risk indicators

Figure D1 lists the indicators used in assessing the financial sustainability risks of local councils in Part 3 of this report. These indicators should be considered collectively, and are more useful when assessed over time as part of a trend analysis.

Figure D1
Financial sustainability risk indicators

Indicator	Formula	Description
Net result (%)	Net result / Total revenue	<p>A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.</p> <p>The net result and total revenue are obtained from the comprehensive operating statement.</p>
Liquidity (ratio)	Current assets / Current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio of one or more means there are more cash and liquid assets than short-term liabilities.</p>
Internal financing (%)	Net operating cash flow / Net capital expenditure	<p>This measures the ability of an entity to finance capital works from generated cash flow.</p> <p>The higher the percentage, the greater the ability for the entity to finance capital works from their own funds.</p> <p>Net operating cash flow and net capital expenditure are obtained from the cash flow statement.</p>
Indebtedness (%)	Non-current liabilities / own-sourced revenue	<p>Comparison of non-current liabilities (mainly comprising borrowings) to own-sourced revenue. The higher the percentage, the less the entity is able to cover non-current liabilities from the revenues the entity generates itself.</p> <p>Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.</p>
Capital replacement (ratio)	Cash outflows for property, plant and equipment / Depreciation	<p>Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciation rate.</p> <p>This is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option. Cash outflows for infrastructure are taken from the cash flow statement. Depreciation is taken from the comprehensive operating statement.</p>

Figure D1
Financial sustainability risk indicators – continued

Indicator	Formula	Description
Renewal gap (ratio)	Renewal and upgrade expenditure/depreciation	<p>Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is faster than the depreciation rate.</p> <p>Similar to the investment gap, this is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option. Renewal and upgrade expenditure are taken from the statement of capital works. Depreciation is taken from the comprehensive operating statement.</p>

Source: VAGO.

The analysis of financial sustainability risk in this report reflects on the position of each local council.

Financial sustainability risk assessment criteria

The financial sustainability risk of each local council has been assessed using the criteria outlined in Figure D2.

Figure D2
Financial sustainability risk indicators—risk assessment criteria

Risk	Net result	Liquidity	Internal financing	Indebtedness	Capital replacement	Renewal gap
High	Less than negative 10% Insufficient revenue is being generated to fund operations and asset renewal.	Less than 0.75 Immediate sustainability issues with insufficient current assets to cover liabilities.	Less than 75% Limited cash generated from operations to fund new assets and asset renewal.	More than 60% Potentially long-term concern over ability to repay debt levels from own-source revenue.	Less than 1.0 Spending on capital works has not kept pace with consumption of assets.	Less than 0.5 Spending on existing assets has not kept pace with consumption of these assets.
Medium	Negative 10%–0% A risk of long-term run down to cash reserves and inability to fund asset renewals.	0.75–1.0 Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	75–100% May not be generating sufficient cash from operations to fund new assets.	40–60% Some concern over the ability to repay debt from own-source revenue.	1.0–1.5 May indicate spending on asset renewal is insufficient.	0.5–1.0 May indicate insufficient spending on renewal of existing assets.
Low	More than 0% Generating surpluses consistently.	More than 1.0 No immediate issues with repaying short-term liabilities as they fall due.	More than 100% Generating enough cash from operations to fund new assets.	40% or less No concern over the ability to repay debt from own-source revenue.	More than 1.5 Low risk of insufficient spending on asset renewal.	More than 1.0 Low risk of insufficient spending on asset base.

Source: VAGO.

The financial sustainability risk for each council, for the financial years ended 30 June 2012 to 2016, are shown in Figures D3 to D32. For consolidated financial statements, amounts obtained for calculating financial sustainability indicators only relate to council. If these were not available for a complete data set, consolidated figures have been used.

Metropolitan councils

Figure D3
Metropolitan councils, net result 2012–2016

Metropolitan councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Banyule City Council	-2.28%	3.69%	1.61%	10.96%	8.90%	4.58%	4.87%	3.58%	3.00%
Bayside City Council	5.11%	14.00%	13.92%	17.15%	21.88%	14.41%	18.06%	15.42%	12.94%
Boroondara City Council	1.11%	12.37%	11.75%	14.48%	18.52%	11.64%	12.17%	14.40%	14.48%
Brimbank City Council	1.81%	7.32%	3.12%	15.42%	10.01%	7.54%	7.24%	9.43%	10.07%
Darebin City Council	-1.38%	8.53%	8.55%	3.50%	12.43%	6.32%	6.34%	2.63%	-0.02%
Frankston City Council	3.60%	14.19%	15.25%	8.39%	14.41%	11.17%	13.38%	10.41%	9.89%
Glen Eira City Council	-0.55%	8.31%	9.50%	9.19%	7.73%	6.84%	10.44%	9.64%	10.27%
Greater Dandenong City Council	13.07%	19.53%	25.49%	22.46%	21.88%	20.49%	20.49%	13.95%	12.28%
Hobsons Bay City Council	0.01%	8.14%	6.96%	9.71%	9.75%	6.91%	12.20%	11.10%	9.58%
Kingston City Council	6.36%	12.13%	10.46%	13.26%	22.11%	12.86%	10.53%	6.29%	6.02%
Knox City Council	0.01%	5.56%	3.54%	10.75%	14.91%	6.95%	6.32%	5.94%	5.21%
Manningham City Council	11.96%	13.01%	11.34%	11.80%	18.72%	13.36%	11.60%	13.77%	13.36%
Maribyrnong City Council	11.17%	7.28%	1.82%	15.03%	14.76%	10.01%	4.69%	8.47%	7.66%
Maroondah City Council	12.79%	2.71%	13.85%	13.49%	3.41%	9.25%	4.86%	4.33%	4.71%
Melbourne City Council	8.11%	12.49%	7.82%	17.95%	13.06%	11.89%	6.55%	9.10%	8.79%
Monash City Council	-2.66%	0.48%	9.17%	9.92%	12.44%	5.87%	9.18%	8.60%	6.99%
Moonee Valley City Council	4.89%	4.78%	6.33%	11.25%	9.05%	7.26%	6.01%	4.40%	4.08%
Moreland City Council	-0.96%	10.40%	9.30%	18.35%	11.66%	9.75%	11.44%	10.58%	7.74%
Port Phillip City Council	-0.10%	8.76%	17.49%	2.11%	4.91%	6.63%	3.64%	4.14%	5.50%
Stonnington City Council	4.59%	16.65%	14.98%	19.46%	19.41%	15.02%	16.66%	14.57%	14.32%
Whitehorse City Council	-0.81%	11.94%	8.49%	13.15%	25.38%	11.63%	13.13%	12.52%	11.85%
Yarra City Council	-2.50%	4.98%	8.02%	6.04%	5.86%	4.48%	2.87%	4.80%	5.61%
Average	3.33%	9.42%	9.94%	12.45%	13.69%	9.77%	9.67%	9.00%	8.38%

Source: VAGO.

Figure D4
Metropolitan councils, liquidity 2012–2016

Metropolitan councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Banyule City Council	2.71	2.80	4.09	3.97	4.26	3.57	3.02	2.75	2.93
Bayside City Council	2.07	1.86	2.20	2.59	2.98	2.34	2.54	2.66	2.62
Boroondara City Council	1.62	1.45	1.76	1.91	2.44	1.84	2.33	1.55	1.68
Brimbank City Council	1.67	1.18	0.94	2.01	1.45	1.45	1.27	1.41	1.27
Darebin City Council	2.10	1.80	1.64	1.60	2.27	1.88	1.51	1.30	1.24
Frankston City Council	1.38	1.63	1.80	1.64	2.24	1.74	2.00	2.22	2.53
Glen Eira City Council	1.55	0.82	0.96	0.99	0.99	1.06	1.04	1.08	1.13
Greater Dandenong City Council	1.98	2.10	1.51	1.72	1.79	1.82	1.52	1.62	1.56
Hobsons Bay City Council	1.07	1.22	0.99	1.45	1.84	1.31	1.80	1.72	1.59
Kingston City Council	1.47	1.33	1.43	1.95	2.85	1.80	2.10	1.92	1.93
Knox City Council	1.93	1.43	1.56	1.81	2.30	1.81	1.78	1.58	1.46
Manningham City Council	1.47	1.83	1.90	2.06	2.17	1.89	1.71	1.73	1.55
Maribyrnong City Council	1.87	2.90	2.62	2.98	2.95	2.66	1.77	1.97	2.10
Maroondah City Council	2.53	2.60	1.61	1.96	1.72	2.08	1.68	1.74	1.74
Melbourne City Council	1.72	1.63	1.33	1.65	1.41	1.55	0.68	0.31	0.35
Monash City Council	1.00	0.74	1.54	1.49	1.93	1.34	1.79	1.83	1.94
Moonee Valley City Council	1.34	1.37	1.61	2.00	2.19	1.70	2.38	2.31	2.30
Moreland City Council	1.71	1.39	1.49	1.38	2.42	1.68	2.25	2.05	1.98
Port Phillip City Council	2.86	1.71	1.59	2.21	2.43	2.16	1.78	1.67	1.67
Stonnington City Council	1.84	2.09	2.10	2.68	2.91	2.33	2.40	1.96	1.99
Whitehorse City Council	2.20	1.68	2.13	2.79	2.84	2.33	3.44	3.74	3.78
Yarra City Council	1.02	0.96	1.07	1.05	1.03	1.03	1.23	1.24	1.26
Average	1.78	1.66	1.72	2.00	2.25	1.88	1.91	1.83	1.85

Source: VAGO.

Figure D5
Metropolitan councils, internal financing 2012–2016

Metropolitan councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Banyule City Council	55%	63%	57%	725%	1607%	502%	89%	119%	118%
Bayside City Council	144%	124%	172%	210%	217%	173%	92%	103%	103%
Boroondara City Council	79%	77%	84%	156%	144%	108%	114%	97%	102%
Brimbank City Council	82%	39%	93%	146%	60%	84%	106%	120%	116%
Darebin City Council	120%	71%	123%	134%	162%	122%	103%	55%	93%
Frankston City Council	121%	114%	75%	125%	92%	105%	135%	131%	147%
Glen Eira City Council	65%	95%	140%	117%	121%	107%	116%	118%	121%
Greater Dandenong City Council	112%	95%	61%	156%	159%	117%	150%	128%	108%
Hobsons Bay City Council	71%	119%	146%	162%	104%	120%	104%	100%	95%
Kingston City Council	109%	140%	119%	152%	239%	152%	96%	104%	126%
Knox City Council	69%	122%	76%	133%	298%	139%	67%	62%	87%
Manningham City Council	66%	190%	86%	122%	141%	121%	79%	108%	105%
Maribyrnong City Council	248%	129%	124%	125%	111%	147%	66%	117%	130%
Maroondah City Council	93%	107%	69%	70%	94%	87%	113%	121%	115%
Melbourne City Council	81%	71%	93%	111%	65%	84%	92%	78%	54%
Monash City Council	92%	47%	576%	149%	179%	209%	103%	111%	113%
Moonee Valley City Council	125%	128%	150%	181%	141%	145%	102%	104%	109%
Moreland City Council	104%	110%	58%	148%	210%	126%	135%	80%	123%
Port Phillip City Council	137%	82%	57%	134%	115%	105%	94%	91%	103%
Stonnington City Council	118%	107%	92%	182%	136%	127%	71%	60%	109%
Whitehorse City Council	107%	59%	87%	202%	158%	123%	162%	148%	117%
Yarra City Council	110%	106%	61%	107%	105%	98%	86%	115%	115%
Average	105%	100%	118%	170%	212%	141%	103%	103%	110%

Source: VAGO.

Figure D6
Metropolitan councils, indebtedness 2012–2016

Metropolitan councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Banyule City Council	45.30%	32.82%	56.67%	45.36%	43.45%	44.72%	38.46%	34.46%	30.54%
Bayside City Council	24.39%	15.47%	12.37%	8.28%	2.95%	12.69%	1.26%	1.40%	1.56%
Boroondara City Council	26.81%	33.01%	33.66%	31.14%	26.76%	30.28%	24.30%	14.54%	13.44%
Brimbank City Council	28.19%	21.09%	16.45%	33.50%	43.39%	28.52%	42.33%	40.57%	34.34%
Darebin City Council	14.83%	1.10%	1.24%	1.10%	1.22%	3.90%	0.98%	0.97%	0.95%
Frankston City Council	1.16%	1.37%	23.29%	18.86%	28.27%	14.59%	25.39%	24.27%	22.96%
Glen Eira City Council	45.24%	22.74%	17.97%	19.99%	19.48%	25.08%	16.91%	14.01%	10.96%
Greater Dandenong City Council	38.36%	51.86%	47.03%	46.86%	38.93%	44.61%	34.21%	32.89%	33.32%
Hobsons Bay City Council	11.79%	10.10%	0.88%	9.65%	14.02%	9.29%	13.59%	13.31%	12.97%
Kingston City Council	24.44%	14.97%	14.00%	13.01%	9.73%	15.23%	10.77%	7.63%	4.42%
Knox City Council	26.46%	14.19%	12.96%	14.41%	12.38%	16.08%	28.24%	39.26%	44.04%
Manningham City Council	9.99%	9.23%	8.39%	8.17%	7.55%	8.66%	8.70%	7.93%	4.35%
Maribyrnong City Council	7.62%	6.35%	4.53%	3.34%	0.88%	4.54%	1.03%	1.09%	1.17%
Maroondah City Council	10.96%	1.24%	1.65%	25.24%	21.67%	12.15%	19.33%	17.50%	15.72%
Melbourne City Council	0.75%	0.76%	0.85%	0.76%	8.19%	2.26%	9.34%	9.08%	33.44%
Monash City Council	21.83%	10.72%	7.92%	2.91%	2.70%	9.22%	2.70%	2.64%	2.58%
Moonee Valley City Council	17.67%	12.03%	6.99%	2.13%	1.33%	8.03%	4.29%	3.28%	2.31%
Moreland City Council	42.27%	32.49%	35.74%	25.83%	33.02%	33.87%	30.54%	35.29%	32.18%
Port Phillip City Council	10.19%	1.52%	2.52%	6.64%	6.40%	5.46%	5.93%	5.67%	5.32%
Stonnington City Council	7.20%	2.95%	11.09%	10.45%	8.55%	8.05%	15.45%	26.73%	27.00%
Whitehorse City Council	2.16%	1.71%	5.70%	6.81%	5.79%	4.43%	5.73%	5.58%	5.45%
Yarra City Council	11.42%	10.98%	24.05%	23.87%	22.89%	18.64%	28.98%	27.26%	25.61%
Average	19.50%	14.03%	15.73%	16.29%	16.34%	16.38%	16.75%	16.61%	16.57%

Source: VAGO.

Figure D7
Metropolitan councils, capital replacement 2012–2016

Metropolitan councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Banyule City Council	3.83	1.56	2.46	1.15	1.22	2.04	2.38	1.60	1.36
Bayside City Council	1.45	1.70	1.53	1.34	1.58	1.52	2.65	2.06	1.83
Boroondara City Council	2.38	2.73	1.98	1.75	1.81	2.13	1.84	2.46	2.36
Brimbank City Council	1.68	1.73	1.27	1.59	2.82	1.82	1.52	1.30	1.32
Darebin City Council	1.42	1.01	1.08	1.25	1.08	1.17	1.48	1.63	1.07
Frankston City Council	1.47	1.51	2.65	1.60	2.02	1.85	1.38	1.25	1.08
Glen Eira City Council	2.39	1.92	1.28	1.62	1.72	1.79	1.61	1.51	1.52
Greater Dandenong City Council	1.86	1.79	2.36	1.29	1.26	1.71	1.49	1.15	1.44
Hobsons Bay City Council	1.94	1.42	1.12	1.10	1.55	1.42	1.94	1.91	1.88
Kingston City Council	1.54	1.73	1.62	1.35	1.56	1.56	1.85	1.43	1.12
Knox City Council	2.41	1.31	1.25	1.47	1.55	1.60	2.55	2.55	1.97
Manningham City Council	3.14	1.47	1.43	1.48	1.72	1.85	2.36	1.79	1.77
Maribyrnong City Council	0.95	0.85	1.67	1.95	1.82	1.45	2.31	1.35	1.29
Maroondah City Council	1.51	1.13	2.44	3.07	1.73	1.98	1.21	1.17	1.25
Melbourne City Council	2.02	2.11	1.90	1.52	2.50	2.01	1.56	2.26	3.21
Monash City Council	1.35	1.13	0.97	1.22	1.00	1.13	1.87	1.69	1.46
Moonee Valley City Council	1.35	1.21	0.93	1.00	1.28	1.15	1.73	1.47	1.38
Moreland City Council	1.22	1.80	1.83	1.67	1.14	1.53	1.67	2.56	1.56
Port Phillip City Council	1.43	2.37	1.40	1.25	1.48	1.59	1.82	1.69	1.61
Stonnington City Council	1.65	1.71	2.48	1.59	2.33	1.95	3.66	3.99	2.20
Whitehorse City Council	1.56	2.43	1.76	1.14	1.56	1.69	1.29	1.37	1.69
Yarra City Council	1.45	1.54	2.27	1.51	1.56	1.67	1.87	1.60	1.65
Average	1.82	1.64	1.71	1.50	1.65	1.66	1.91	1.81	1.64

Source: VAGO.

Figure D8
Metropolitan councils, renewal gap 2012–2016

Metropolitan councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Banyule City Council	3.65	0.75	0.83	0.96	0.75	1.39	1.77	1.49	0.86
Bayside City Council	0.89	1.04	1.11	1.13	1.28	1.09	2.19	1.66	1.56
Boroondara City Council	2.02	2.47	1.73	1.64	1.43	1.86	1.37	1.47	1.39
Brimbank City Council	1.32	0.90	0.90	0.76	0.77	0.93	1.52	1.30	1.32
Darebin City Council	1.27	1.21	1.26	0.89	0.87	1.10	1.30	1.01	0.97
Frankston City Council	1.04	0.86	0.96	1.14	1.13	1.02	1.16	0.75	1.07
Glen Eira City Council	1.65	1.75	1.15	1.21	1.42	1.43	1.22	1.40	1.43
Greater Dandenong City Council	0.94	0.92	0.90	0.79	1.01	0.91	1.05	0.78	0.80
Hobsons Bay City Council	1.80	1.15	0.98	1.14	1.13	1.24	1.42	1.23	1.29
Kingston City Council	1.61	1.80	1.55	1.35	1.60	1.58	1.64	1.30	1.11
Knox City Council	1.22	1.22	1.19	1.38	1.28	1.26	2.05	1.86	1.74
Manningham City Council	1.57	1.00	1.01	0.85	0.93	1.07	1.44	0.97	1.06
Maribyrnong City Council	1.30	1.11	1.99	1.62	1.22	1.45	2.19	1.31	1.30
Maroondah City Council	0.92	0.76	1.87	2.07	1.16	1.36	1.10	1.07	1.15
Melbourne City Council	1.17	1.06	1.98	0.73	0.67	1.12	1.08	1.41	2.32
Monash City Council	0.84	0.95	0.93	1.09	1.00	0.96	1.26	1.12	1.22
Moonee Valley City Council	1.10	0.96	0.54	0.72	0.86	0.84	1.40	0.94	0.93
Moreland City Council	0.97	1.34	1.01	0.94	0.86	1.03	1.19	1.87	1.19
Port Phillip City Council	0.79	0.65	1.04	0.89	0.91	0.85	1.27	1.20	1.27
Stonnington City Council	1.45	1.55	1.51	1.37	1.99	1.57	1.81	2.10	1.57
Whitehorse City Council	1.19	1.58	1.29	0.91	1.07	1.21	1.10	1.08	1.40
Yarra City Council	0.95	1.26	1.32	0.95	1.04	1.10	1.20	1.32	1.40
Average	1.35	1.19	1.23	1.11	1.11	1.20	1.44	1.30	1.29

Source: VAGO.

Interface councils

Figure D9
Interface councils, net result 2012–2016

Interface councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Cardinia Shire Council	27.27%	26.20%	22.11%	35.90%	41.67%	30.63%	8.68%	9.48%	4.66%
Casey City Council	25.45%	35.46%	20.87%	31.14%	40.36%	30.66%	23.72%	21.33%	19.83%
Hume City Council	25.69%	23.88%	20.79%	31.29%	37.49%	27.83%	34.99%	25.73%	23.19%
Melton Shire Council	29.86%	45.09%	31.79%	28.57%	45.23%	36.11%	32.79%	36.87%	33.61%
Mornington Peninsula Shire Council	2.25%	8.26%	3.24%	7.16%	8.81%	5.94%	7.56%	5.28%	4.52%
Nillumbik Shire Council	-2.09%	1.87%	7.88%	16.41%	4.93%	5.80%	12.00%	10.17%	13.36%
Whittlesea City Council	56.92%	30.19%	29.03%	34.36%	37.12%	37.52%	30.88%	31.17%	29.74%
Wyndham City Council	35.76%	31.36%	25.30%	26.67%	38.21%	31.46%	23.67%	23.04%	26.37%
Yarra Ranges Shire Council	-2.29%	6.25%	-1.51%	11.11%	7.02%	4.11%	11.30%	9.61%	8.71%
Average	22.09%	23.17%	17.72%	24.73%	28.98%	23.34%	20.62%	19.19%	18.22%

Source: VAGO.

Figure D10
Interface councils, liquidity 2012–2016

Interface councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Cardinia Shire Council	2.65	2.25	1.97	1.98	2.36	2.24	1.66	1.44	1.14
Casey City Council	3.22	3.14	3.95	4.18	4.11	3.72	3.77	3.75	4.02
Hume City Council	1.47	1.42	1.20	1.91	2.20	1.64	1.92	2.13	2.42
Melton Shire Council	1.57	1.65	1.62	1.88	3.05	1.95	2.44	3.05	3.30
Mornington Peninsula Shire Council	1.69	1.14	1.31	1.51	1.90	1.51	1.14	1.38	1.47
Nillumbik Shire Council	1.58	2.23	2.23	2.66	3.51	2.44	1.88	2.09	2.13
Whittlesea City Council	3.07	3.69	3.36	3.03	3.16	3.26	2.86	2.83	2.49
Wyndham City Council	2.61	2.88	1.78	2.97	3.78	2.81	3.03	3.02	2.82
Yarra Ranges Shire Council	2.23	2.04	1.44	2.18	2.28	2.03	1.85	1.71	1.55
Average	2.23	2.27	2.10	2.48	2.93	2.40	2.28	2.38	2.37

Source: VAGO.

Figure D11
Interface councils, internal financing 2012–2016

Interface councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Cardinia Shire Council	188%	110%	67%	99%	219%	137%	103%	106%	87%
Casey City Council	172%	218%	124%	175%	165%	171%	63%	107%	152%
Hume City Council	96%	82%	88%	187%	153%	121%	121%	88%	117%
Melton Shire Council	96%	93%	131%	117%	235%	134%	87%	151%	127%
Mornington Peninsula Shire Council	121%	139%	111%	143%	193%	142%	136%	142%	129%
Nilumbik Shire Council	107%	93%	99%	254%	172%	145%	115%	141%	116%
Whittlesea City Council	383%	115%	85%	141%	142%	173%	92%	102%	75%
Wyndham City Council	98%	70%	103%	92%	150%	103%	90%	101%	89%
Yarra Ranges Shire Council	78%	45%	76%	131%	115%	89%	96%	86%	79%
Average	149%	107%	98%	149%	172%	135%	101%	114%	108%

Source: VAGO.

Figure D12
Interface councils, indebtedness 2012–2016

Interface councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Cardinia Shire Council	72.12%	61.01%	50.92%	71.28%	61.45%	63.35%	59.48%	55.92%	51.70%
Casey City Council	45.38%	29.38%	32.99%	30.90%	19.78%	31.69%	55.44%	54.53%	50.53%
Hume City Council	17.43%	16.85%	15.75%	35.75%	21.71%	21.50%	13.10%	11.62%	11.40%
Melton Shire Council	32.92%	21.98%	20.22%	25.06%	21.79%	24.39%	21.03%	17.69%	14.69%
Mornington Peninsula Shire Council	31.45%	19.43%	21.93%	17.94%	13.77%	20.90%	8.60%	6.88%	5.21%
Nilumbik Shire Council	37.23%	34.25%	32.61%	27.93%	34.29%	33.26%	28.43%	26.80%	24.19%
Whittlesea City Council	28.67%	26.05%	23.00%	22.11%	21.01%	24.17%	19.02%	23.03%	34.07%
Wyndham City Council	5.55%	12.46%	11.77%	33.89%	34.49%	19.63%	28.80%	31.64%	31.30%
Yarra Ranges Shire Council	15.50%	13.24%	10.96%	23.27%	20.09%	16.61%	21.38%	26.09%	33.56%
Average	31.81%	26.07%	24.46%	32.02%	27.60%	28.39%	28.36%	28.25%	28.52%

Source: VAGO.

Figure D13
Interface councils, capital replacement 2012–2016

Interface councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Cardinia Shire Council	1.68	2.16	2.10	3.83	1.40	2.23	1.74	1.78	1.71
Casey City Council	1.67	1.26	1.40	2.07	2.54	1.79	4.06	2.18	1.44
Hume City Council	2.23	1.64	1.92	1.26	1.39	1.68	2.10	1.76	1.30
Melton Shire Council	1.77	1.81	1.36	1.52	1.08	1.51	1.99	1.40	1.39
Mornington Peninsula Shire Council	1.24	1.13	1.09	1.31	1.12	1.18	1.19	0.96	0.93
Nillumbik Shire Council	2.21	0.75	1.58	1.34	1.99	1.57	2.81	1.72	2.05
Whittlesea City Council	0.60	0.95	1.73	1.97	1.85	1.42	2.25	2.11	2.85
Wyndham City Council	2.14	2.23	1.71	1.79	1.24	1.82	1.59	1.50	1.85
Yarra Ranges Shire Council	1.76	1.48	1.67	1.33	1.42	1.53	1.93	2.07	2.19
Average	1.70	1.49	1.62	1.82	1.56	1.64	2.19	1.72	1.75

Source: VAGO.

Figure D14
Interface councils, renewal gap 2012–2016

Interface councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Cardinia Shire Council	0.61	0.76	0.79	0.65	0.60	0.68	1.02	1.01	0.99
Casey City Council	0.81	0.73	0.97	0.74	0.99	0.85	1.13	0.89	0.86
Hume City Council	0.69	1.19	0.83	0.80	1.07	0.92	0.84	0.71	0.74
Melton Shire Council	0.58	0.34	0.29	0.57	0.38	0.43	0.75	0.53	0.52
Mornington Peninsula Shire Council	1.10	0.84	0.97	1.16	0.92	1.00	0.95	0.82	0.90
Nillumbik Shire Council	1.95	0.55	1.49	1.15	1.24	1.28	1.74	1.05	1.37
Whittlesea City Council	0.59	0.55	1.08	0.63	0.86	0.74	1.40	0.91	1.45
Wyndham City Council	0.69	1.08	0.97	1.29	0.75	0.96	0.62	0.60	0.67
Yarra Ranges Shire Council	1.30	1.64	1.29	1.07	0.98	1.26	1.51	1.69	1.66
Average	0.92	0.85	0.96	0.90	0.87	0.90	1.11	0.91	1.02

Source: VAGO.

Regional city councils

Figure D15
Regional city councils, net result 2012–2016

Regional councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Ballarat City Council	12.04%	20.25%	12.80%	20.29%	17.25%	16.53%	13.67%	14.28%	13.86%
Greater Bendigo City Council	10.30%	16.56%	11.64%	5.41%	19.71%	12.73%	25.67%	12.85%	11.48%
Greater Geelong City Council	6.51%	18.07%	12.57%	20.52%	15.50%	14.63%	14.35%	12.08%	7.78%
Greater Shepparton City Council	10.22%	12.69%	4.76%	5.64%	0.07%	6.68%	10.43%	17.08%	15.02%
Horsham Rural City Council	23.31%	13.19%	6.12%	17.13%	2.71%	12.49%	7.38%	1.60%	1.64%
Latrobe City Council	5.48%	8.21%	6.38%	17.48%	9.08%	9.33%	6.72%	13.21%	11.69%
Mildura Rural City Council	19.94%	16.59%	2.27%	18.18%	6.53%	12.70%	4.84%	5.32%	5.29%
Wangaratta Rural City Council	1.69%	4.68%	-2.51%	10.13%	0.17%	2.83%	15.20%	8.39%	5.81%
Warrnambool City Council	11.33%	8.44%	12.23%	10.56%	15.32%	11.58%	8.54%	4.93%	3.37%
Wodonga Rural City Council	23.38%	28.00%	5.22%	25.79%	7.69%	18.02%	10.28%	4.52%	5.27%
Average	12.42%	14.67%	7.15%	15.11%	9.40%	11.75%	11.71%	9.43%	8.12%

Source: VAGO.

Figure D16
Regional city councils, liquidity 2012–2016

Regional councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Ballarat City Council	1.54	1.90	2.33	2.01	2.64	2.08	1.35	1.28	1.28
Greater Bendigo City Council	1.44	1.92	2.06	1.67	2.52	1.92	1.50	1.54	1.57
Greater Geelong City Council	1.64	1.62	1.42	1.32	1.26	1.45	1.33	1.24	1.19
Greater Shepparton City Council	1.93	2.33	2.24	2.35	1.87	2.14	1.42	1.39	1.43
Horsham Rural City Council	2.92	2.74	2.73	2.29	2.45	2.63	1.91	1.95	1.99
Latrobe City Council	2.04	1.57	1.50	2.09	2.71	1.98	1.59	1.56	1.30
Mildura Rural City Council	1.38	1.73	1.56	2.63	2.51	1.96	1.03	1.08	1.12
Wangaratta Rural City Council	1.67	1.49	1.52	1.42	1.48	1.52	1.50	1.47	1.77
Warrnambool City Council	1.79	1.61	1.46	1.38	1.25	1.50	1.02	1.03	1.06
Wodonga Rural City Council	1.55	2.66	1.74	1.55	2.10	1.92	0.92	0.89	0.95
Average	1.79	1.96	1.86	1.87	2.08	1.91	1.36	1.34	1.37

Source: VAGO.

Figure D17
Regional city councils, internal financing 2012–2016

Regional councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Ballarat City Council	105%	73%	97%	102%	99%	95%	96%	94%	91%
Greater Bendigo City Council	93%	88%	106%	136%	101%	105%	74%	112%	111%
Greater Geelong City Council	94%	54%	73%	92%	111%	85%	74%	83%	92%
Greater Shepparton City Council	123%	108%	130%	104%	84%	110%	74%	104%	95%
Horsham Rural City Council	81%	143%	130%	107%	76%	107%	91%	107%	90%
Latrobe City Council	160%	136%	78%	165%	107%	129%	84%	91%	103%
Mildura Rural City Council	119%	73%	82%	180%	119%	115%	77%	115%	113%
Wangaratta Rural City Council	122%	106%	72%	125%	77%	100%	85%	101%	114%
Warrnambool City Council	70%	115%	92%	96%	93%	93%	96%	103%	121%
Wodonga Rural City Council	111%	109%	68%	122%	251%	132%	89%	76%	159%
Average	108%	100%	93%	123%	112%	107%	84%	99%	109%

Source: VAGO.

Figure D18
Regional city councils, indebtedness 2012–2016

Regional councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Ballarat City Council	9.64%	8.46%	28.35%	22.01%	36.77%	21.05%	35.23%	35.97%	39.60%
Greater Bendigo City Council	17.86%	27.29%	31.84%	33.35%	33.28%	28.73%	42.54%	40.81%	39.12%
Greater Geelong City Council	27.89%	20.85%	20.19%	22.88%	17.74%	21.91%	30.40%	32.61%	33.94%
Greater Shepparton City Council	22.16%	20.02%	18.25%	21.24%	26.44%	21.62%	26.28%	23.94%	28.08%
Horsham Rural City Council	33.55%	24.11%	19.03%	14.70%	24.74%	23.23%	27.52%	27.77%	35.38%
Latrobe City Council	47.90%	33.09%	27.63%	36.91%	42.91%	37.69%	30.77%	31.26%	20.72%
Mildura Rural City Council	32.44%	41.97%	42.98%	39.88%	48.17%	41.09%	37.57%	35.35%	33.18%
Wangaratta Rural City Council	48.51%	49.56%	56.91%	45.78%	56.32%	51.42%	66.43%	62.37%	61.12%
Warrnambool City Council	35.25%	19.27%	19.47%	19.93%	16.63%	22.11%	17.92%	17.62%	14.21%
Wodonga Rural City Council	72.72%	80.68%	73.90%	67.26%	58.91%	70.69%	51.24%	58.77%	51.88%
Average	34.79%	32.53%	33.85%	32.39%	36.19%	33.95%	36.59%	36.65%	35.72%

Source: VAGO.

Figure D19
Regional city councils, capital replacement 2012–2016

Regional councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Ballarat City Council	1.89	1.91	1.89	1.86	1.64	1.84	1.26	1.35	1.49
Greater Bendigo City Council	1.97	1.64	1.46	1.44	1.46	1.59	3.51	1.42	1.36
Greater Geelong City Council	1.58	1.36	1.45	2.16	1.62	1.63	2.05	1.79	1.45
Greater Shepparton City Council	1.47	1.25	1.16	1.21	1.70	1.36	2.05	1.96	2.01
Horsham Rural City Council	3.16	1.79	1.14	1.92	1.33	1.87	1.75	1.16	1.37
Latrobe City Council	1.24	1.21	1.09	1.35	1.46	1.27	1.31	1.62	1.40
Mildura Rural City Council	2.06	2.08	1.41	1.64	1.50	1.74	1.84	1.22	1.24
Wangaratta Rural City Council	1.14	1.28	0.90	1.12	1.42	1.17	1.96	1.38	1.08
Warrnambool City Council	2.36	1.02	2.04	2.14	1.55	1.82	1.53	1.22	1.04
Wodonga Rural City Council	2.70	2.52	1.86	2.07	1.14	2.06	2.24	2.03	1.02
Average	1.96	1.61	1.44	1.69	1.48	1.64	1.95	1.51	1.35

Source: VAGO.

Figure D20
Regional city councils, renewal gap 2012–2016

Regional councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Ballarat City Council	0.96	0.91	0.97	0.91	1.26	1.00	0.94	0.95	0.96
Greater Bendigo City Council	0.82	1.28	1.25	1.17	0.84	1.07	1.15	1.11	1.11
Greater Geelong City Council	0.98	0.79	0.61	0.67	0.85	0.78	N/A	N/A	N/A
Greater Shepparton City Council	1.31	0.98	0.89	0.83	0.96	0.99	1.28	1.18	1.21
Horsham Rural City Council	1.46	1.54	0.95	1.45	1.01	1.28	1.07	0.87	0.99
Latrobe City Council	0.88	1.01	0.93	0.92	0.69	0.89	1.04	0.91	0.78
Mildura Rural City Council	1.50	1.49	1.16	1.08	1.02	1.25	1.45	1.09	1.09
Wangaratta Rural City Council	0.58	0.86	0.54	0.84	0.84	0.73	0.78	0.63	0.66
Warrnambool City Council	1.95	0.90	1.61	1.19	0.90	1.31	1.40	1.10	0.90
Wodonga Rural City Council	0.27	0.46	0.57	0.73	0.69	0.55	0.90	0.95	0.85
Average	1.07	1.02	0.95	0.98	0.91	0.98	1.11	0.98	0.95

Note: N/A = information not available.

Source: VAGO.

Large shire councils

Figure D21
Large shire councils, net result 2012–2016

Large shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Bass Coast Shire Council	17.44%	9.70%	3.73%	9.12%	-1.76%	7.65%	0.88%	3.77%	-0.47%
Baw Baw Shire Council	18.53%	14.27%	8.44%	22.94%	11.13%	15.06%	24.37%	22.65%	19.61%
Campaspe Shire Council	12.95%	10.51%	0.49%	2.66%	0.60%	5.44%	12.89%	1.82%	1.85%
Colac–Otway Shire Council	2.73%	3.82%	6.20%	22.29%	3.81%	7.77%	11.14%	6.66%	5.97%
Corangamite Shire Council	16.78%	3.14%	1.55%	9.42%	0.03%	6.18%	9.99%	21.76%	10.41%
East Gippsland Shire Council	-6.20%	17.12%	16.84%	15.56%	2.58%	9.18%	14.56%	10.20%	7.46%
Glenelg Shire Council	9.35%	-38.30%	13.41%	-6.46%	-13.84%	-7.17%	6.08%	5.56%	5.44%
Golden Plains Shire Council	32.20%	26.93%	12.85%	16.08%	4.72%	18.55%	12.14%	6.03%	4.98%
Macedon Ranges Shire Council	17.63%	24.24%	17.27%	12.47%	11.77%	16.67%	18.39%	14.15%	12.06%
Mitchell Shire Council	14.62%	17.09%	5.73%	21.73%	10.93%	14.02%	19.87%	14.29%	13.66%
Moira Shire Council	14.40%	-7.90%	9.55%	7.55%	4.56%	5.63%	5.13%	0.25%	2.43%
Moorabool Shire Council	8.63%	14.89%	3.69%	14.47%	14.97%	11.33%	16.12%	17.72%	16.03%
Mount Alexander Shire Council	5.40%	21.67%	-0.22%	5.07%	0.50%	6.48%	4.72%	13.42%	12.90%
Moyne Shire Council	8.46%	13.09%	3.37%	22.87%	5.08%	10.58%	9.89%	3.28%	3.51%
South Gippsland Shire Council	3.81%	2.92%	-3.49%	15.04%	6.71%	5.00%	8.28%	9.51%	7.19%
Southern Grampians Shire Council	5.57%	14.54%	-11.66%	8.42%	-6.65%	2.04%	14.23%	9.66%	5.41%
Surf Coast Shire Council	10.36%	8.34%	4.73%	17.96%	20.36%	12.35%	10.15%	18.79%	18.40%
Swan Hill Rural City Council	4.18%	5.06%	1.51%	11.84%	3.89%	5.30%	12.18%	9.30%	8.24%
Wellington Shire Council	8.14%	8.93%	0.19%	13.80%	13.45%	8.90%	17.55%	10.08%	9.35%
Average	10.79%	8.95%	4.96%	12.78%	4.89%	8.47%	12.03%	10.47%	8.65%

Source: VAGO.

Figure D22
Large shire councils, liquidity 2012–2016

Large shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Bass Coast Shire Council	1.98	1.79	1.53	1.97	2.33	1.92	1.27	0.98	1.08
Baw Baw Shire Council	1.46	1.51	1.38	2.06	1.95	1.67	1.29	1.44	1.56
Campaspe Shire Council	2.56	2.46	1.54	3.20	3.49	2.65	2.46	2.41	2.33
Colac–Otway Shire Council	2.73	2.67	1.93	2.05	1.98	2.27	1.44	1.39	1.28
Corangamite Shire Council	1.37	1.71	1.90	2.84	2.77	2.12	2.42	2.35	2.33
East Gippsland Shire Council	2.76	3.21	2.18	2.28	1.88	2.46	1.97	2.04	1.86
Glenelg Shire Council	3.45	2.83	2.23	2.22	1.50	2.45	0.47	0.50	0.70
Golden Plains Shire Council	2.33	3.16	2.72	2.84	2.19	2.65	2.17	2.21	2.01
Macedon Ranges Shire Council	1.93	1.51	1.65	1.71	1.67	1.70	1.50	1.54	1.27
Mitchell Shire Council	2.00	1.42	1.23	1.55	1.90	1.62	1.41	1.53	1.94
Moira Shire Council	2.00	1.32	2.15	3.32	3.34	2.43	2.31	1.98	1.97
Moorabool Shire Council	1.97	1.36	0.93	1.83	1.95	1.61	1.33	1.77	1.97
Mount Alexander Shire Council	1.92	2.80	1.77	1.84	1.59	1.98	1.73	1.45	1.17
Moynes Shire Council	1.82	1.47	1.48	1.87	1.62	1.65	1.12	1.05	1.01
South Gippsland Shire Council	2.07	1.70	1.23	2.70	2.40	2.02	2.02	2.22	1.91
Southern Grampians Shire Council	3.02	2.72	1.99	2.28	1.95	2.39	2.19	2.08	2.21
Surf Coast Shire Council	2.01	1.85	1.91	2.62	2.53	2.18	1.42	1.95	2.39
Swan Hill Rural City Council	1.58	1.33	1.63	2.29	1.84	1.73	1.70	1.98	2.09
Wellington Shire Council	2.14	2.41	2.92	3.21	3.83	2.90	2.87	3.01	2.50
Average	2.16	2.06	1.80	2.35	2.25	2.13	1.74	1.78	1.77

Source: VAGO.

Figure D23
Large shire councils, internal financing 2012–2016

Large shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Bass Coast Shire Council	113%	49%	67%	179%	130%	109%	89%	92%	134%
Baw Baw Shire Council	129%	168%	95%	139%	79%	115%	86%	119%	118%
Campaspe Shire Council	122%	108%	44%	135%	93%	103%	79%	93%	107%
Colac–Otway Shire Council	136%	80%	111%	115%	95%	107%	89%	110%	103%
Corangamite Shire Council	112%	67%	137%	198%	80%	111%	98%	100%	105%
East Gippsland Shire Council	107%	94%	58%	136%	126%	104%	93%	100%	109%
Glenelg Shire Council	189%	74%	76%	211%	52%	118%	58%	107%	137%
Golden Plains Shire Council	156%	127%	95%	118%	89%	117%	103%	122%	108%
Macedon Ranges Shire Council	121%	82%	92%	129%	87%	96%	98%	116%	120%
Mitchell Shire Council	116%	51%	24%	170%	190%	110%	76%	115%	125%
Moira Shire Council	160%	76%	98%	249%	120%	134%	106%	102%	112%
Moorabool Shire Council	115%	98%	79%	145%	85%	107%	99%	140%	123%
Mount Alexander Shire Council	120%	98%	81%	116%	83%	100%	72%	76%	77%
Moyne Shire Council	148%	108%	61%	131%	83%	107%	99%	101%	102%
South Gippsland Shire Council	113%	47%	74%	177%	92%	98%	89%	112%	129%
Southern Grampians Shire Council	146%	97%	64%	165%	79%	106%	109%	100%	121%
Surf Coast Shire Council	100%	127%	99%	195%	157%	141%	63%	120%	161%
Swan Hill Rural City Council	138%	66%	105%	110%	98%	103%	101%	84%	108%
Wellington Shire Council	145%	162%	75%	150%	117%	125%	89%	106%	103%
Average	131%	94%	81%	156%	102%	111%	89%	106%	116%

Source: VAGO.

Figure D24
Large shire councils, indebtedness 2012–2016

Large shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Bass Coast Shire Council	26.03%	16.05%	23.77%	26.47%	27.08%	23.88%	27.66%	20.57%	18.58%
Baw Baw Shire Council	33.38%	18.95%	10.71%	24.33%	31.75%	23.82%	29.97%	27.65%	26.21%
Campaspe Shire Council	24.72%	17.74%	15.80%	20.92%	18.57%	19.55%	13.24%	15.49%	12.00%
Colac–Otway Shire Council	39.50%	30.32%	26.49%	28.11%	25.57%	30.00%	22.13%	20.03%	17.84%
Corangamite Shire Council	15.10%	21.85%	30.28%	31.99%	28.74%	25.59%	27.22%	25.44%	23.62%
East Gippsland Shire Council	47.81%	33.72%	24.19%	29.87%	27.82%	32.68%	19.42%	17.18%	16.02%
Glenelg Shire Council	30.23%	76.18%	56.04%	66.44%	73.03%	60.38%	61.48%	61.08%	59.51%
Golden Plains Shire Council	33.70%	25.80%	32.07%	32.96%	37.60%	32.42%	35.78%	34.34%	25.23%
Macedon Ranges Shire Council	28.78%	15.38%	17.55%	20.83%	25.42%	21.59%	27.52%	25.51%	16.60%
Mitchell Shire Council	30.93%	29.25%	50.15%	50.34%	41.00%	40.33%	45.19%	39.99%	38.38%
Moira Shire Council	55.44%	44.37%	38.68%	50.54%	40.25%	45.86%	36.01%	32.76%	30.48%
Moorabool Shire Council	59.37%	33.97%	30.40%	41.11%	44.50%	41.87%	48.49%	47.32%	46.29%
Mount Alexander Shire Council	26.17%	31.24%	33.23%	28.84%	22.46%	28.39%	26.12%	33.01%	39.65%
Moynes Shire Council	14.84%	5.08%	7.63%	7.04%	6.99%	8.32%	7.29%	5.62%	3.82%
South Gippsland Shire Council	14.22%	2.60%	3.10%	10.85%	10.70%	8.29%	10.38%	8.51%	1.68%
Southern Grampians Shire Council	40.10%	22.19%	21.93%	22.13%	18.39%	24.95%	24.21%	21.09%	19.56%
Surf Coast Shire Council	63.50%	57.26%	63.26%	60.18%	51.18%	59.08%	41.85%	42.58%	39.60%
Swan Hill Rural City Council	26.77%	16.23%	17.20%	29.34%	27.19%	23.34%	25.50%	23.98%	23.73%
Wellington Shire Council	23.14%	18.68%	26.70%	20.36%	17.32%	21.24%	18.14%	18.01%	13.98%
Average	33.35%	27.20%	27.85%	31.72%	30.29%	30.08%	28.82%	27.38%	24.88%

Source: VAGO.

Figure D25
Large shire councils, capital replacement 2012–2016

Large shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Bass Coast Shire Council	1.88	1.27	1.04	0.76	0.74	1.14	1.18	1.42	0.84
Baw Baw Shire Council	1.36	1.03	3.10	1.63	2.21	1.87	2.33	1.61	1.47
Campaspe Shire Council	1.85	1.81	1.92	1.15	1.10	1.57	2.10	1.18	1.02
Colac–Otway Shire Council	1.42	1.32	1.73	2.18	1.39	1.61	1.85	1.34	1.30
Corangamite Shire Council	1.19	1.08	1.30	1.19	1.38	1.23	1.46	2.15	1.47
East Gippsland Shire Council	1.48	1.45	1.79	1.40	1.20	1.47	1.38	1.25	1.15
Glenelg Shire Council	1.38	1.59	2.09	1.14	1.71	1.58	2.43	1.32	1.04
Golden Plains Shire Council	2.45	1.76	1.95	1.45	1.51	1.82	1.66	1.10	1.20
Macedon Ranges Shire Council	1.75	1.58	1.69	1.26	1.71	1.60	1.59	1.00	0.86
Mitchell Shire Council	1.22	1.72	1.65	0.85	0.65	1.22	1.86	0.97	0.88
Moira Shire Council	1.50	0.90	1.10	0.94	1.02	1.09	1.32	1.15	1.12
Moorabool Shire Council	2.05	1.68	1.32	1.19	1.84	1.62	1.75	1.30	1.39
Mount Alexander Shire Council	1.87	2.33	1.56	1.10	1.03	1.58	1.05	2.33	2.28
Moyne Shire Council	1.18	1.45	1.29	1.33	1.42	1.34	1.44	1.15	1.14
South Gippsland Shire Council	1.68	1.29	1.52	1.04	1.57	1.42	1.76	1.45	1.12
Southern Grampians Shire Council	1.23	1.34	1.47	1.05	1.17	1.25	1.57	1.43	1.06
Surf Coast Shire Council	2.80	1.51	1.26	1.08	1.27	1.58	1.60	1.15	1.06
Swan Hill Rural City Council	1.64	1.84	1.19	1.78	1.46	1.58	1.91	1.59	1.50
Wellington Shire Council	1.05	0.87	1.57	1.08	1.14	1.14	2.10	1.32	1.36
Average	1.63	1.46	1.61	1.24	1.34	1.46	1.70	1.38	1.22

Source: VAGO.

Figure D26
Large shire councils, renewal gap 2012–2016

Large shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Bass Coast Shire Council	1.37	0.90	0.94	0.64	0.64	0.90	0.98	1.06	0.84
Baw Baw Shire Council	1.16	1.31	1.78	1.62	1.82	1.54	1.81	1.25	0.90
Campaspe Shire Council	1.33	1.42	0.54	1.06	0.30	0.93	1.50	N/A	N/A
Colac–Otway Shire Council	1.12	0.97	1.34	1.86	1.23	1.30	1.75	1.36	1.37
Corangamite Shire Council	1.12	1.06	0.90	1.11	1.20	1.08	1.40	1.46	1.40
East Gippsland Shire Council	0.96	1.13	0.95	0.99	1.02	1.01	1.17	0.94	1.00
Glenelg Shire Council	1.11	1.06	1.09	1.01	1.13	1.08	2.18	1.04	0.89
Golden Plains Shire Council	1.76	1.13	1.38	0.85	0.89	1.20	1.06	0.72	0.71
Macedon Ranges Shire Council	1.36	1.29	0.89	0.86	1.19	1.12	1.27	0.92	0.77
Mitchell Shire Council	0.78	1.02	0.90	0.64	0.41	0.75	0.61	0.63	0.67
Moira Shire Council	1.26	0.80	0.64	0.80	0.71	0.84	1.15	0.84	0.90
Moorabool Shire Council	1.69	1.62	1.43	1.07	1.55	1.47	1.00	0.74	0.79
Mount Alexander Shire Council	1.65	1.34	1.01	0.58	0.78	1.07	0.95	1.01	0.98
Moynes Shire Council	0.97	1.07	1.04	1.25	1.29	1.12	1.41	1.15	1.14
South Gippsland Shire Council	1.37	1.08	1.18	0.98	1.23	1.17	1.59	1.04	1.00
Southern Grampians Shire Council	1.07	0.92	0.94	0.92	0.82	0.93	1.44	0.82	0.77
Surf Coast Shire Council	0.64	0.72	0.91	0.82	0.65	0.75	0.89	0.75	0.74
Swan Hill Rural City Council	1.43	1.37	1.02	1.07	0.93	1.16	1.20	1.00	1.18
Wellington Shire Council	0.92	0.84	1.01	1.01	1.07	0.97	1.82	1.11	1.30
Average	1.21	1.11	1.05	1.01	0.99	1.07	1.30	1.00	0.98

Note: N/A = information not available.

Source: VAGO.

Small shire councils

Figure D27
Small shire councils, net result 2012–2016

Small shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Alpine Shire Council	7.53%	-2.35%	-1.48%	23.32%	-0.76%	5.25%	6.36%	4.21%	4.35%
Ararat Rural City Council	1.18%	6.99%	4.68%	12.73%	-0.41%	5.03%	19.91%	-6.74%	-8.51%
Benalla Rural City Council	18.36%	7.29%	-1.77%	-6.02%	0.76%	3.72%	7.76%	1.76%	1.16%
Borough of Queenscliffe	20.53%	15.52%	17.91%	5.73%	1.71%	12.28%	7.10%	23.10%	3.81%
Buloke Shire Council	16.83%	11.23%	56.52%	17.70%	-0.38%	20.38%	15.86%	10.26%	9.81%
Central Goldfields Shire Council	9.01%	23.79%	1.06%	3.18%	1.86%	7.78%	12.27%	6.10%	7.93%
Gannawarra Shire Council	50.40%	21.75%	7.55%	17.26%	2.58%	19.91%	16.89%	12.04%	9.16%
Hepburn Shire Council	21.65%	33.91%	0.01%	16.12%	15.77%	17.49%	16.69%	12.14%	7.44%
Hindmarsh Shire Council	37.35%	42.76%	-4.50%	10.70%	-3.57%	16.55%	4.23%	-2.46%	-8.20%
Indigo Shire Council	15.24%	12.15%	9.56%	14.65%	-6.90%	8.94%	8.34%	5.47%	10.45%
Loddon Shire Council	35.51%	-3.87%	-16.67%	16.74%	-1.25%	6.09%	5.57%	1.77%	9.43%
Mansfield Shire Council	-6.98%	5.52%	2.66%	14.75%	8.83%	4.96%	11.21%	7.08%	6.62%
Murrindindi Shire Council	24.63%	15.73%	4.06%	14.05%	2.07%	12.11%	0.00%	1.19%	1.14%
Northern Grampians Shire Council	15.81%	23.81%	-9.46%	15.31%	-14.44%	6.20%	-4.70%	-10.11%	-10.80%
Pyrenees Shire Council	17.00%	-20.93%	-43.12%	2.36%	-11.03%	-11.14%	0.69%	-5.62%	-13.53%
Strathbogie Shire Council	19.10%	7.19%	4.88%	15.70%	-1.22%	9.13%	3.30%	1.49%	-1.15%
Towong Shire Council	-4.15%	28.46%	5.69%	32.02%	10.63%	14.53%	17.51%	9.34%	8.05%
West Wimmera Shire Council	11.16%	11.27%	-10.96%	7.55%	-2.76%	3.25%	-1.45%	-0.85%	-4.31%
Yarriambiack Shire Council	-3.84%	-3.90%	-22.06%	7.62%	-2.44%	-4.92%	7.37%	-5.01%	-9.61%
Average	16.12%	12.44%	0.24%	12.71%	-0.05%	8.29%	8.15%	3.43%	1.22%

Source: VAGO.

Figure D28
Small shire councils, liquidity 2012–2016

Small shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Alpine Shire Council	2.45	2.40	1.85	2.89	2.31	2.38	1.58	1.52	1.63
Ararat Rural City Council	4.45	3.40	2.52	3.49	3.84	3.54	2.69	2.93	3.09
Benalla Rural City Council	1.75	1.65	1.22	1.27	1.20	1.42	0.87	0.89	0.91
Borough of Queenscliffe	1.80	2.03	2.39	2.50	2.80	2.30	1.27	1.31	1.39
Buloke Shire Council	0.70	0.57	0.18	1.69	2.49	1.13	2.80	3.70	1.54
Central Goldfields Shire Council	1.40	1.52	1.23	1.31	1.52	1.40	1.06	1.09	1.08
Gannawarra Shire Council	3.46	2.63	2.63	2.99	2.36	2.81	2.48	2.15	2.00
Hepburn Shire Council	2.32	2.50	1.85	2.79	3.20	2.53	2.22	2.37	2.54
Hindmarsh Shire Council	3.38	3.30	2.02	3.56	2.88	3.03	1.36	0.90	0.65
Indigo Shire Council	1.81	2.31	2.17	1.50	1.29	1.81	1.13	1.13	1.21
Loddon Shire Council	3.40	4.54	4.12	5.88	6.41	4.87	3.01	2.19	1.16
Mansfield Shire Council	2.51	2.61	1.50	1.81	1.63	2.01	1.39	1.34	1.33
Murrindindi Shire Council	2.34	3.29	2.75	3.98	3.90	3.25	3.73	3.80	3.88
Northern Grampians Shire Council	2.36	1.90	1.64	1.97	2.12	2.00	1.56	1.43	1.40
Pyrenees Shire Council	4.45	3.57	2.25	2.33	1.97	2.91	1.63	1.76	1.75
Strathbogie Shire Council	2.08	2.12	1.61	1.98	2.04	1.96	1.17	1.09	0.97
Towong Shire Council	4.80	4.74	4.00	6.33	5.61	5.10	5.13	4.48	4.23
West Wimmera Shire Council	2.94	2.72	2.90	3.56	3.21	3.07	3.06	2.81	2.92
Yarriambiack Shire Council	2.69	1.72	0.96	1.29	0.89	1.51	1.09	1.09	1.06
Average	2.69	2.61	2.09	2.80	2.72	2.58	2.07	2.00	1.83

Source: VAGO.

Figure D29
Small shire councils, internal financing 2012–2016

Small shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Alpine Shire Council	128%	83%	124%	175%	87%	119%	55%	97%	103%
Ararat Rural City Council	138%	80%	105%	108%	91%	104%	95%	125%	117%
Benalla Rural City Council	117%	49%	75%	119%	98%	92%	98%	118%	114%
Borough of Queenscliffe	157%	106%	109%	160%	56%	117%	59%	105%	93%
Buloke Shire Council	146%	97%	88%	136%	139%	121%	135%	149%	156%
Central Goldfields Shire Council	250%	70%	86%	139%	125%	134%	87%	137%	128%
Gannawarra Shire Council	106%	73%	89%	118%	65%	90%	95%	95%	102%
Hepburn Shire Council	105%	121%	57%	141%	91%	103%	93%	85%	111%
Hindmarsh Shire Council	270%	100%	32%	143%	80%	125%	92%	75%	85%
Indigo Shire Council	114%	110%	90%	85%	85%	97%	107%	108%	117%
Loddon Shire Council	77%	141%	62%	158%	95%	106%	64%	79%	80%
Mansfield Shire Council	19%	50%	56%	103%	91%	64%	94%	107%	109%
Murrindindi Shire Council	87%	178%	149%	218%	115%	149%	134%	113%	115%
Northern Grampians Shire Council	253%	225%	58%	133%	96%	153%	110%	98%	103%
Pyrenees Shire Council	253%	-9%	11%	135%	87%	95%	104%	101%	98%
Strathbogie Shire Council	150%	98%	120%	139%	99%	121%	68%	97%	92%
Towong Shire Council	180%	151%	61%	168%	93%	131%	68%	85%	97%
West Wimmera Shire Council	185%	112%	42%	154%	99%	118%	112%	92%	106%
Yarriambiack Shire Council	84%	43%	68%	147%	80%	84%	102%	105%	92%
Average	148%	99%	78%	141%	93%	112%	93%	104%	99%

Source: VAGO.

Figure D30
Small shire councils, indebtedness 2012–2016

Small shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Alpine Shire Council	31.60%	31.06%	29.92%	26.10%	22.62%	28.26%	16.10%	14.07%	13.44%
Ararat Rural City Council	21.47%	2.27%	1.42%	12.78%	12.51%	10.09%	17.76%	17.33%	16.90%
Benalla Rural City Council	45.59%	50.00%	47.89%	68.37%	62.03%	54.78%	56.47%	50.19%	48.27%
Borough of Queenscliffe	3.48%	0.49%	0.59%	0.80%	0.78%	1.23%	3.45%	2.93%	2.42%
Buloke Shire Council	13.90%	11.20%	6.03%	62.78%	60.45%	30.87%	54.45%	53.17%	3.35%
Central Goldfields Shire Council	34.78%	31.38%	26.91%	19.90%	25.69%	27.73%	18.02%	9.93%	1.68%
Gannawarra Shire Council	17.44%	16.57%	14.89%	13.46%	12.24%	14.92%	12.57%	11.62%	10.69%
Hepburn Shire Council	22.84%	11.25%	12.43%	16.35%	13.66%	15.31%	11.34%	23.53%	22.66%
Hindmarsh Shire Council	15.74%	1.39%	1.52%	1.24%	2.30%	4.44%	1.07%	1.05%	1.04%
Indigo Shire Council	24.79%	20.86%	22.45%	26.66%	38.01%	26.55%	36.19%	33.60%	31.10%
Loddon Shire Council	22.01%	16.37%	20.34%	16.95%	17.73%	18.68%	20.62%	21.85%	23.36%
Mansfield Shire Council	20.06%	9.81%	23.21%	27.57%	24.14%	20.96%	23.55%	20.63%	18.83%
Murrindindi Shire Council	27.25%	25.04%	22.00%	17.60%	30.79%	24.54%	15.99%	15.13%	14.34%
Northern Grampians Shire Council	32.83%	13.88%	26.48%	17.14%	28.80%	23.82%	23.71%	21.30%	19.55%
Pyrenees Shire Council	28.10%	22.66%	19.84%	5.46%	1.59%	15.53%	1.72%	1.71%	1.71%
Strathbogie Shire Council	29.16%	16.02%	16.26%	15.08%	14.01%	18.10%	10.28%	8.91%	7.91%
Towong Shire Council	24.16%	8.41%	4.07%	5.97%	7.43%	10.01%	16.31%	14.32%	12.37%
West Wimmera Shire Council	14.56%	1.73%	5.44%	4.71%	3.86%	6.06%	5.33%	5.04%	5.09%
Yarriambiack Shire Council	24.05%	8.85%	9.58%	6.21%	4.67%	10.67%	5.24%	4.34%	7.77%
Average	23.88%	15.75%	16.38%	19.22%	20.17%	19.08%	18.43%	17.40%	13.82%

Source: VAGO.

Figure D31
Small shire councils, capital replacement 2012–2016

Small shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Alpine Shire Council	1.70	1.13	1.24	1.43	1.40	1.38	2.58	1.25	1.19
Ararat Rural City Council	0.98	1.10	1.42	1.49	1.07	1.21	2.03	0.66	0.66
Benalla Rural City Council	2.77	1.82	1.77	1.79	0.95	1.82	1.60	1.04	1.04
Borough of Queenscliffe	2.77	2.19	2.43	1.64	1.96	2.20	3.09	3.49	1.33
Buloke Shire Council	1.56	1.59	5.79	1.55	0.89	2.28	1.23	0.91	0.91
Central Goldfields Shire Council	1.23	2.41	1.64	1.22	0.99	1.50	2.16	1.08	1.21
Gannawarra Shire Council	5.62	2.33	1.33	1.94	1.73	2.59	2.00	1.81	1.52
Hepburn Shire Council	3.06	3.09	1.71	1.36	1.53	2.15	2.05	2.15	1.23
Hindmarsh Shire Council	1.70	4.06	2.01	1.24	1.14	2.03	1.25	1.14	0.88
Indigo Shire Council	1.98	1.33	1.61	2.51	1.31	1.75	1.37	1.27	1.39
Loddon Shire Council	3.38	0.97	1.24	0.94	1.18	1.54	1.98	1.40	1.74
Mansfield Shire Council	1.50	1.35	3.03	1.84	1.19	1.78	1.78	1.40	1.34
Murrindindi Shire Council	3.58	0.96	1.18	0.79	1.03	1.51	0.85	0.93	0.81
Northern Grampians Shire Council	1.09	0.95	1.25	1.11	0.87	1.06	0.80	0.74	0.67
Pyrenees Shire Council	1.16	1.72	0.79	0.87	0.99	1.10	1.11	0.92	0.70
Strathbogie Shire Council	1.56	1.41	1.41	1.58	1.43	1.48	2.11	1.44	1.20
Towong Shire Council	1.17	1.56	1.81	1.80	1.63	1.60	2.77	1.68	1.40
West Wimmera Shire Council	1.02	1.00	1.03	0.96	1.02	1.01	0.89	1.09	0.85
Yarriambiack Shire Council	1.77	1.51	1.17	1.12	1.33	1.38	1.11	0.75	0.72
Average	2.09	1.71	1.78	1.43	1.25	1.65	1.72	1.32	1.10

Source: VAGO.

Figure D32
Small shire councils, renewal gap 2012–2016

Small shire councils	2011–12	2012–13	2013–14	2014–15	2015–16	Average	Forecast		
							2016–17	2017–18	2018–19
Alpine Shire Council	0.13	1.10	1.08	0.98	1.21	0.90	2.45	1.25	1.19
Ararat Rural City Council	0.94	1.05	1.07	1.06	0.79	0.98	1.89	0.65	0.65
Benalla Rural City Council	1.04	1.21	1.72	1.10	0.71	1.15	1.13	0.55	0.55
Borough of Queenscliffe	2.31	1.96	0.98	1.23	1.64	1.62	1.62	2.08	0.89
Buloke Shire Council	1.40	1.31	5.97	0.84	0.74	2.05	1.07	0.91	0.91
Central Goldfields Shire Council	0.88	2.04	1.01	0.95	0.83	1.14	1.24	0.83	0.95
Gannawarra Shire Council	1.40	1.87	1.24	1.68	1.15	1.47	1.14	1.42	1.02
Hepburn Shire Council	2.95	2.74	1.08	1.26	1.46	1.90	1.37	1.56	1.11
Hindmarsh Shire Council	1.40	2.64	1.83	0.91	0.96	1.55	0.98	1.10	0.83
Indigo Shire Council	1.74	1.16	1.56	2.34	1.17	1.59	1.00	0.78	0.83
Loddon Shire Council	2.63	0.78	1.12	0.71	0.51	1.15	1.42	0.77	0.75
Mansfield Shire Council	0.70	1.05	2.58	1.54	0.96	1.37	1.46	1.36	1.31
Murrindindi Shire Council	1.61	0.64	0.82	0.69	0.62	0.88	1.02	0.42	0.43
Northern Grampians Shire Council	2.29	1.96	1.23	0.62	0.75	1.37	0.75	0.73	0.67
Pyrenees Shire Council	0.53	1.07	0.58	0.75	0.87	0.76	0.99	0.83	0.63
Strathbogie Shire Council	1.36	0.98	1.25	1.52	1.35	1.29	1.94	1.37	1.14
Towong Shire Council	1.07	2.46	1.46	1.03	1.00	1.41	2.44	0.95	1.00
West Wimmera Shire Council	0.96	0.91	0.98	0.83	0.96	0.93	0.86	1.05	0.81
Yarriambiack Shire Council	1.42	1.23	0.93	1.10	1.29	1.19	1.05	0.71	0.68
Average	1.41	1.48	1.50	1.11	1.00	1.30	1.36	1.03	0.86

Source: VAGO.

Appendix E.

Asset valuations

Figure E1 shows the key elements of an effective asset valuation framework for councils. Part 4 discusses the results of our analysis of the 79 councils according to this framework.

Figure E1
Key elements of an effective asset valuation framework

Elements
Policy
Measurement and valuation of non-current physical assets policy and guidelines exist and: <ul style="list-style-type: none">• contain an objective• specify the scope of the policy• specify the frequency the policy should be reviewed and updated• require assets to be valued at a component level• specify the valuation approach for determining fair value• refer to applicable financial reporting framework and its requirements• are comprehensive. Policy and guidelines are approved.
Management practices
Terms of engagement with the appointed valuer documented and agreed with management, and aligned with the requirements of the exercise. Comprehensive and regular reporting to management and audit committee. Reasonableness of the valuation result assessed considering: <ul style="list-style-type: none">• appropriateness of sample selection, sample size and mix of physical and desktop assessments• appropriateness of the unit costs/indices applied• asset condition considered when assessing useful lives• reasonableness of the movement in asset value given management understanding of the assets. Recommendation by management to the audit committee and council regarding adoption of valuation results. Periodic review by management of policy, procedures and practices.
Governance and oversight
Policy and procedures approved by the audit committee. Periodic review of policies by management and audit committee. Internal audit used to review policy, processes and practice periodically. <i>Source: VAGO.</i>

Appendix F.

Glossary

Asset

An item or resource controlled by an entity that will be used to generate future economic benefits.

Audit Act 1994

Victorian legislation establishing the Auditor-General's operating powers and responsibilities and detailing the nature and scope of audits that the Auditor-General may carry out.

Audit opinion

A written expression, within a specified framework, indicating the auditor's overall conclusion about a financial (or performance) report based on audit evidence.

Capital expenditure

Money an entity spends on:

- new physical assets, including buildings, infrastructure, plant and equipment
- renewing existing physical assets to extend the service potential or life of the asset.

Clear audit opinion

A positive written expression provided when the financial report has been prepared and presents fairly the transactions and balances for the reporting period in accordance with the requirements of the relevant legislation and Australian Accounting Standards—also referred to as an unqualified audit opinion.

Depreciation

Systematic allocation of the value of an asset over its expected useful life, recorded as an expense.

Emphasis of matter

A paragraph included in an **audit opinion** that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.

Equity or net assets

Residual interest in the assets of an entity after deduction of its liabilities.

Expense

The outflow of assets or the depletion of assets an entity controls during the financial year, including expenditure and the **depreciation** of physical assets. An expense can also be the incurrence of liabilities during the financial year, such as increases to a provision.

Financial report

A document reporting the financial outcome and position of an entity for a **financial year**, which contains an entity's financial statements, including a comprehensive income statement, a balance sheet, a cash flow statement, a comprehensive statement of equity and notes.

Financial sustainability

An entity's ability to manage financial resources so it can meet its current and future spending commitments, while maintaining assets in the condition required to provide services.

Financial year

A period of 12 months for which a financial report is prepared, which may be a different period to the calendar year.

Governance

The control arrangements used to govern and monitor an entity's activities to achieve its strategic and operational goals.

Internal control

A method of directing, monitoring and measuring an entity's resources and processes, in order to prevent and detect error and fraud.

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of assets from the entity.

Local Government Act 1989

An Act of the state of Victoria that establishes the:

- purpose of local authorities
- powers that will enable local authorities to meet the needs of their communities
- accountable system of local government
- reform of law relating to local government.

Management letter

A letter the auditor writes to the governing body, the audit committee and management of an entity outlining issues identified during the financial audit.

Material error or adjustment

An error that may result in the omission or misstatement of information, which could influence the economic decision of users taken on the basis of the financial statements.

Net result

The value that an entity has earned or lost over the stated period (usually a **financial year**), calculated by subtracting an entity's total expenses from the total revenue for that period.

Performance report

A statement detailing an entity's predetermined performance indicators and targets for the **financial year**, and the actual results achieved, along with explanations for any significant variances between the actual result and the target.

Revaluation

The restatement of a value of non-current assets at a particular time.

Revenue

Inflows of funds or other assets or savings in outflows of service potential, or future economic benefits in the form of increases in assets or reductions in liabilities of an entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period.

Risk

The chance of a negative or positive impact on the objectives, outputs or outcomes of an entity.

Auditor-General's reports

Reports tabled during 2016–17

Report title	Date tabled
Enhancing Food and Fibre Productivity (2016–17:1)	August 2016
Audit Committee Governance (2016–17:2)	August 2016
Meeting Obligations to Protect Ramsar Wetlands (2016–17:3)	September 2016
Efficiency and Effectiveness of Hospital Services: Emergency Care (2016–17:4)	October 2016
High Value High Risk 2016–17: Delivering HVHR Projects (2016–17:5)	October 2016
Security of Critical Infrastructure Control Systems for Trains (2016–17:6)	November 2016
Financial Systems Controls Report: 2015–16 (2016–17:7)	November 2016
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2015–16 (2016–17:8)	November 2016
Water Entities: 2015–16 Audit Snapshot (2016–17:9)	November 2016
Portfolio Departments and Associated Entities: 2015–16 Audit Snapshot (2016–17:10)	November 2016

VAGO's website at www.audit.vic.gov.au contains a comprehensive list of all reports issued by VAGO.



Availability of reports

All reports are available for download in PDF and HTML format on our website www.audit.vic.gov.au

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16. INTENTION TO APPLY FOR A HIGHER RATE CAP

Director Corporate & Community Services

File No: 52/04/02

Declaration of Interest: As author of this report I have no disclosable interest in this item.

PURPOSE

The purpose of this report is for Council to consider if it intends to notify the Essential Services Commission (ESC) of its intention to apply for a higher rate cap.

BACKGROUND

The Victorian Government established the Fair Go Rates System (FGRS) in December 2015. This legislative framework limits the annual rate of increase in Victorian local government general rates and municipal charges.

ISSUE / DISCUSSION

The Victorian Government's Fair Go Rates System (FGRS) limits the maximum amount by which Victorian councils can increase rates in a year without seeking additional approval. Each year the Minister for Local Government (the Minister) sets the average rate cap — that is, the maximum increase in councils' average rates and charges for the forthcoming financial year. The Minister can set a cap that applies to all councils, a group of councils or a single council.

The rate cap will be based on the forecast change in the consumer price index (CPI) over the financial year to which the rate cap relates, plus or minus any adjustment (for factors such as wage pressures or efficiency dividends).

In 2017-18, the rate cap applies only to general rates and municipal charges, not to other revenue such as service rates and service charges (garbage collection), special rates and charges, and revenue in lieu of rates. Under the legislation, the Minister has powers to extend the application of the rate cap to other rates or charges in the future.

If the average rate cap is insufficient to meet a council's needs, the council can apply to the Essential Services Commission (the Commission) for a higher cap.

For 2017-18, councils can seek a higher cap to apply for up to four years.

In considering whether to approve a higher cap, the Commission must have regard to six legislative matters:

1. the proposed higher cap and the specified year(s) that it will apply
2. the reasons for which the council seeks the higher cap
3. how the views of ratepayers and the community have been taken into account in proposing the higher cap
4. how the higher cap is an efficient use of council resources and represents value for money
5. whether consideration has been given to reprioritising proposed expenditures and alternative funding options and why the council does not consider those options to be adequate

6. that the assumptions and proposals in the application are consistent with the council's long term strategy and financial management policies set out in the council's planning documents and annual budget.

Key dates for the 2017-18 rating year

- Minister announces cap By 31 December 2016
- A council seeking approval for a higher cap notifies the Commission of intention to apply by 31 January 2017
- A council applies for a higher cap, submits Budget Baseline Information 1 February – 31 May 2017 (extended - see note below)
- The Commission assesses council applications February - May 2017
- Commission notifies councils of decisions within two months of receipt of application
- Councils formally adopt budget June 2017 (subject to receiving timely notice of decision by ESC)
- All councils submit Annual Baseline Information 31 October 2017
- Commission publishes Compliance Report November 2017

The notification of an intention to apply for a higher cap does not lock Council into applying for a higher cap. The notification provides an opportunity for Council to investigate the merits of a higher cap and to determine if the cap set by the Minister is sufficient to provide the services requested by the community.

It is noted that Local Government Victoria advised on 1st December 2016 that the Minister for Local Government had determined that higher rate cap applications would be due by 31st May 2017 and that the date for adoption of budgets was extended to 31st August 2017.

COUNCIL PLAN / LEGISLATIVE COMPLIANCE

Strategic Objective 1 - Leadership

1.8 - Drive long term financial sustainability through innovative and prudent financial management.

ATTACHMENTS

N/A

FINANCIAL / RISK IMPLICATIONS

The combination of the freezing of the Financial Assistance Grants, the capping of rates to forecasted CPI, the return to normal levels of Roads to Recovery funding in 2018-19 and the increasing renewal gap that sees Council losing around \$1,843,292 per annum in the value of its road network results in serious long term financial sustainability issues.

CONCLUSION

In accordance with the FGRS a Council can apply for a higher rate cap if the average rate cap is insufficient to meet a council's needs.



CRS CLARK / O'CONNOR

That Council notifies the Essential Services Commission of its intention to apply for a higher rate cap.

CARRIED



Our Ref: EK:ek

14 December 2016

Dr Ron Ben-David
Chairperson Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Dr Ben-David

RE: NOTIFICATION OF INTENTION TO APPLY FOR A HIGHER CAP

On the 13th December 2016 at an Ordinary Meeting of Council, the Pyrenees Shire Council resolved to apply for a Higher Cap. The resolution of Council was:

1. That Council notifies the Essential Services Commission of its intention to apply for a higher rate cap.

In accordance with The Fair Go Rates System Guidance for Councils (2017-18) please accept this letter as official notification of Pyrenees Shire Council's intention to apply for a Higher Cap.

Should you require clarification or further information please contact Evan King on 5349 1105.

Yours sincerely

J G Nolan
Chief Executive Officer

Pyrenees Shire Council



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23. HIGHER RATE CAP APPLICATION

Evan King, Director Corporate and Community Services

File No: 52/04/20

Declaration of Interest: As author of this report I have no disclosable interest in this item.

PURPOSE

The purpose of this report is for Council to consider the time period and quantum for a higher rate cap application.

BACKGROUND

The Victorian Government established the Fair Go Rates System (FGRS) in December 2015. This legislative framework limits the annual rate of increase in Victorian local government general rates and municipal charges.

The Victorian Government's FGRS limits the maximum amount by which Victorian councils can increase rates in a year without seeking additional approval. Each year the Minister for Local Government (the Minister) sets the average rate cap — that is, the maximum increase in councils' average rates and charges for the forthcoming financial year. The Minister can set a cap that applies to all councils, a group of councils or a single council.

The rate cap is based on the forecast change in the consumer price index (CPI) over the financial year to which the rate cap relates, plus or minus any adjustment (for factors such as wage pressures or efficiency dividends).

In 2017-18, the rate cap applies only to general rates and municipal charges, not to other revenue such as service rates and service charges (garbage collection), special rates and charges, and revenue in lieu of rates. Under the legislation, the Minister has powers to extend the application of the rate cap to other rates or charges in the future.

If the average rate cap is insufficient to meet a council's needs, the council can apply to the Essential Services Commission (the Commission) for a higher cap.

For 2017-18, councils can seek a higher cap to apply for up to four years.

ISSUE / DISCUSSION

The Minister for Local Government announced on the 19th December 2016 that the Labor Government has set the cap on Victorian council rate rises at 2 %, matching the Consumer Price Index (CPI) for 2017-18. (CPI as forecast by the Department of Treasury and Finance)

At the Ordinary meeting of Council held on the 13th December 2016 Council resolved to submit an intention to apply for a higher rate cap with the Essential Services Commission. The higher rate cap notification had to be submitted by the 31st January 2017. In response to Council's resolution a letter was sent to the Essential Services Commission on the 14th December 2016 notifying them of Pyrenees Shire Council's intention to apply for a higher rate cap.

In considering whether to approve a higher cap, the Commission must have regard to six legislative matters:

1. the proposed higher cap and the specified year(s) that it will apply

2. the reasons for which the council seeks the higher cap
3. how the views of ratepayers and the community have been taken into account in proposing the higher cap
4. how the higher cap is an efficient use of council resources and represents value for money
5. whether consideration has been given to reprioritising proposed expenditures and alternative funding options and why the council does not consider those options to be adequate
6. that the assumptions and proposals in the application are consistent with the council's long term strategy and financial management policies set out in the council's planning documents and annual budget.

It is proposed that the higher rate cap application be based on the following principles:

Legislative Matter 1 – quantum and period of the higher cap application

That Council applies for a higher rate cap of 3.5% for the period of two years. This equates to a rate cap of 2% plus 1.5% higher cap in 2017/18. For 2018/19 the higher rate cap of 3.5% is fixed irrespective of whether the rate cap set by the minister in December 2017 is above, below or the same as the 2% rate cap set for the 2017/18 year.

Higher rate cap applications can be applied for from one year to four years and are based on the financial year (1 July to 30 June).

It is proposed to only apply for a two year higher rate cap rather than the four years that is available under the FGRS. It is believed that given the uncertainty regarding forecasted CPI, future Enterprise Bargaining Agreements, State Election, future asset assessments and other Local Government funding sources it is considered prudent financial management to limit the higher rate cap application to two years.

Forecasted CPI

Applying for higher rate caps greater than one year require forecasts to be made on inflation. If Council locks into a higher rate cap based on a forecast of low levels of inflation, and the opposite occurs there is a risk that Council has set its rates to low and growth in expenditure is higher than growth in rate revenue.

Enterprise Bargaining Agreement

Locking into higher rate caps beyond the expiration of the current Enterprise Bargaining Agreement places a significant risk on Council if there were to be wage growth higher than inflation. Council's current enterprise bargaining agreement expires on the 17th December 2019. Historically Enterprise Bargaining Agreements at the Pyrenees Shire Council have had three year terms. Employee costs make up approximately 33% of Council's expenditure and therefore any changes as a result of Enterprise Bargaining negotiations can have a significant financial impact on Council. If wage growth was to exceed inflation over the coming years and the next Enterprise Bargaining Agreement stipulated wage increases greater than the rate cap Council would have a situation where the increase in employee costs is greater than the growth in rate revenue.

State Election

The next State Election is due to be held on the 24th November 2018. A State Election will generate uncertainty around the FGRS and the potential of changes to the system. Locking into a higher rate cap beyond the election will increase risk and uncertainty for Council.

Asset Assessments

Council undertakes a detailed assessment of its road infrastructure on a three year basis. The last assessment was conducted in December 2015. Locking into higher rate caps beyond the next assessment limits Council's ability to react to changes in renewal demand.

Local Government Funding

A key component to the application for a higher rate cap is to consider alternate funding sources. Locking into long term higher rate caps removes the ability for Council to consider increases and decreases in Government funding.

The higher cap of 1.5% would raise approximately:

- 2017/18 - \$114,700 in additional rate revenue
- 2018/19 - \$118,700 in additional rate revenue

Legislative Matter 2 – the reason for the higher cap

On an annual basis Council undertakes a Community Satisfaction Survey through a third party. There has been a clear message through these surveys that the community is dissatisfied with the level of service provided by the unsealed (gravel) road network. This feedback was supported by the Gravel Road Survey that identified the following:

- 74% of respondents are not satisfied with current gravel road maintenance.
- 43% of respondents believe that maintaining high use gravel roads more frequently than lower use gravel roads is an acceptable management practice.
- 76% of respondents think council does not spend enough money on gravel roads
- 65% of respondents think council should spend more to grade road all year round to improve response times to customer action requests.
- 30% of respondents would be willing to pay more rates to help cover the cost of unsealed road grading.
- 89% of respondents would like to see more grading
- 44% of respondents would like to see more maintenance and upgrading of culverts
- 41% of respondents would like to see more trimming of trees.

Based on extensive community consultation Council developed a Gravel Road Strategy.

It is proposed that the revenue raised from the additional 1.5% higher rate cap be used to implement the Gravel Road Strategy.

Legislative Matter 3 – views of the rate payers

Extensive consultation was undertaken as part of the development of the Gravel Road Strategy which included five consultation sessions. The purpose of these sessions was to obtain a view from the community on how council delivers its gravel road services, and to explain to the community some of the constraints on council in relation to gravel roads renewal and maintenance.

The following questions were presented to the community members during the presentation at the consultation session:

- Are there gravel road works that you would like to see more of?
- Are there roads that you consider that should be moved from their current category to a higher or lower category?

- Are there any roads that are only used by one or two ratepayers that could be returned to private roads? eg. fenced and gated.
- Could you identify any ways Council could undertake gravel road maintenance work in a more efficient manner?
- Would you be prepared to pay an additional amount in rates for the next 4 years to improve the maintenance condition of the shire's gravel roads?

These questions were reflected in the online surveys.

Attendees participated in a group activity which allowed them to make notes on locality maps raising areas of concern; from this data 106 concerns were noted. The common issues raised included a higher frequency and standard of grading maintenance, greater drainage and vegetation maintenance, consideration for changes in categorisation of roads, and potential of upgrading some gravel roads to sealed roads.

Attendees were given the opportunity to provide feedback directly at the sessions and via a survey. The survey was available at the sessions as well as at customer service centres in Beaufort and Avoca, on council's website, and on council's facebook page. The survey was due to close on 16 September 2016.

Legislative Matter 4 – efficient use of resources and value for money

Council demonstrates efficient use of resources through and value for through:

- Review of services
- Participation in Central Highlands Regional Procurement
- Adoption of Best Value Principals and Reviews
- Internal Audit program
- Shared Services
- Collaborative procurement

Legislative Matter 5 – reprioritisation and alternate funding source

Prior to applying for a higher rate cap Council and the community consider all potential trade-offs and funding options. Council investigates reductions in both operating and capital spending to ensure that the higher rate cap is the last option.

Council does not view borrowings as an alternative, as it considers it would limit its long term financial strategy of using borrowings to fund large unforeseen expenditure items and large capital investment projects that are intergenerational (pools and community facilities). The funding of required road infrastructure renewal from debt would place a significant burden on ratepayers now and in the future and limit Council's ability to fund large unforeseen expenditure in the future.

Legislative Matter 6 – consistency with Council's strategic direction

The higher rate cap application is consistent with the Council Plan, Long-term Financial Plan and Council's Asset Management Plans.

The allocation of the higher rate cap to Unsealed Roads is also consistent with the assessment of Council's roads by Moloney Asset Management Systems.



Key dates for the 2017-18 rating year

- Minister announces cap By 31 December 2016
- A council seeking approval for a higher cap notifies the Commission of intention to apply by 31 January 2017
- A council applies for a higher cap, submits Budget Baseline Information 1st February 2017 – 31st May 2017
- The Commission assesses council applications February - May 2017
- Commission notifies councils of decisions within two months of receipt of application
- Councils formally adopts budget June 2017
- All councils submit Annual Baseline Information 31 October 2017
- Commission publishes Compliance Report November 2017

COUNCIL PLAN / LEGISLATIVE COMPLIANCE

Strategic Objective 1 - Leadership

1.8 - Drive long term financial sustainability through innovative and prudent financial management.

ATTACHMENTS

Nil

FINANCIAL / RISK IMPLICATIONS

The combination of the freezing of the Financial Assistance Grants, the capping of rates to forecasted CPI, the return to normal levels of Roads to Recovery funding in 2018-19 and the increasing renewal gap that sees Council losing around \$1,843,292 per annum in the value of its road network results in serious long term financial sustainability issues.

CONCLUSION

Based on the financial constraints of Council and the demand for improved service levels in particular regarding gravel roads it is proposed to apply for a higher rate cap of 3.5% for the 2017/18 and 2018/19 financial years.

CRS CLARK / VANCE

That Council,

1. Submits an application to the Essential Services Commission for a higher rate cap of 3.5% (1.5% above the 2% rate cap set by the Government for the 2017/18 financial year) for the 2017/18 and 2018/19 financial years.
2. Allocates rate revenue raised from the higher rate cap be utilised for road infrastructure renewal works in line with recently adopted gravel roads strategy.

CARRIED

Draft 1 No blue specific text yet amended for Pyrenees Shire this will be done when unit renewal rates and levels of renewal expenditure have been set by Council.

Draft 2: Emailed to Council 4/2/2016. All blue text now amended to reflect Councils position. Unit rates and expenditures have been agreed to by council. Please get back to me with any comments or recommendations and I will finalise the report.

Draft 2A : Some very Minor amendments prior to Council presentation 16/2/2016

Draft 3 Fixed an error with the degradation curve for the rural sealed road pavements which has resulted in a lowering of the renewal demand over the next 20-years and a reduction in the recommended annual increase in renewal expenditure from 4.7% pa to 1.0% pa.

Moloney Asset Management Systems MAMS



Report Following the Survey of
Road Assets
for Pyrenees Shire
Dec-2015

Report produced by Moloney Asset Management Systems
exclusively for Pyrenees Shire

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Section 1: Report Summary

This report provides a summary of the major findings following the road asset condition survey, undertaken in Dec-15 for Pyrenees Shire by Moloney Asset Management Systems MAMS.

This summary aims to provide an overview of the important findings coming out of the survey as well as a snapshot of the overall asset condition and financial Modelling results, it is in three parts as detailed below.

- 1.1 Overall Report Findings
- 1.2 Summary of Asset Condition Findings
- 1.3 Summary of financial Modelling results

1.1 Overall Report Findings

The following are the major findings coming out of the condition survey and analysis of results within this report.

1.1.1 Major Report Findings

1. *At a high level it is estimated that Pyrenees Shire has lost around 1.13% of the value within its full road network since the last survey in 2011*
2. *The total present renewal shortfall or backlog in over intervention assets for the whole roads group is estimated at \$4,192,637 representing 2.38% of the total road asset valuation. This is considered to be a reasonable figure by industry standards but Council should focus on not allowing the backlog grow any further, or reducing the figure slowly with time.*
3. *Renewal demand is predicted to rise slowly but steadily over the next 10 - 20 years and modelling indicates that council will need to lift its present total renewal expenditure of \$2,030,000 by 1.0% compounding for the next 10-years in order to reduce the present total level of over intervention assets at 2.38% back to around 2.0% after 10-years. (All figures in today's dollars).*
4. *Renewal demand in years 10 - 20 is predicted to continue to rise. With the present planned renewal expenditure level at only 52% of the consumption rate (annual depreciation) this should be understood and planned for.*
5. *The sealed road pavements were found to be in fair overall condition and had experienced a condition decline since 2011.*
6. *The sealed surface assets (re-seals) were found to be in fair overall condition and had experienced a quite measurably condition decline since 2011.*
7. *The Unsealed road pavement assets were found to be in excellent overall condition and had experienced a quite measurable condition improvement since 2011. This is due to the additional funding received from various sources over the period since the last condition survey.*
8. *The Kerb assets were found to be in very good overall condition and had experienced a condition improvement since 2011.*
9. *The footpath assets were found to be in good overall condition and had experienced an overall condition decline since 2011.*
10. *Pyrenees Shire has made some very significant progress in the management and funding of its road network since our first survey in 2010. Back in 2010 council was funding its road asset renewals at 30% of the consumption rate. This had moved to 36% by 2011 and is currently at 52%.*
11. *At a funding level of 52% of the consumption rate, council is losing around \$1,843,292 pa in the value of its road network. In the longer term the present renewal funding level of \$2,030,000 pa will need to rise to the consumption rate of \$3,873,292 pa and at some point will need to go beyond even that level to make up for past shortfalls.*
12. *The rising renewal demand within the road network over the last 20 years has two basic causes. Firstly the ageing of the assets and secondly the very strong rise in unit renewal costs.*

13. Council is not alone in facing a growing renewal demand on its road network. It has come a long way since 2010 but it must be aware of the predicted future growth in renewal demand and take steps to address this.
14. All financial reporting within this document is based in today's values with no allowance for any CPI movement. The Moloney software has the capacity to adjust all outputs for an adopted annual CPI increase, but it is felt that this can present some very misleading and difficult to interpret results.

1.1.2 Other Important matters covered within the report

1. Unique degradation curves have been produced based on actual condition change between the three surveys undertaken between 2010 and 2015.
2. Key performance indicators have been developed at a sub asset level that accurately quantify asset condition change since the 2011 survey
3. The same key performance indicators have been used to benchmark Pyrenees Shire against the other 59 councils assessed by MAMS.

1.2 Summary of Asset Condition Findings

SUB ASSET DESCRIPTION	Overall Asset Cond. Indicator	Urgent Isolated Failures	Other Isolated Failures	Ext of Poor Cond. Assets
Sealed Pavements	Worse	Better	Worse	Better
Sealed Surfaces	Worse	N/A	N/A	Worse
Unsealed Pavements	Better	Better	N/A	Better
Kerbs	Better	Worse	Worse	Better
Footpaths	Same	Worse	Worse	Worse

Figure 1.1 Summary of asset condition change between surveys

The above table provide a very simple assessment of how certain key condition indicators have changed since the previous survey. The overall asset condition is a single condition factor representing the condition of the whole asset set. The urgent isolated failures are those that need to be addressed immediately. The other isolated failures represent all other failures that are not considered to be urgent. The extent of poor condition assets is the extent of the asset base at and above condition 6 - 8 depending upon the asset class. The Moloney Condition rating system is consistent across all asset types and commences at zero with a new asset and ends in the 8 to 10 range when there is no remaining life in the asset.

The table is a simplified version of a more detailed table that is provided within each of the sub asset sections below. The detailed table quantifies the actual condition change between the two surveys and also expresses that change in percentage terms.

Figure 1.1 indicates that the sealed road pavements and surfaces have declined in overall condition since 2011 and that all other assets have generally improved.

1.3 Summary of financial modelling results at whole of roads group level

The Moloney financial modelling tool has two distinct modelling paths. One predicts future renewal demand based on a desired condition outcome, the other predicts future asset condition based on a proposed renewal spend.

Reporting within this section and more broadly within this report will deliver the following outcomes.

- Figure 1.1 Prediction of renewal expenditure demand to maintain all assets strictly within a desired condition range (Ideal funding pattern if there is no limit on funding)

- Figure 1.2 Prediction of future asset condition based on the continuation of the current levels of renewal expenditure (Where you will be, if you maintain the current funding levels)
- Figure 1.3 Prediction of future asset condition based upon a recommended renewal funding pattern (gets to the desired condition over a longer period and costs less up front)

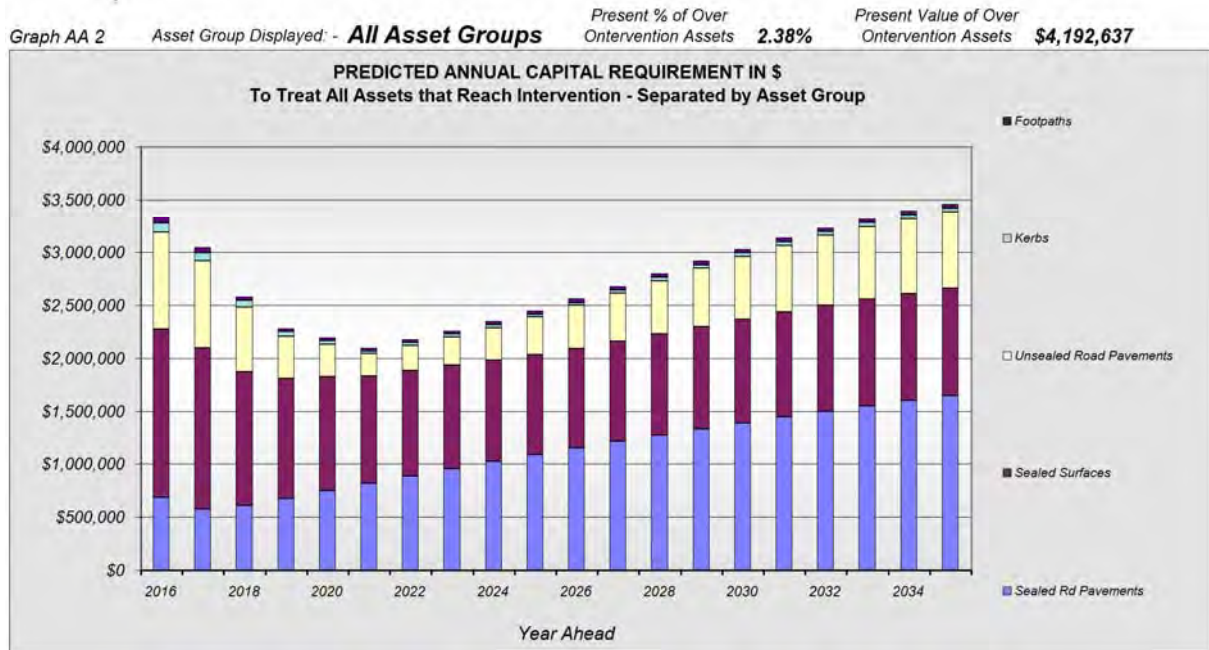


Figure 1.1 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure 1.1 Represents the renewal funding requirement to treat all assets that are predicted to reach the intervention level over the next 20-years. If the raw difference in demand between years one and two is greater than 30% then the program eases this in over the first 5-years. The profile can be seen as the ideal world scenario where no assets will be above the intervention level after the first 5-years. But it can present an unaffordable renewal expenditure profile.

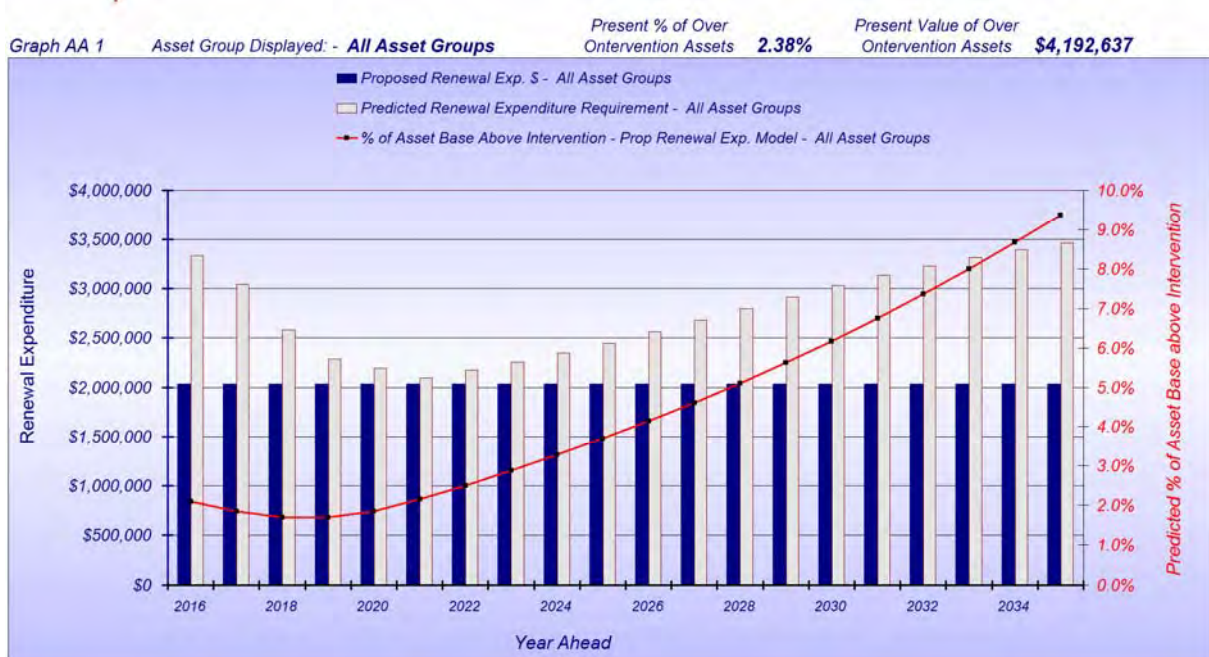


Figure 1.2 Future Predicted Condition Based on Continuation of Present Renewal Expenditure

Figure 1.2 presents the predicted future asset condition (red line expressed as the predicted % of the asset base above the selected intervention level) based on the planned renewal expenditure profile (Blue Bars). The grey bars represent the required expenditure profile to treat all assets that reach intervention (same total figures as Figure 1.1).

The present extent of over intervention assets (backlog) on the whole roads group is estimated at \$4,192,637, which represents 2.38% of the network. This is currently within an acceptable range but it would be desirable to trend in down a little over time.

Figure 1.2 indicates that the planned renewal funding level, if maintained over the next 20-years will result in a steady rise in the total extent of over intervention assets over the whole roads group from its present level of 2.38% up to 9.37% after 20-years. This would be a disastrous outcome and clearly an increase in renewal funding will be needed in future years.

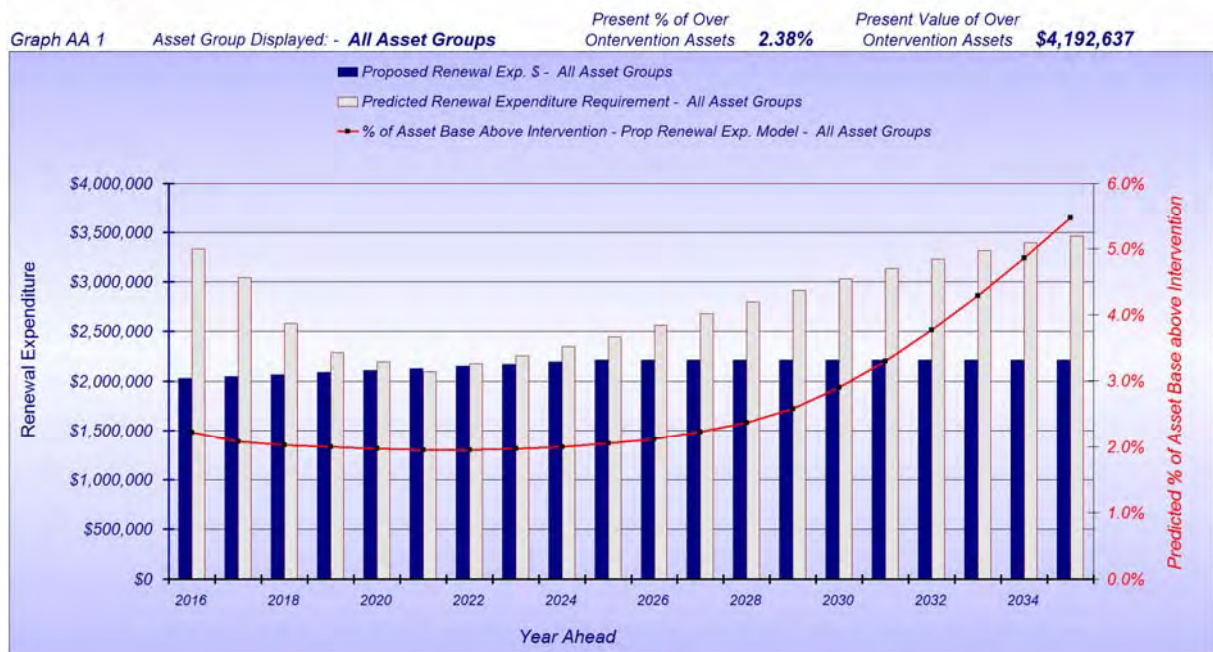


Figure 1.3 Recommended future funding profile with future predicted extent of over intervention assets

Figure 1.3 comes from the same modelling process as Figure 1.2. Accept that here a recommended total renewal expenditure profile has been developed that will achieve a desired condition outcome within a designated period of time.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level within an adopted time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding based on need rather than the historic expenditure level. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varied between sub asset sets if required.

We normally attempt to commence the year one expenditure with council's present expenditure level (at a whole of roads group level). In this way we can deliver an achievable outcome. If additional funding is required then it will come as an annual percentage increase. If total funding is sufficient then there may be some reallocation between asset classes based on need.

The three Variables used for the full roads group modelling are as detailed below:

- Desired extent of over intervention assets - 15% reduction in the present level of - 2.38%
- Time to achieve this - 10 - Years
- Annual percentage increase in renewal expenditure - 1.00%

Figure 1.3 represents the minimum annual renewal expenditure to achieve the desired condition outcome within the nominated time frame. This modelling approach is designed to deliver an achievable outcome that accepts a small percentage of over intervention assets as remaining and hence often delivers a more achievable outcome than Figure 1.1 where all over intervention assets have to be treated upfront.

Figure 1.3 indicates that councils present total renewal expenditure level of \$2,030,000 pa if adopted as the commencing point in 2016 will require a 1.0% compounding annual increase for the next 10-years to deliver the same extent of over intervention assets (2.38%) as presently exists after 10-years.

1.5 Recommended Renewal Funding levels for the next 5 - Years

Figure 1.4 below contains 3 sets of figures relating to renewal expenditure levels for the asset sets under consideration. The first covers the present actual renewal expenditure as committed by Council for the current financial year. The second is the full-required expenditure to treat all assets that are at the selected intervention level in year 1 (the ideal scenario). The third is the recommended funding level coming out of the modelling work within figure 1.3 above. Note that this may also include a compounding annual increase (See Table Title).

The recommended expenditure profile in Figure 1.3 may not treat all present over intervention assets within the first 2 – 5 years as is the case with Figure 1.1. But what it will do is allow you to reach a desired extent of the asset base to be above intervention within a selected time frame. In this way it can ease in and ramp up expenditure into the future, to achieve the desired goal within a reasonable time frame.

In this case the total present funding level of \$2,030,000 pa required an annual increase on 1.0% pa compounding for the next 10-years in order to deliver the same level of over intervention assets as currently exists (2.38%) after 10-years.

Sub Asset Description	Average Planned renewal expenditure next 10 Years	Annual Depreciation or Average Long term Annual Demand	Present Capital Renewal Demand From Modelling	Peak Capital Renewal Demand From Modelling	Year of Predicted Peak Demand	Recommended Commencing funding with 1.0% Compounding annual increase for next 10-years
Sealed Pavements	\$404,000	\$1,901,516	\$682,000	\$1,650,000	2035	\$800,000
Sealed Surfaces	\$850,000	\$1,012,259	\$1,593,000	\$1,593,000	2016	\$912,000
Unsealed Pavements	\$720,000	\$852,089	\$915,000	\$915,000	2016	\$265,000
Kerbs	\$10,000	\$70,420	\$88,000	\$88,000	2016	\$28,000
Footpaths	\$46,000	\$37,007	\$55,000	\$55,000	2016	\$25,000
Totals	\$2,030,000	\$3,873,292	\$3,333,000	\$3,462,000	2035	\$2,030,000

Figure 1.4 Recommended Annual Renewal Expenditure levels

Section 2: Introduction

2.1 The Condition Survey and what it has delivered

The Moloney Asset Management system “Roads Module” covers the road sub asset groups of:

- Sealed Surfaces
- Sealed Road Pavements
- Kerbs
- Unsealed Road Pavements
- Footpaths
- Bridges - Just the modelling results to present an overall picture for the whole roads group.

The sealed surface is the thin spray sealed or asphalt surfacing that seals off the underlying pavement from the intrusion of water. This component has a shorter life than the underlying pavement and typically would need to be renewed on a 12 to 20 years cycle.

The sealed road pavement is made up of a granular material (crushed rock, gravel or the like) that is used to dissipate the imposed vehicle load to the underlying soil so that there is little or no deformation or movement. Pavements do break down and move with time and typically their service life would be in the 50 to 150 year range.

Kerbs in urban areas are used to drain water away from the pavement and tend to have a life similar to the sealed pavement.

The unsealed road pavement performs the same role as the sealed pavement. Except that it does not have the additional protection of a sealed surface. Its renewal life is shorter than the sealed pavement and typically would have a cycle of 15 to 30 years.

Footpath assets are not really related to the road pavement and can be seen as pavements for foot traffic. Their life will vary greatly and can be quite extensive if localised failures are repaired as they occur.

As can be seen from the above very brief descriptions, the adopted road sub asset components all have different lives and performance requirements, this is why they are examined and modelled separately.

This survey has covered all of the above road sub asset groups.

The condition survey involves the measurement and quantifying of all of the above sub asset groups and the breaking down of the assets into a series of like performing segments that are then individually condition rated.

Once this data is placed within the MAMS System the software will deliver works programs in priority order, based upon both the condition of the assets and the hierarchy or relative importance of the road. If data for all of the designated condition and inventory fields is collected, then the software will deliver a costed priority works program for the following activities.

- Reseal – Resurfacing program on sealed roads.
- Sealed Road Pavement Rehabilitation program
- Sealed Road Pavement Major Patching or dig out repair program
- Unsealed Road Re-Sheeting program.
- Unsealed road spot patching program.
- Kerb Renewal program and a separate Isolated failure repair program.
- Footpath Renewal program and a separate Isolated failure repair program.
- A host of other major maintenance reports such as crack sealing report, edge break report etc.

The prime purpose of the condition assessment survey is to deliver the above works programs. But the information collected also serves further very important functions. Firstly it enables full and accurate asset valuations to be undertaken and secondly via the MAMS financial modelling software the data can be used to predict the future pattern of asset renewal demand.

The data is also used to benchmark an individual councils performance between two condition surveys as well as providing industry wide benchmarking against all other councils assessed by MAMS (*Currently around 52 councils*).

In summary the one condition and inventory data set that has just been completed, delivers the following 4 very important outcomes.

- **Council’s capital renewal works and major maintenance programs.**
- **Road asset valuation figures.**
- **Predictive modelling of future renewal demand cost.**
- **Internal and External benchmarking of asset condition and performance.**

2.2 The Aim of this report

While the condition assessment survey delivers detailed condition ratings right down to individual segment level, this report is aimed at a higher level and tracks the performance of the roads on a network basis.

This report will focus on the last 3 of the above 4 dot points. For access to the detailed works programs you are referred back to the reports within the MAMS software itself.

In more specific terms the aim of this report is to deliver the following.

- Benchmark asset condition both internally (compared to a previous condition survey) and externally (compared to all other councils assessed by MAMS).
- Deliver asset valuation figures including annual depreciation for the whole network.
- Produce asset degradation curves based upon the statistical analysis of condition change between two condition surveys.
- Deliver a 20-year predicted pattern of asset renewal demand and recommended funding levels using the MAMS financial modelling software in conjunction with the survey results.

2.3 The Moloney Financial Model

Predictive modelling is undertaken within the Moloney financial modelling software in the following way

- It is a whole of asset set model that predicts overall performance of the asset set
- The model commences with the present condition of the assets and then degrades them to simulate the passage of time based on a unique degradation curve developed for each council
- From this point there are two distinct modelling paths
- A retreatment intervention condition is nominated (level of service) within the first path and all assets that rise above the intervention level through the degradation process are returned as a capital renewal requirement. The primary output being a 20-year capital renewal profile.
- In the second path proposed 20-year capital renewal expenditure profile is input and the model predicts the resulting asset condition over the same period.

For a detailed explanation of the model and how it works please refer to our web site at www.moloneys.com.au and from the “Get Information” tab download the PDF document titled “The Moloney Financial Modelling Methodology”.

Modelling outcome is very much dependent upon the accuracy of the input data and how assets are grouped. The basic five input criteria required for the modelling process are detailed below with their source identified. Council has supplied the rehabilitation unit rates and present expenditure levels. The survey of the assets has delivered the other variables.

The degradation curves used in the modelling process within this report have been specifically developed for Pyrenees Shire via a statistical analysis of asset condition change over 3 condition surveys since 2010.

Rehabilitation Cost	—	Supplied by Council
Present Expenditure Levels	—	Supplied by Council
Asset Quantity	—	Directly from this survey
Asset Condition	—	Directly from this survey
Degradation Curves	—	Unique Degradation curves developed by MAMS

Modelling outcome is dependent upon all 5 of the above variables. If any one is of poor or questionable quality then the whole process can be flawed.

2.3.1 Asset Unit Renewal rates

The asset unit renewal rates used within the modelling sections of this report are all based upon the projected cost to renew or rehabilitate an existing asset. Section 3 of the report dealing with asset valuations, uses unit construction rates based upon (green fields construction) or construction for the first time where no asset previously existed. This is an accounting requirement for valuations, but if those same unit rates were to be used in the future financial modelling of the assets the projected renewal demand could be quite misleading.

2.4 Capital Rehabilitation - Renewal and Capital Expansion Works

The term **Capital Expenditure** has a broad meaning that can denote different things under certain circumstances. For the purpose of this report all **Capital Expenditure** relates to Renewal or **Capital Rehabilitation Expenditure**. That is, expenditure put towards the replacement or rehabilitation of existing assets.

This report is limited in its financial analysis to the costs associated with the ongoing cyclical rehabilitation of the existing road asset base. Costs associated with new or upgraded assets would need to be added to the total expenditure levels delivered within the report. The financial analyses undertaken within the report can best be seen as an estimate of the ongoing financial demand to maintain the present asset base in perpetuity.

Section 3: Valuations and Current Expenditure Levels

This section will examine the overall asset valuations and the current level of capital-renewal and maintenance expenditure.

3.1 Estimated Asset Valuations

Following the completion of the survey the data was placed into the Moloney asset management system and the table below represents a summary of the overall asset quantities and valuations. The Annual Depreciation figure of \$3,873,292 is really an accounting figure and may vary from the actual annual renewal demand or what we term the Annual Renewal Liability. Annual Depreciation represents the first attempt to define the annual loss in capital value within the asset set. At its most basic level it represents the rate of annual capital consumption of the asset base.

ASSET DESCRIPTION	Total Quantity	Units	Weighted Av. Asset Cond.	Replace. Value \$	Asset Life in Years	Written Down Value \$	Accumul. Deprec. \$	Annual Deprec. \$
Footpath	18,659	Lin. Met	3.383	1,960,791	52.1	1,013,062	947,729	37,007
Kerb	59,447	Lin. Met	3.200	5,451,399	78.1	3,270,746	2,180,653	70,420
Sealed Pavements	738,455	Lin. Met	3.865	128,640,036	80.4	66,495,474	62,144,562	1,901,516
Unsealed Pavement	1,228,026	Lin. Met	1.263	21,786,881	25.0	18,181,566	3,605,315	852,089
Sealed Surface	739,190	Lin. Met	3.744	18,998,688	18.5	8,855,085	10,143,603	1,012,259
TOTAL VALUATIONS				176,837,795		97,815,933	79,021,862	3,873,292

Figure 3.1 Table of asset valuations

Important Note:

The asset valuations detailed above are based upon the best available information at the time of preparing this report. Before they are adopted for accounting purposes council MUST check the inputs and assumptions to ensure that the results are consistent with their approach to the valuation of road assets.

3.2 Current Levels of Renewal Expenditure vs. Av Long-term Demand

Sub Asset Description	Present total Annual Capital Renewal Expenditure	Annual Depreciation or Average Long term Annual Demand	% of Annual Depreciation Being Met
Sealed Pavements	\$404,000	\$1,901,516	21%
Sealed Surface	\$850,000	\$1,012,259	84%
Unsealed Pavement	\$720,000	\$852,089	84%
Kerbs	\$10,000	\$70,420	14%
Footpaths	\$46,000	\$37,007	124%
Totals	\$2,030,000	\$3,873,292	52%

Figure 3.2 Details of Current Expenditure Levels and demand

Figure 3.2 provides some very important overall figures. It indicates that the average long-term annual renewal demand (depreciation) is \$3,873,292 pa and that the present capital renewal expenditure is \$2,030,000 pa.

Council is funding 52% of the average long-term renewal demand (Annual depreciation) or consumption rate. Modelling in later sections of the report will determine if the current level of expenditure is meeting present renewal demand. But clearly 52% will need to be lifted in the longer term.

Section 4: Asset Degradation – Performance Curves

Asset degradation or performance curves, unique to the district, can be developed once two or more consistent condition surveys have been undertaken. This is done in the Moloney system by examining all assets within a given condition rating following the first survey and determining which have degraded by the time of the second survey.

The condition change between surveys is used to predict the annual statistical probability of an asset degrading from one asset condition to the next. In turn this equates to an expected average life within each condition rating. The degradation curves serve two very important functions. Firstly they are used within the financial Modelling section of the Moloney system to predict future asset condition movement and financial demand. Secondly they should form the basis of the justification for the selection of depreciation life cycles within the accounting system.

The term "Degradation Curve" comes from a particular format that the degradation data can be presented in. Figure 4.0 below is a graphical representation of one of the pavement groups to be modelled and shows how an average asset within the group would perform. In this case it commences at year zero in condition zero at the top of the graph and progresses to reach condition 10 after years.

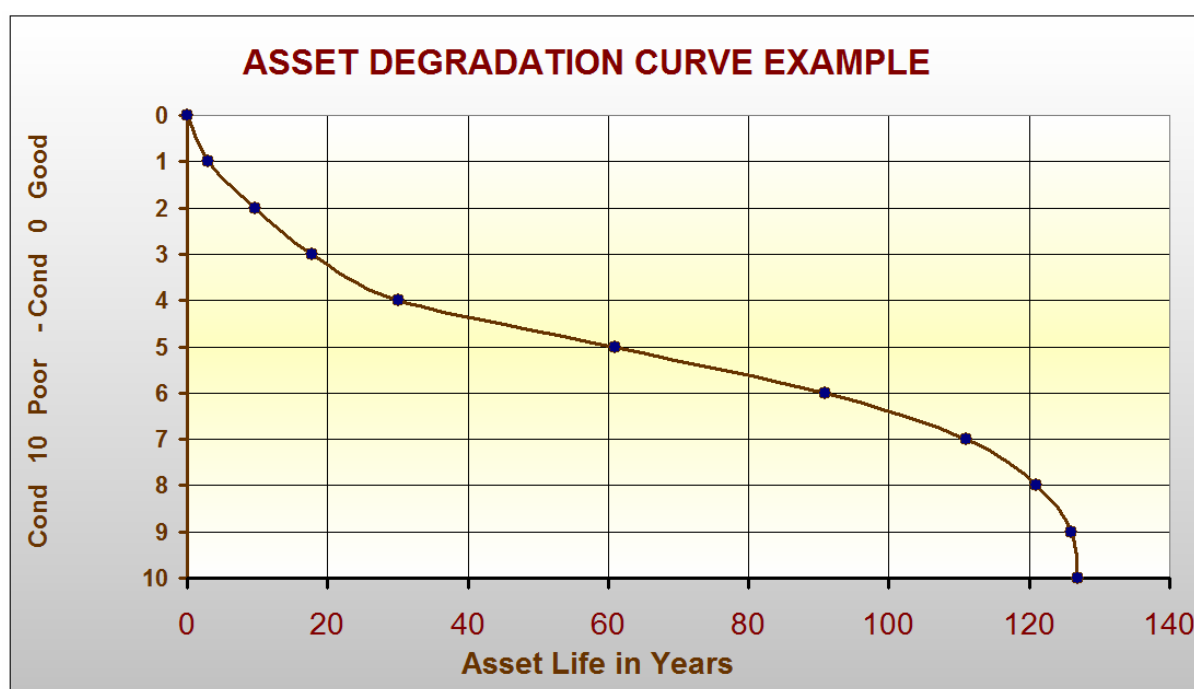


Figure 4.0 Example of a Degradation Curve (See Fig 4.1 First Column)

Within the asset degradation tables below the results are expressed as an expected life in years within each of the condition ratings 0 to 9. Little or no asset life is allocated above condition 8 as this is generally considered the upper condition limit for an asset to remain in service. The other important information within the table is the **% of total asset base within the start condition**. That is, the % of the total asset base that was within the commencing condition range at the time of the first survey, the higher the figure here, the more reliable the prediction.

Figures sometimes need to be manually adjusted to remove inconsistencies resulting from small sample size at the extreme ends of the condition range. In all cases the total expected life will be reduced because of the small sample size. In no situations will the total life be increased other than the rare case where there is no asset within a given condition or no asset within a condition range has degraded between the two surveys.

4.1 Degradation Curves as developed by MAMS

Degradation curves were produced for Pyrenees Shire by analysing the change in asset condition within three condition surveys over the last 5 years.

Asset Condition Range	All Urban Rd Pavements 2010 - 2015	All Rural Rd Pavements 2010 - 2015	All Rural Link and Collector Sealed Rd Pavements 2010 - 2015
9 - 10	1.0	1.0	1.0
8 - 9	5.0	2.0	2.0
7 - 8	10.0	10.0	10.0
6 - 7	20.0	12.0	14.0
5 - 6	30.0	14.0	11.7
4 - 5	30.9	10.0	9.0
3 - 4	12.2	10.0	9.0
2 - 3	8.2	5.8	5.9
1 - 2	6.6	5.1	5.1
0 - 1	3.0	4.0	4.0
	126.9	73.9	71.7

Figure 4.1 Road Pavement Degradation Rates – Expected life within each condition rating in Years

The sealed road pavement assets were found to have a total life of around 125 years in the township areas and 70 years in the rural areas

The total life illustrated in all of the tables within this section is the life to condition 10. In practice you will often intervene and rehabilitate before reaching condition 10. The total life is input into the financial model and the life to the selected intervention level will be less than that figure depending upon where you choose to intervene.

If you choose a low intervention level (High level of service) then your life to intervention can be very much lower than the total life to Condition 10. Think of the car tyre analogy down to the indicator lugs at, 40,000 km. fully worn through, 70,000 km.

Asset Condition Range	All Spray Seals 2010 - 2015	All Spray Seals 2011 - 2015	All Asphalt 2010 - 2015
9 - 10	0.0	0.0	0.0
8 - 9	1.0	2.0	2.0
7 - 8	2.0	3.0	5.0
6 - 7	3.0	4.0	7.0
5 - 6	5.3	3.9	7.7
4 - 5	4.1	4.0	4.5
3 - 4	3.2	3.3	4.5
2 - 3	3.0	2.8	2.0
1 - 2	2.8	2.7	2.0
0 - 1	2.1	2.6	2.0
	26.4	28.3	36.6

Figure 4.2 Sealed Surface Degradation Rates – Expected life within each condition rating in Years

The sealed surface asset group covers the two most common surface types of, asphalt and spray seal. Results here are very much in line with what we have observed in other districts. The ideal retreatment intervention level for a spray seal is around 6.2 thus service lives will be much lower than the full life to condition 10.

Asset Condition Range	Unsealed Roads with design depth of 100 mm	Unsealed Roads with design depth of 70 mm
9 - 10	1.0	0.0
8 - 9	1.0	1.0
7 - 8	2.0	2.0
6 - 7	3.0	3.0
5 - 6	4.0	4.0
4 - 5	5.0	6.0
3 - 4	5.0	8.9
2 - 3	5.8	8.0
1 - 2	7.0	5.0
0 - 1	5.0	5.0
	38.8	42.9

Figure 4.3 Un sealed Pavement Degradation Rates – Expected life within each condition rating in Years

The unsealed pavement degradation curves are at the upper end of the range we have developed for other councils with a total life to condition 10 of around 40-years. But intervention levels can be quite low on these assets and the service life would be expected to be within the 20 - 30 year range.

Asset Condition Range	All Kerbs 2010 - 2015
9 - 10	1.0
8 - 9	2.0
7 - 8	8.0
6 - 7	25.0
5 - 6	34.3
4 - 5	20.3
3 - 4	12.2
2 - 3	10.0
1 - 2	9.0
0 - 1	6.3
	128.1

Figure 4.4 Kerb Degradation Curves – Expected life within each condition rating in Years

Asset Condition Range	All Asphalt Footpaths 2010 - 2015	All Concrete Footpaths 2010 - 2015
9 - 10	1.0	1.0
8 - 9	2.0	2.0
7 - 8	2.0	4.0
6 - 7	2.0	5.0
5 - 6	4.0	20.0
4 - 5	5.0	35.0
3 - 4	10.0	10.5
2 - 3	5.4	5.9
1 - 2	4.5	5.2
0 - 1	2.0	8.7
	37.9	97.3

Figure 4.5 Pathways Degradation Curves – Expected life within each condition rating in Years

This is the second survey undertaken by MAMS for the kerb and footpath assets.

Results here are consistent with the results found for other council districts

4.2 Benefit of Unique Degradation Curves

The unique degradation curves developed via an analysis of condition change between surveys takes all variables into account to deliver a condition performance profile based upon the actual council locality. It is then used within the Moloney model to predict future condition change with time and greatly enhances the overall financial Modelling outcome.

Section 5: Sealed Road Pavement Asset Analysis

This section will deal with the Sealed Road Pavement assets. The first two figures below relate to asset condition and how condition has changed since the last survey while the third provides a condition comparison with other council districts surveyed by Moloney.

5.1 Condition and Performance Indicators for Sealed Road Pavements

MAMS have developed a series of 6 key condition indicators that can be applied to all road sub asset sets. They are used to measure condition movement between field surveys some years apart. They are also used to benchmark against other council districts assessed on the same basis.

The same key condition indicators are used for all road asset groups. However for some asset classes certain indicators are not applicable and as such are omitted. Detailed below is a brief explanation of the 6 key indicators. The explanation is also applicable to their use with other road sub asset sets other than the sealed road pavements.

5.1.1 Weighted Average Asset Condition

The weighted average asset condition is a single condition indicator that represents the whole condition distribution in one figure. It is derived by weighting the raw asset condition scale 0 - 10 for the extent of asset within each condition and so provides a basic single figure summary of the overall condition of the asset set and is very useful as a condition movement indicator.

5.1.2 Percentage of Urgent Failures

The percentage of urgent failures is a measure of the isolated failures identified in the survey as needing immediate repair. It is expressed as a percentage of the total asset group quantity.

5.1.3 Percentage of Other Failures

The percentage of other failures represents those isolated failures, which while present on the ground do not require urgent attention. The figure is again expressed as a percentage of the total asset quantity.

5.1.4 Average Roughness

Average roughness is only relevant to pavement assets and for sealed road pavements is a key capital condition indicator of longitudinal pavement shape, while for unsealed pavements is a key maintenance indicator. It is based on a 0 – 10 scale with 0 being perfect and 10 un-driveable.

5.1.5 Average Profile

Average pavement profile is similar to the roughness rating and can be seen as the pavement cross sectional shape indicator while roughness is the longitudinal pavement shape indicator. It is based on a 0 – 10 scale with 0 being perfect and 10 un-driveable.

5.1.6 Extent of Poor Condition Assets above a given Condition

The percentage of the asset base at and above a given condition rating is a very good way of expressing the extent of poor condition assets present. This figure is expressed as a percentage of the total asset base and is reported at several different condition levels from condition 5 to 8 depending upon the asset set in question. For example sealed road pavements at and above condition 7 would represent the extent of the asset base that would be likely to require rehabilitation over the next 3 – 5 years.

Change in Cond. Distribution for Sealed Pavement

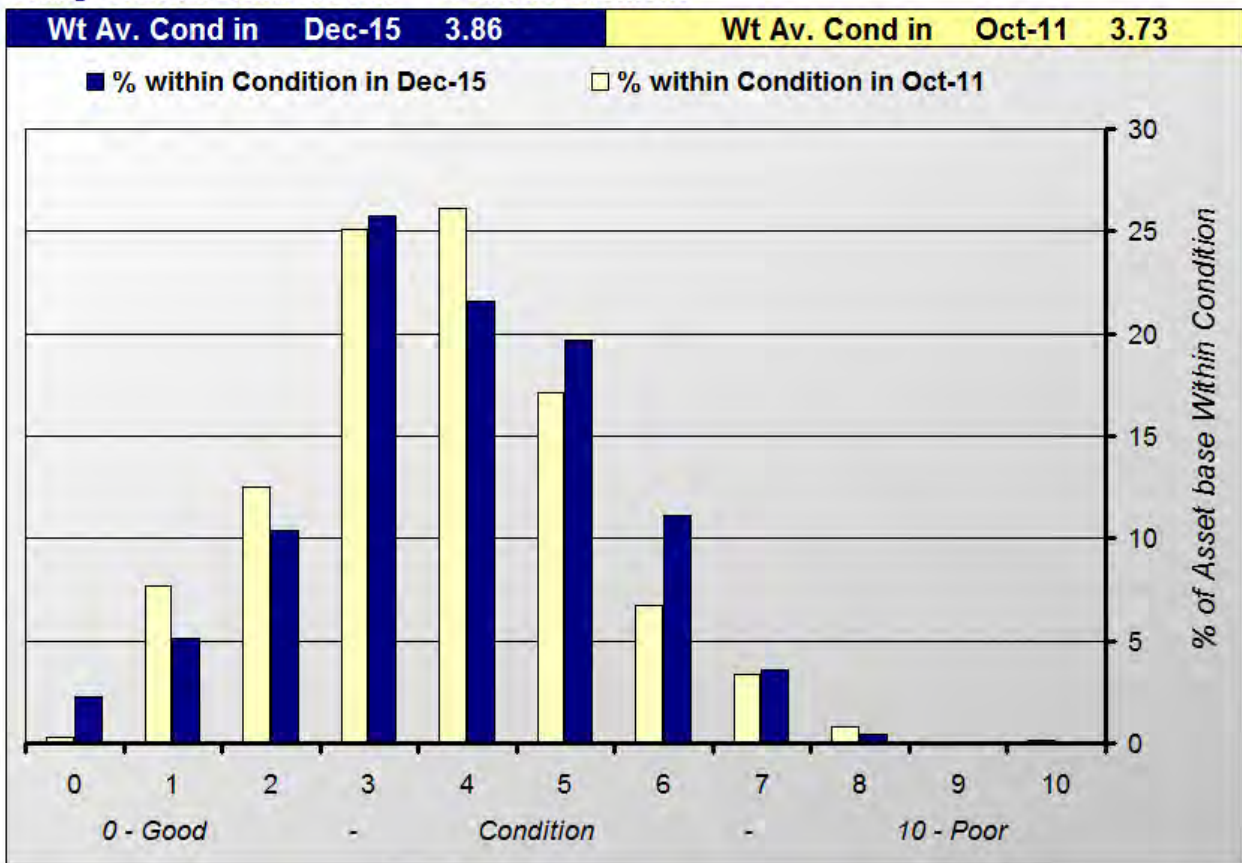


Figure P1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Sealed Pavement Condition Indicator	Figures from Last Survey in Oct-11	Figures from Current Survey in Dec-15	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.73	3.86	-0.134	-1.9%	Worse
2	% of Urgent Failures	0.42	0.11	0.311	73.7%	Better
3	% of Other Failures	1.24	1.30	-0.068	-5.5%	Worse
4	Average Pavement Roughness	3.38	3.33	0.048	1.4%	Better
5	Average Pavement Profile	2.55	2.58	-0.036	-1.4%	Worse
6	% of Asset Base above Condition 6	11.02	15.15	-4.126	-37.4%	Worse
7	% of Asset Base above Condition 7	4.29	4.03	0.256	6.0%	Better
8	% of Asset Base above Condition 8	0.93	0.45	0.485	52.0%	Better
Renewal Demand Being Met For:		% of Long Term Demand Being Met				
Sealed Rd Pavement Asset Group		21.2%				

Figure P2 Table of Key Condition Indicator Change since the last Survey

The above 2 figures provide details of how the sealed road pavement asset condition has changed since the last survey. Figure P1 details the condition distribution for each survey along with the first of the key indicators the “weighted average asset condition”.

Figure P2 contains the eight key condition indicators and also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the present renewal demand (from Modelling) and annual depreciation being met.

The % of the long-term average demand being met is simply the ratio of present renewal expenditure to your depreciation figure for the asset class. The % of the present renewal demand being met is the ratio of your present renewal expenditure to the present renewal demand predicted within the model later in this same section. If these percentages are low then a decline in overall asset condition would be expected.

The key performance indicators in Figure P2 demonstrate that overall condition has declines by -1.7% which is to be expected when the renewal expenditure rate is at only 21.2% of the estimated consumption rate. However, the targeting of the renewal funding has been excellent, resulting in a 73.7% reduction in the extent of urgent pavement failures and a 52.0% reduction in the extent of the asset base at and above condition 8.

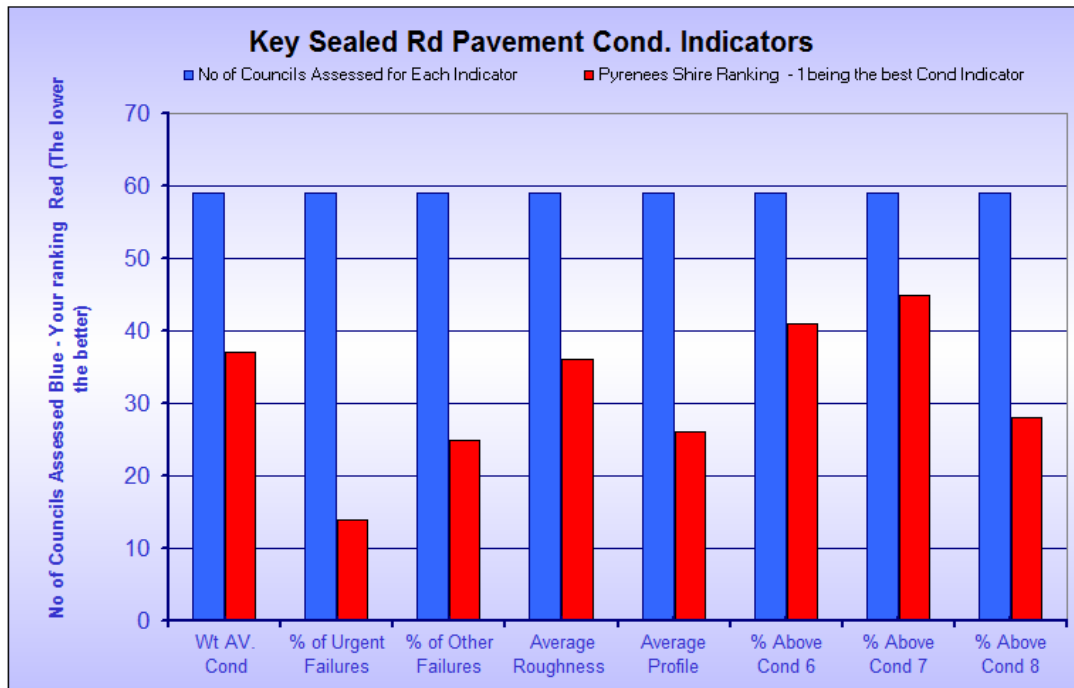


Figure P3 Key Condition Indicators as Compared with other Councils surveyed

The same key condition indicators can be used to benchmark Council against all other council districts assessed by MAMS. The graph ranks the key condition indicators against those of all other councils assessed by MAMS. The lower the red bar the better the condition indicator. The blue bars represent the total number of councils assessed. The red bar at 1 equates to the best condition indicator encountered. The red bar level with the blue, represents the worst condition indicator.

The comparison with other councils in Figure P3 indicates a set of fair condition road pavement with council having a weighted average asset condition just outside the worst one third of the councils assessed. Interesting to note that the immediate pavement failures and the extent of poor condition assets at and above condition 8 are both relatively better. This is indicative of sound management practices.





5.2 Sealed Road Pavement Financial Modelling Analysis

The Sealed road pavement assets will normally be modelled in three groups with the results aggregated here in one presentation. The table below contains a list of the basic Modelling parameters used. Note that the useable life is the life to intervention; an asset should not remain in service after that point.

5.2.1 Sealed Road Pavement – Selection of Re-treatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed road pavement condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable re-treatment intervention level.

	
<p>Condition 0 – 1 No Failures no Shape loss</p>	<p>Condition 6 Moderate failures and shape loss</p>
	
<p>Condition 7 Ext Shape loss and Failures</p>	<p>Condition 8 – 9 Bad Shape loss and Ext Failures</p>

It is very difficult to cover pavement condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 7 – 9 condition range where most interventions will take place. Pavements can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be considered as a typical situation and not the only situation for that condition rating.

5.2.2 Sealed Road Pavement Financial Modeling

Modelling Parameter	All Urban Pavements	All Rural Pavements
Asset Quantity in sqm	480,361	4,249,053
Unit Renewal Rate	\$27.20	\$27.20
Total Asset Group Renewal Cost	\$13,065,819	\$115,574,242
Annual Renewal Exp.	\$4,000	\$400,000
Annual Maintenance Exp.	\$20,000	\$125,000
Retreat. Intervention Condition	8.5	8.5
Life to Condition 10 in Years	120.0	70.0
Life in years to Intervention	116.7	68.1

Figure P4 A – Summary of Modelling Input Parameters for sealed pavement assets

Sealed road pavement modelling has been undertaken within two categories as detailed in P4 A above.

Retreatment intervention levels have been set to reflect the current level of service and life cycles have been set at what are considered to be reasonable lives based on the results from the degradation curves within section 4. The intervention levels are at the upper end of the range which will result in a lower or more optimistic financial prediction.

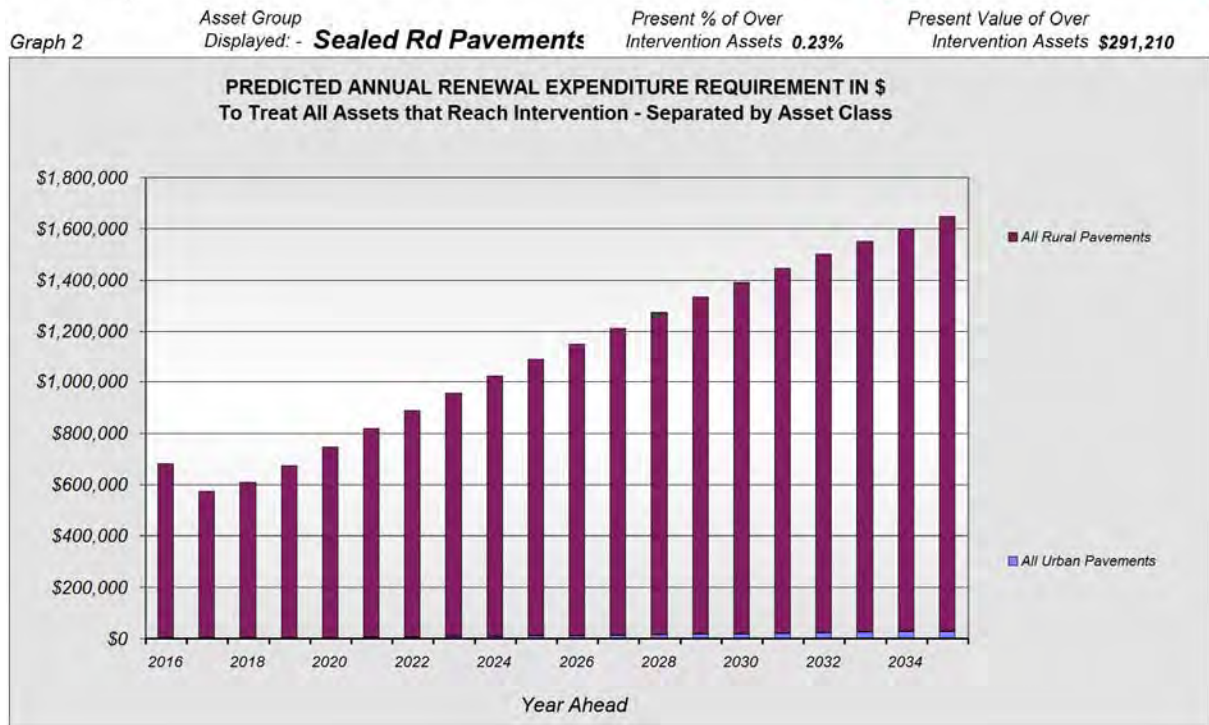


Figure P4 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

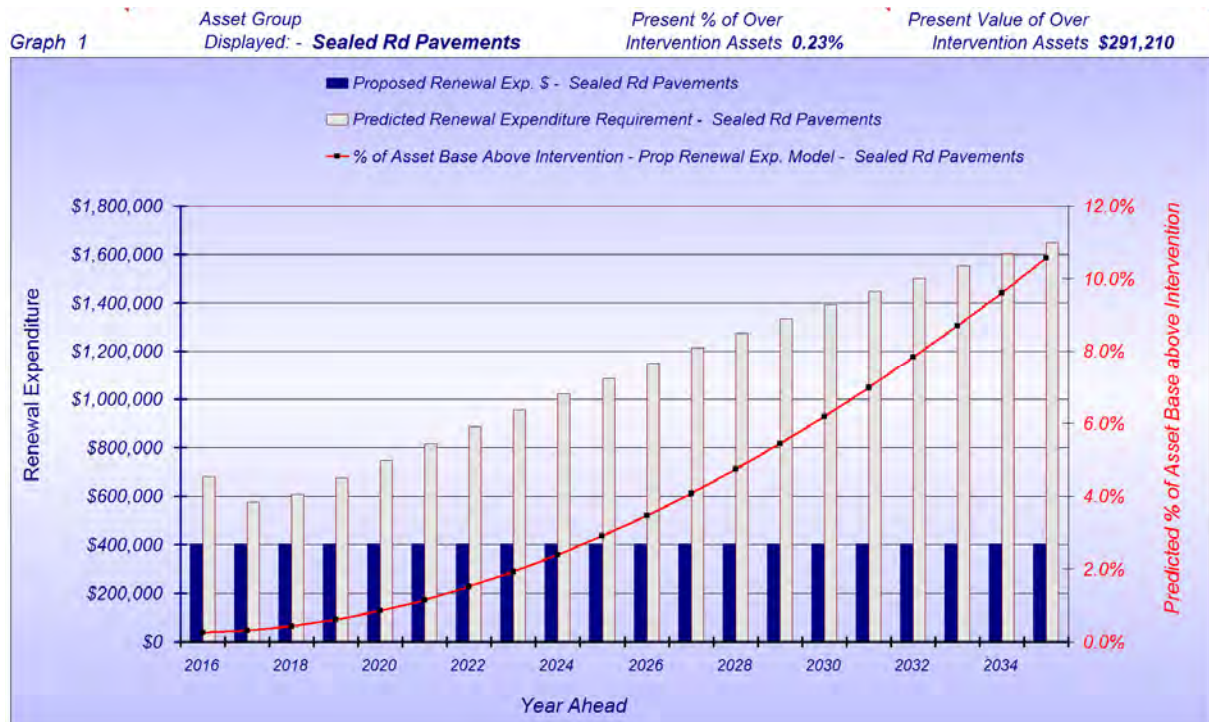


Figure P5 Future Predicted Condition Based on planned expenditure profile

Figures P4 provides a profile of the predicted renewal demand to treat all assets that reach the adopted retreatment intervention level through the degradation process. Figure P5 plots the extent of the asset base that is predicted to rise above the intervention level based upon the continuation of the present level of renewal expenditure (in blue bars). It also plots the predicted renewal demand within the grey bars.

Renewal demand is presently sitting at around \$682,000 pa with the peak over the next 20-years estimated at \$1,650,000 in the year 2035.

Figure P5 indicates that the planned renewal expenditure is well below the predicted renewal demand and that if maintained is predicted to lift the extent of over intervention assets from its present level of 0.23% up to 10.57% after 20-years.

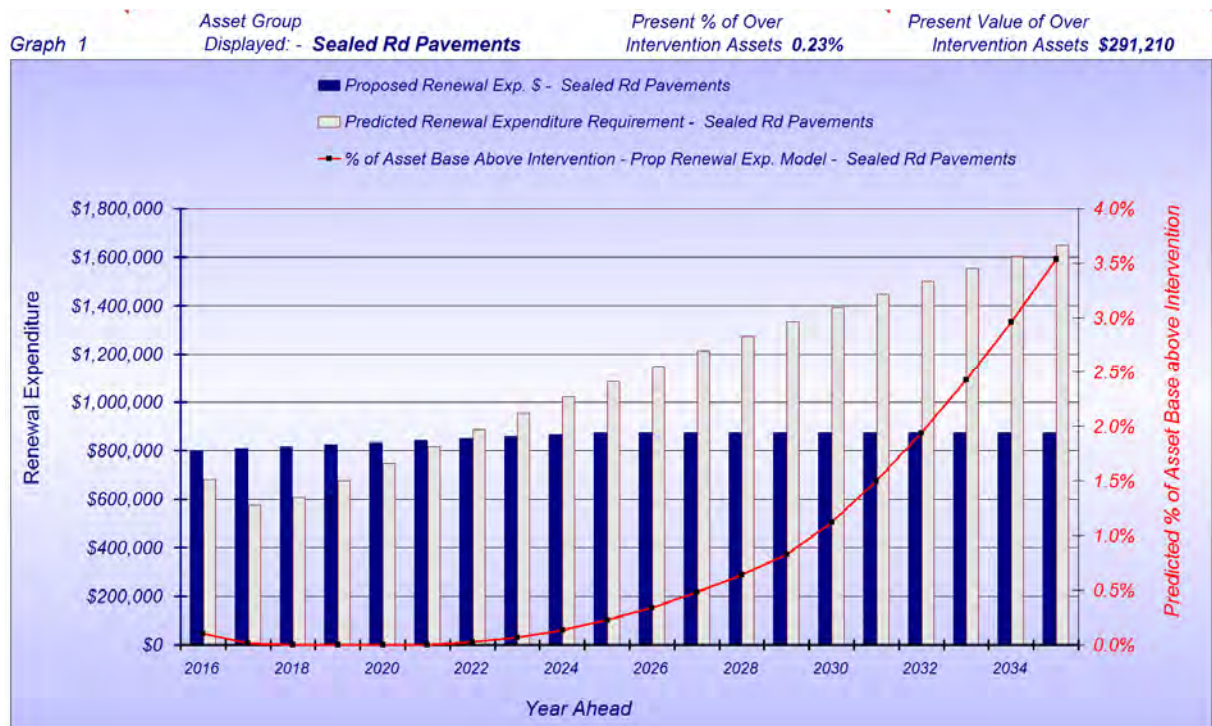


Figure P6 Recommended Renewal funding profile to achieve outcome as detailed below

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding based on need rather than the historic expenditure level. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varies between sub asset sets if required.

This is the first road sub asset set to be considered and the aim in using this model is to deliver a recommended funding profile across the whole of the roads group that will deliver an acceptable condition outcome for all sub asset sets. We normally attempt to commence the year one expenditure with council's present expenditure level (this is at a whole of roads group level). In this way we can deliver an achievable outcome. If additional funding is required then it will come as an annual percentage increase. If total funding is sufficient then there may be some reallocation between asset classes based on need.

The three Variables used for the sealed pavement asset modelling are as detailed below:

- Desired extent of over intervention assets - 15% reduction in the present level of 0.23%
- Time to achieve this - 10 - Years
- Annual percentage increase in renewal exp. - 1.00%

The present total level of over intervention assets at 0.23% is considered to be reasonable. But the intervention level at 8.5 is at the higher end of the range. However, even at condition 8 the extent of over intervention assets is at only 0.45% which remains a good result. Council has clearly been keeping up with the renewal demand in the past.

The recommended renewal expenditure over the next 10-years commences at \$800,000 pa and then is raised by 1.00% compounding for the next 10-years.

5.3 Sealed Road Pavement Summary

The sealed road pavement assets were found to be in fair overall condition and had experienced a decline in overall condition since the last survey in 2011

It is recommended that the renewal funding level commence at \$800,000 pa and then be raised by 1.0% compounding for the next 10-Years.

Section 6: Sealed Surface Asset Analysis

This section will deal with the Sealed Surface assets. The first two figures relate to asset condition and how condition has changed since the last survey while the third provides a condition comparison with other council districts surveyed by MAMS.

6.1 Condition and Performance Indicators for Sealed Surfaces

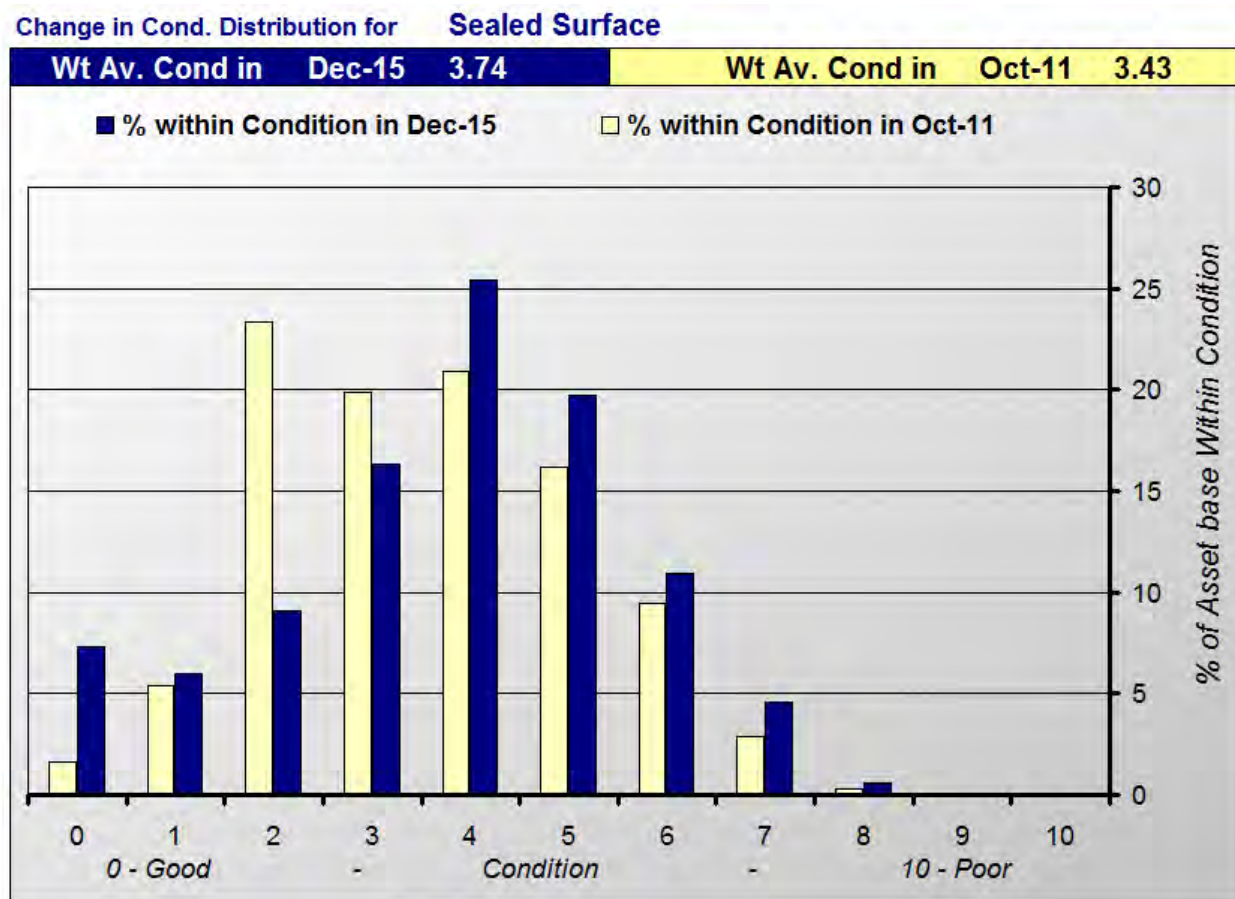


Figure S1 Condition Distribution Comparison Graph – Between Surveys all Sealed Surfaces

Key Cond. Indic. No.	Sealed Surface Condition Indicator	Figures from Last Survey in Oct-11	Figures from Current Survey in Dec-15	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.434	3.744	-0.311	-4.4%	Worse
2	% of Asset Base above Condition 5	28.916	35.845	-6.929	-24.0%	Worse
3	% of Asset Base above Condition 6	12.702	16.110	-3.409	-26.8%	Worse
4	% of Asset Base above Condition 7	3.226	5.152	-1.927	-59.7%	Worse
5	% of Asset Base above Condition 8	0.331	0.593	-0.262	-79.2%	Worse
Renewal Demand Being Met For:		% of Long Term Demand Being Met				
Sealed Surface Asset Group		84%				

Figure S2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide details of how the sealed surface asset condition has changed since the last survey. Figure S1 details the condition distribution for each survey along with the first of the key indicators the “weighted average asset condition”.

Figure S2 contains 5 of the eight key asset condition indicators that are relevant to this asset set. For a detailed explanation of the key condition indicators refer to section 5.1 above.

Figure S2 indicates that all performance indicators have declined in condition since the time of the last survey. The 59.7% increase in the extent of the asset base at and above condition 7 is of some concern, but the absolute amount at 5.15% of the network is still within an acceptable range as indicated within figure S3 below.

The current funding level at \$850,000 pa is at a strong level. But it is suspected that it has been at lower overall levels for at least some of the time since the last survey.

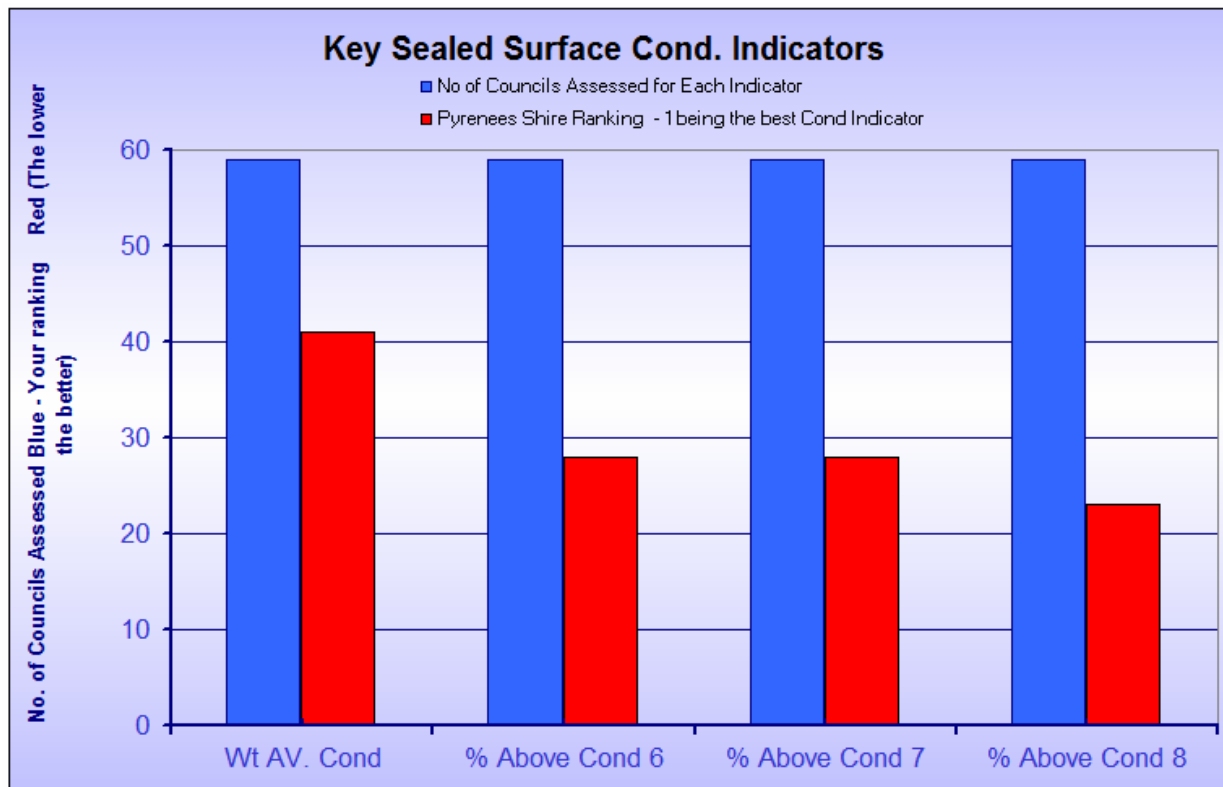


Figure S3 Key Condition Indicators as Compared with other Councils surveyed

The five key condition indicators as detailed in figure S3 provide council with a comparison of where they sit in relation to other councils assessed by MAMS. The graph ranks the key condition indicators against those of all other councils assessed by MAMS. The lower the red bar the better the condition indicator. The blue bars represent the total number of councils assessed. The red bar at 1 equates to the best condition indicator encountered. The red bar level with the blue, represents the worst condition indicator.

The sealed surfaces within Pyrenees Shire are in fair overall condition when compared with the 59 councils assessed by MAMS. Weighted average asset condition is within the worst 30% of the assessed councils but the extent of poor condition assets at and above conditions 6 - 8 is relatively lower.

Figure S1 indicates that there has been a strong growth in the extent of the asset base within the condition 4 - 8 range since the last survey and this will translate into a growing renewal demand over the next few years.



6.2 Sealed Surface Financial Modelling Analysis

The Sealed Surface assets will be modelled in two groups with the results aggregated here in one presentation. The table below contains a list of the key Modelling parameters used. Note that the useable life is the life to intervention, an asset should not remain in service after that point.

6.2.1 Sealed Surfaces – Selection of Re-treatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed surface condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of re-treatment intervention level.

	
<p>Condition 0 – 1 Seal in Excellent near new condition</p>	<p>Condition 5 Cracking but seal not too oxidized</p>
	
<p>Condition 6.5 - 7 Oxidized and Stripping</p>	<p>Condition 8 Fully Oxidized and falling apart</p>

It is very difficult to cover sealed surface condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 7 – 9 condition range where most interventions will take place. Sealed Surfaces can be within this condition range for a number of different reasons and the photos will cover only a limited range of situations. They should be considered as a typical situation and not the only situation for that condition rating.

6.2.2 Sealed Surfaces – Financial Modeling Results

Modelling Parameter	All Asphalt Surfaces	All Town Spray Seals	All Rural Spray Seals
Asset Quantity in sqm	45,083	388,646	3,604,485
Unit Renewal Rate	\$20.00	\$4.45	\$4.35
Total Asset Group Renewal Cost	\$901,660	\$1,730,862	\$15,679,509
Annual Renewal Exp.	\$2,000	\$74,000	\$774,000
Annual Maintenance Exp.	\$1,000	\$50,000	\$249,000
Retreat. Intervention Condition	8.0	7.5	6.5
Life to Condition 10 in Years	40.0	22.0	22.0
Life in years to Intervention	37.8	20.3	18.2

Figure S4 A – Summary of Modelling Input Parameters for Sealed Surface Assets

The sealed surfaces will be modelled within 3 groups as detailed within Figure S4 A above. Intervention levels have been set at what is considered to be appropriate levels. Life cycles have been set a little high by industry standards but are within the range coming out of the degradation curve analysis within section 4.

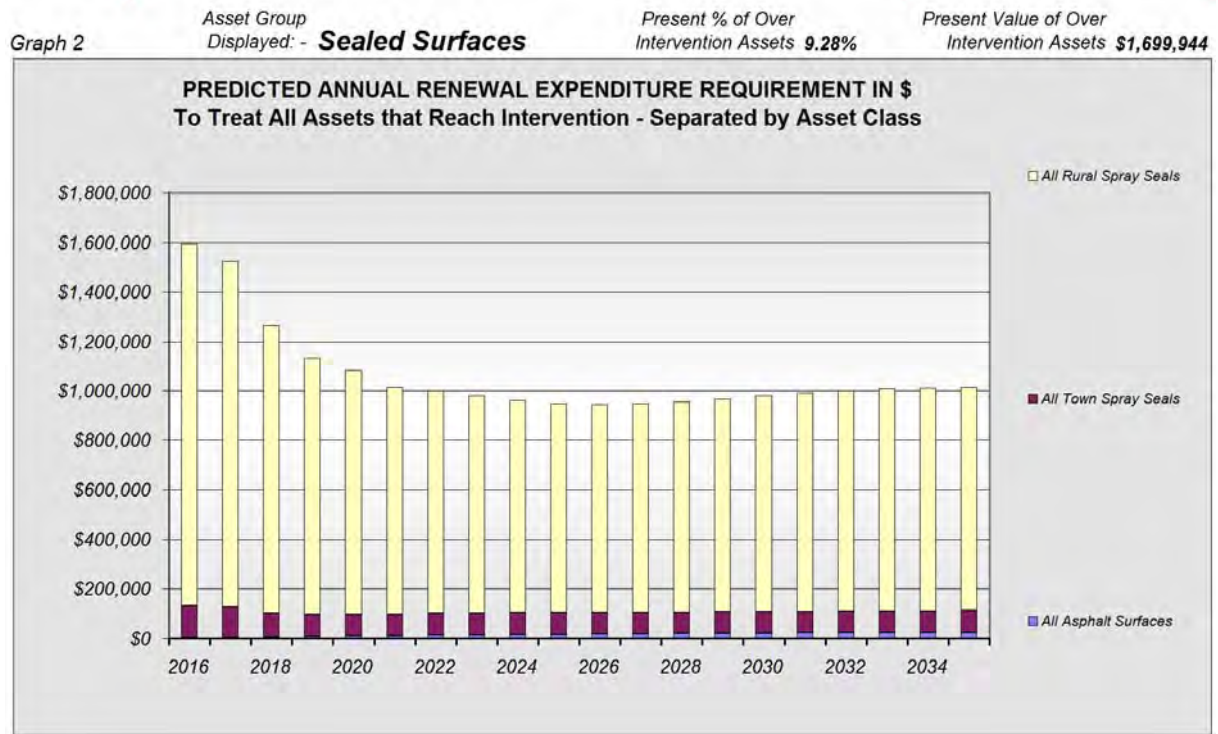


Figure S4 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

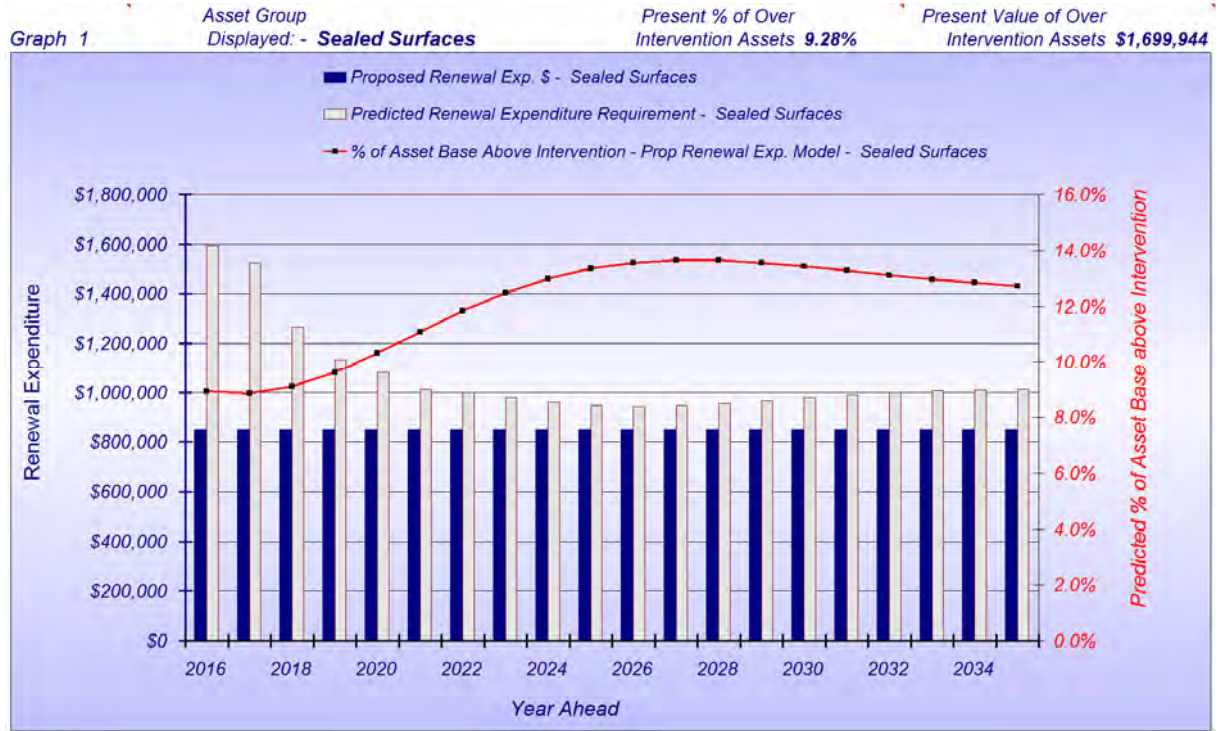


Figure S5 Future Predicted Condition Based on planned expenditure profile

Figures S4 provides a profile of the predicted renewal demand to treat all assets that reach the intervention level through the degradation process. Figure S5 plots the extent of the asset base that is predicted to rise above the intervention level based upon the continuation of the present level of renewal expenditure (in blue bars). It also plots the predicted renewal demand within the grey bars.

Capital renewal demand to treat all assets at and above the selected intervention level is presently sitting at around \$1,593,000 pa and also represents the peak demand over the next 20-years. The planned renewal expenditure profile is lower than this level but demand is predicted to fall away in future years. The predicted rise in the extent of over intervention assets up to 13.65% by 2026 would represent an unacceptable risk and so funding will need to be lifted in the longer term.

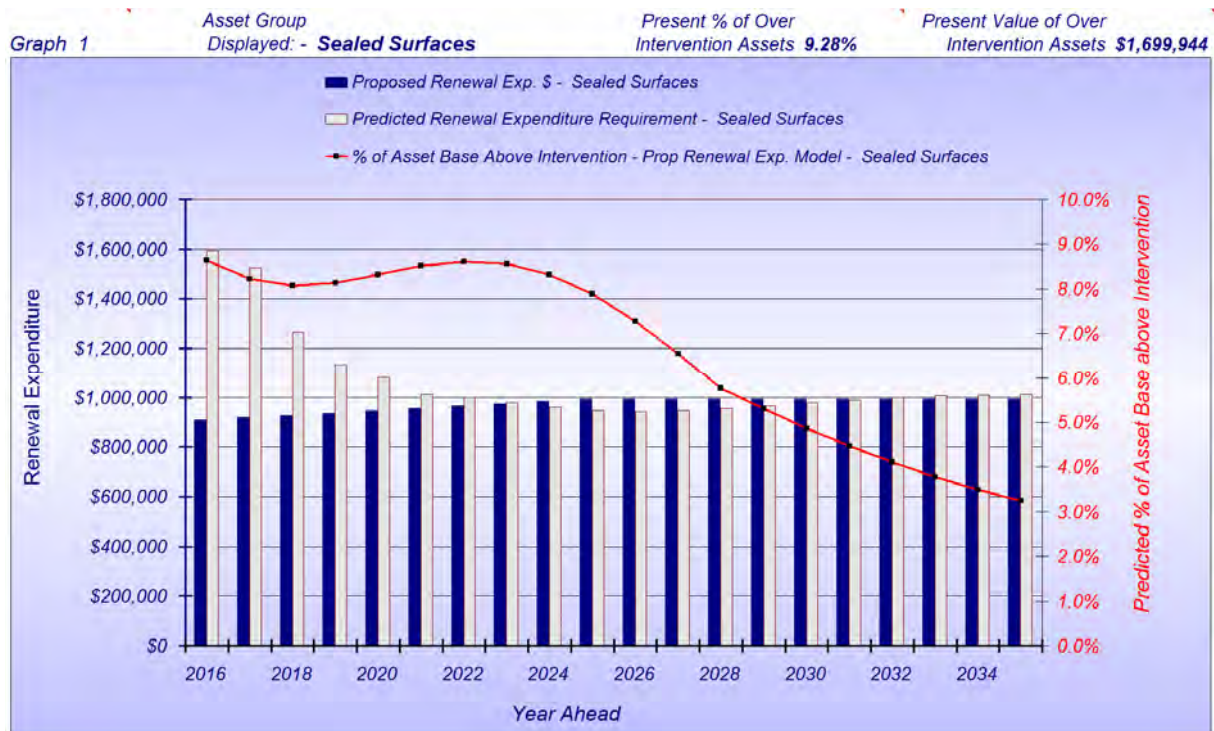


Figure S6 Recommended Renewal funding profile to achieve outcome as detailed below

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding based on need rather than the historic spend. See the notes below Figure P6 above for more detail. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varies if required.

The three Variables used for the sealed surface asset modelling are as detailed below:

- *Desired extent of over intervention assets* - 15% reduction in the present level of 9.28%
- *Time to achieve this* - 10 - Years
- *Annual percentage increase in renewal exp.* - 1.0%

Figure S6 represents the minimum annual renewal expenditure to achieve a desired condition outcome within a nominated time frame. This modelling approach is designed to deliver an achievable outcome that accepts a small percentage of over intervention assets as remaining and hence often delivers lower expenditure profiles than the S4 graph where all over intervention assets have to be treated.

With an overall annual percentage increase of 1.0% established for the whole of the road group the Moloney model was used to find the year one starting point requirement for the sealed surfaces that would deliver a maximum of 7.9% of the asset base as over the intervention level after 10-years. It was found that a starting expenditure of \$912,000 combined with an annual compounding increase of 1.00% would deliver this outcome.

6.3 Sealed Surface Summary

The sealed surface assets were found to be in fair overall condition but had declined in overall condition by 4.3% since the last survey. These are really important assets and should always be fully funded as the top roads group funding priority as failure to do so will cost heavily in the long run.

It is recommended that the funding level next year commence at \$912,000 and then increased by 1.0% compounding for at least the next 10-years.

Section 7: Unsealed Pavement Assets

This section will deal with the Unsealed Road Pavement assets. The first two figures relate to asset condition and how condition has changed since the last survey while the third provides a condition comparison with other council districts surveyed by MAMS.

7.1 Condition and Performance Indicators for Unsealed Road Pavements

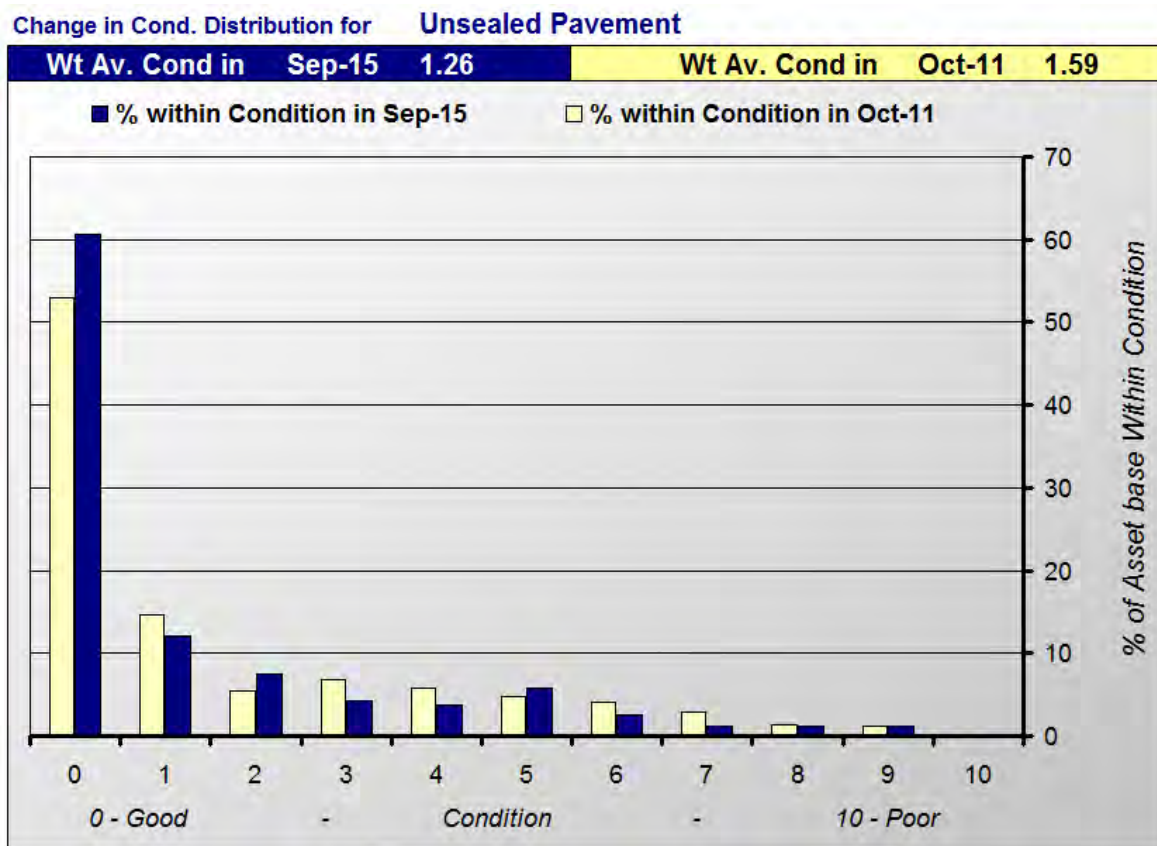


Figure U1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Unsealed Pavement Condition Indicator	Figures from Last Survey in Oct-11	Figures from Current Survey in Sep-15	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	1.59	1.26	0.331	4.7%	Better
2	% of Pavement Failures	3.51	1.97	1.541	43.9%	Better
3	Average Pavement Roughness	3.98	3.98	-0.008	-0.2%	Worse
4	Average Pavement Profile	3.34	3.12	0.224	6.7%	Better
5	Average Pavement Depth in mm	83	86	3.000	3.6%	Better
6	% of Asset Base above Condition 6	9.49	5.99	3.504	36.9%	Better
7	% of Asset Base above Condition 7	5.46	3.38	2.087	38.2%	Better
8	% of Asset Base above Condition 8	2.62	2.22	0.392	15.0%	Better
Renewal Demand Being Met For:		% of Long Term Demand Being Met				
UnSealed Rd Pavement Asset Group		84%				

Figure U2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide details of how unsealed pavement asset condition has changed since the last survey. Figure U1 details the condition distribution for each survey along with the first of the key indicators the “weighted average asset condition”.

Figure U2 contains the eight key asset condition indicators that are relevant to this asset set. For a detailed explanation of the key condition indicators refer to section 5.1 above. There is one additional indicator for the unsealed road pavements that is unique to this asset set and as such was not included back in section 5.1. This is the average pavement depth, which is simply the average depth of imported pavement material found on the pavements when they were dug during the survey.

Figures U1 and U2 above indicate that asset condition has improved massively since the last survey in 2011. Renewal expenditure is reported at 84% of the level of annual depreciation, but there has also been extensive renewal work undertaken as part of the flood recovery program which has also had a positive impact of the overall outcome.

The only indicator within figure U2 to go backwards was the roughness indicator. It declined by the insignificant amount of 0.2% and in any event is really a maintenance indicator and not one of capital condition.

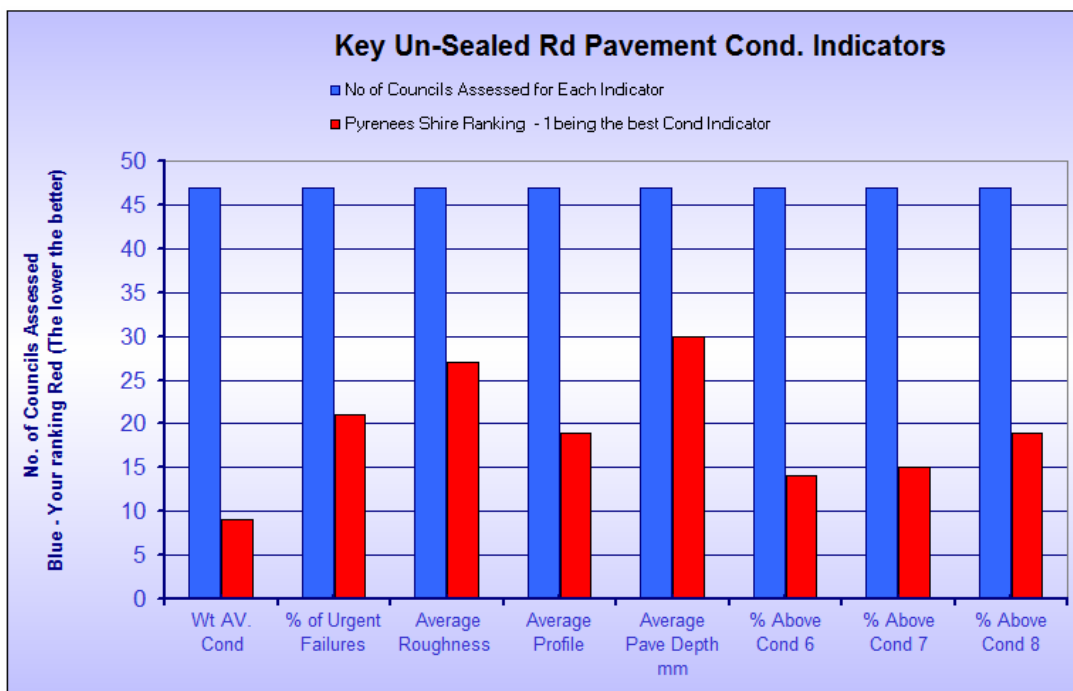


Figure U3 Key Condition Indicators as Compared with other Councils surveyed

The eight key condition indicators as detailed in figure U3 provide council with a comparison of where they sit in relation to other councils assessed by MAMS. The graph ranks the key condition indicators against those of all other councils assessed by MAMS. The lower the red bar the better the condition indicator. The blue bars represent the total number of councils assessed. The red bar at 1 equates to the best condition indicator encountered. The red bar level with the blue, represents the worst condition indicator.

The unsealed road pavement assets were found to be in excellent overall condition and have improved quite measurably since 2011. Figure U3 also indicates that the assets compare quite well with other councils assessed by MAMS and are sitting mostly within the best 20% for the important weighted average asset condition figure.

The average depth of pavement material is not as good and this is because the design depth of imported pavement material for the Northern half of the shire is quite low at only 70 mm and is at 100 mm in the South which may be a little low.

7.2 Unsealed Road Pavement Financial Modelling Analysis





The Unsealed road pavement assets will normally be modelled in three groups with the results aggregated here in one presentation. The table below contains a list of the basic Modelling parameters

used. Note that the useable life is the life to intervention, an asset should not remain in service after that point.

7.2.1 Unsealed Road Pavement – Selection of Re-treatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various unsealed road pavement condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of re-treatment intervention level.

	
<p>Condition 0 – 1 Average Depth 150 mm</p>	<p>Condition 7 – Average depth 20 – 30 mm only</p>
	
<p>Condition 8 Av Depth 20 mm & Ext Bare Patches</p>	<p>Condition 9 Scattered patched of Pave Material only</p>

It is very difficult to cover Unsealed Pavement condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 7 – 9 condition range where most interventions will take place. Unsealed Pavements can be within this condition range for a number of different reasons and the photos will cover only a limited range of situations. They should be considered as a typical situation and not the only situation for that condition rating.

Modelling Parameter	Unsealed Pavement With 100 mm Design	Unsealed Pavement With 70 mm Design	Unsealed Pavement Paved under Maintenance
Asset Quantity in sqm	2,151,360	2,430,655	48,162
Unit Renewal Rate	\$4.77	\$4.77	\$0.50
Total Asset Group Renewal Cost	\$10,261,987	\$11,594,224	\$24,081
Annual Renewal Exp.	\$435,000	\$285,000	\$2,000
Annual Maintenance Exp.	\$0	\$400,000	\$326,000
Retreat. Intervention Condition	5.0	6.0	7.0
Life to Condition 10 in Years	30.0	45.0	30.0
Life in years to Intervention	22.9	38.7	27.9

Figure U4A – Summary of Modelling Input Parameters for Unsealed Rd Pavement Assets

For Pyrenees Shire we have modelled these assets within three groups as detailed within Figure U4A above. Intervention levels may appear to have been set low but council is actually achieving better results than this so to set them any higher would result in a decline in the present overall condition. Life cycles have been set based on the degradation curves developed within section 4

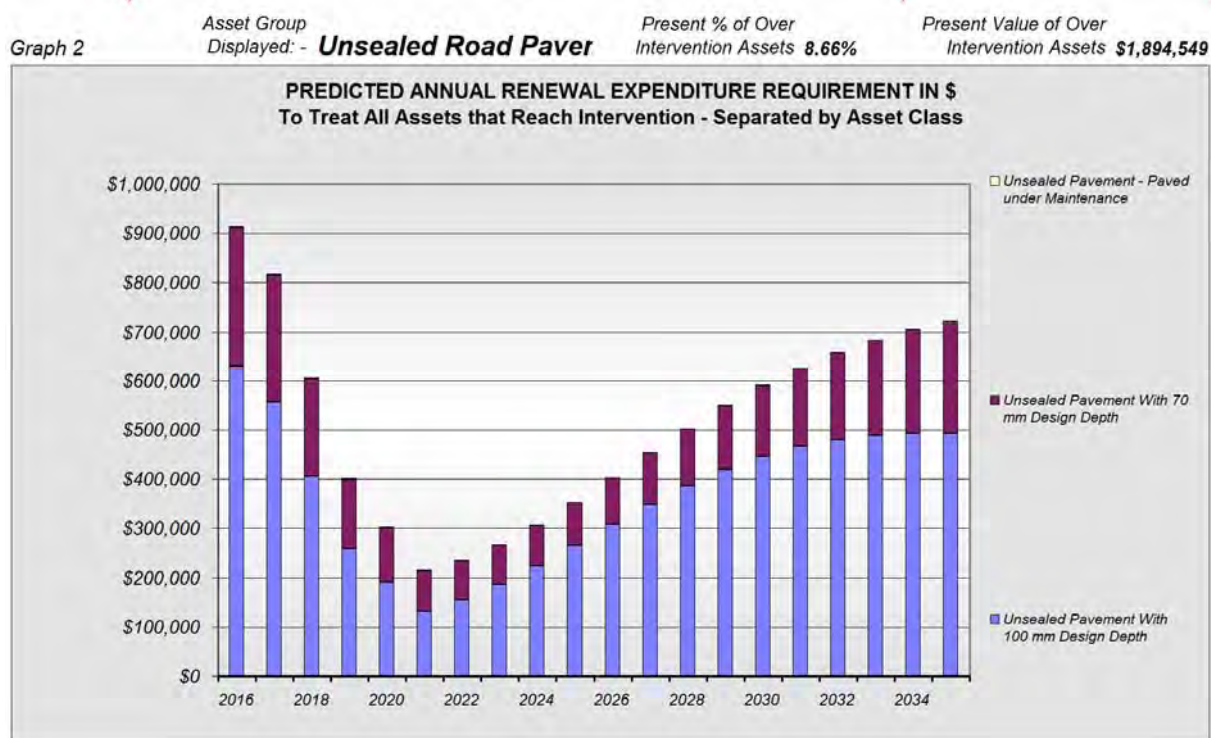


Figure U4 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years



Figure U5 Future Predicted Condition Based on planned expenditure profile

Figures U4 provides a profile of the predicted renewal demand to treat all assets that reach the intervention level through the degradation process. Figure U5 plots the extent of the asset base that is predicted to rise above the intervention level based upon the continuation of the present level of renewal expenditure (in blue bars). It also plots the predicted renewal demand within the grey bars.

Capital renewal demand is presently sitting at \$915,000 pa which also represents the peak demand over the next 20-years. Present renewal expenditure is at \$720,000 pa, which is less than the present demand, but demand is predicted to fall away quite dramatically over the next 5-years and the present expenditure level could probably be reduces in the short to medium term.

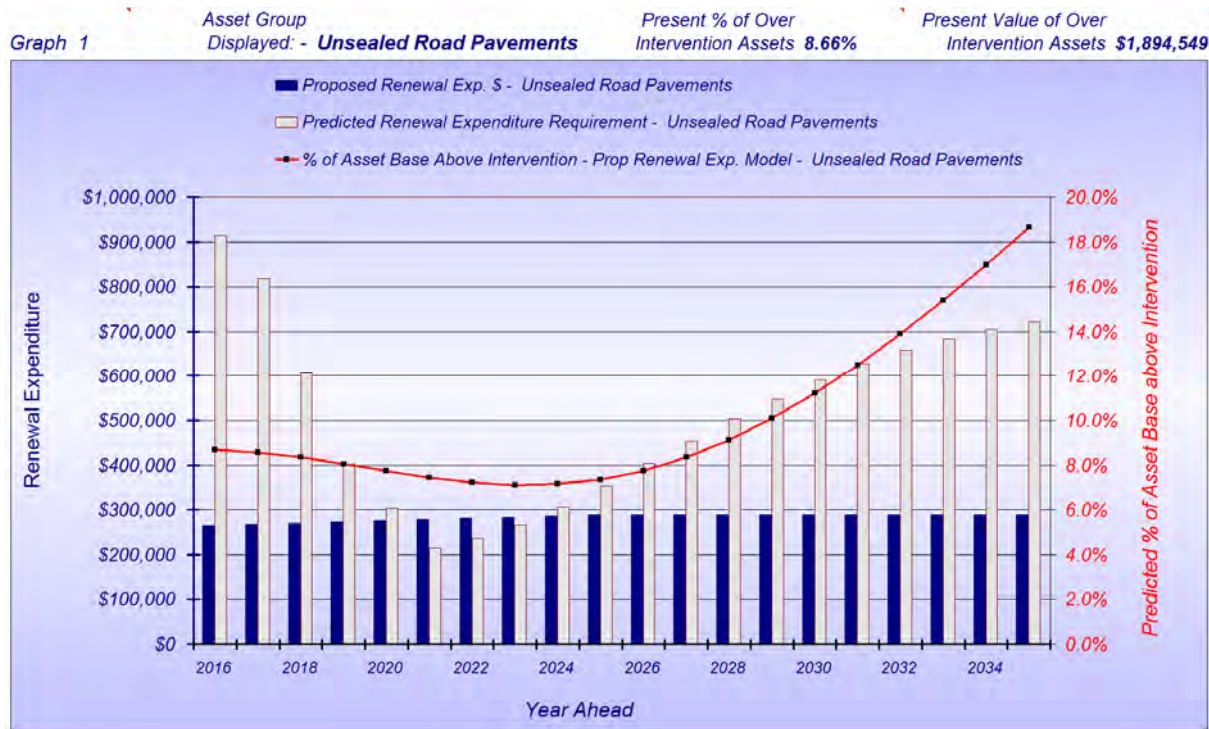


Figure U6 Required Funding profile to deliver same extent of over intervention assets after 10-years

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level

within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding based on need rather than the historic spend. See the notes below Figure P6 above for more detail. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varies if required.

The three Variables used for the Un-sealed pavement asset modelling are as detailed below:

- *Desired extent of over intervention assets* - 15% reduction in the present level of - 8.66%
- *Time to achieve this* - 10 - Years
- *Annual percentage increase in renewal exp.* - 1.0%

Figure U6 represents the minimum annual renewal expenditure to achieve a desired condition outcome within a nominated time frame. This modelling approach is designed to deliver an achievable outcome that accepts a small percentage of over intervention assets as remaining and hence often delivers far lower expenditure profiles than the U4 graph where all over intervention assets have to be treated.

The unsealed pavement assets are in very good overall condition with around 72% of the assets in condition zero or 1 (having very close to the required depth of imported pavement material).

Figure U6 indicates that a commencing expenditure of \$265,000 pa followed by a 1.0% annual compounding increase for the next 10-years will deliver a 15% reduction in the present extent of over intervention assets (8.66%) after 10-years.

7.3 Unsealed Road Pavement Summary

The Unsealed road pavement assets were found to be in excellent condition and had improved in condition since the last survey in 2011.

It is recommended that renewal funding commence at \$243,000 pa next year and then be raised by 1.0% compounding annually for the next 10-years.

Section 8: Kerb Asset Analysis

This section will deal with the kerb assets. The first two figures relate to asset condition and how condition has changed since the last survey while the third provides a condition comparison with other council districts.

8.1 Condition and Performance Indicators for Kerb Assets

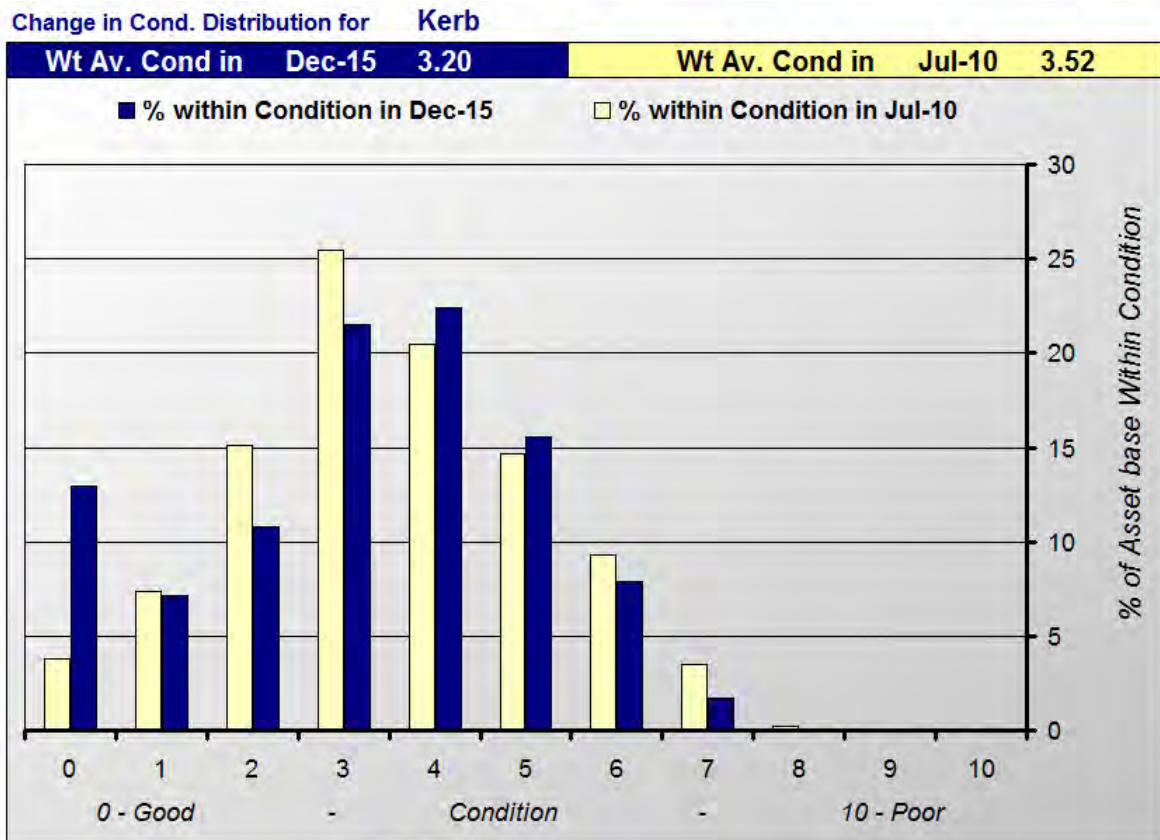


Figure K1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Kerb Condition Indicator	Figures from Last Survey in Jul-10	Figures from Current Survey in Dec-15	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.517	3.200	0.316	4.5%	Better
2	% of Urgent Failures	10.028	10.411	-0.383	-3.8%	Worse
3	% of Other Failures	12.846	20.213	-7.367	-57.3%	Worse
4	% of Asset Base above Condition 5	27.717	25.173	2.544	9.2%	Better
5	% of Asset Base above Condition 6	13.078	9.630	3.448	26.4%	Better
6	% of Asset Base above Condition 7	3.758	1.706	2.052	54.6%	Better
7	% of Asset Base above Condition 8	0.229	0.000	0.229	100.0%	Better
Renewal Demand Being Met For:		% of Long Term Demand Being Met				
Kerb Asset Group		14%				

Figure K2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide details of how the Kerb asset condition has changed since the last survey. Figure K1 details the condition distribution for each survey along with the first of the key indicators the “weighted average asset condition”.

Figure K2 contains 7 of the eight key asset condition indicators that are relevant to this asset set. For a detailed explanation of the key condition indicators refer to section 5.1 above.

The kerbs were found to be in good overall condition with most performance indicators having improved since 2011. The exception being the extent of isolated kerb failures. This suggests that council has been replacing fill block lengths of kerb rather than dealing with isolated kerb failures.

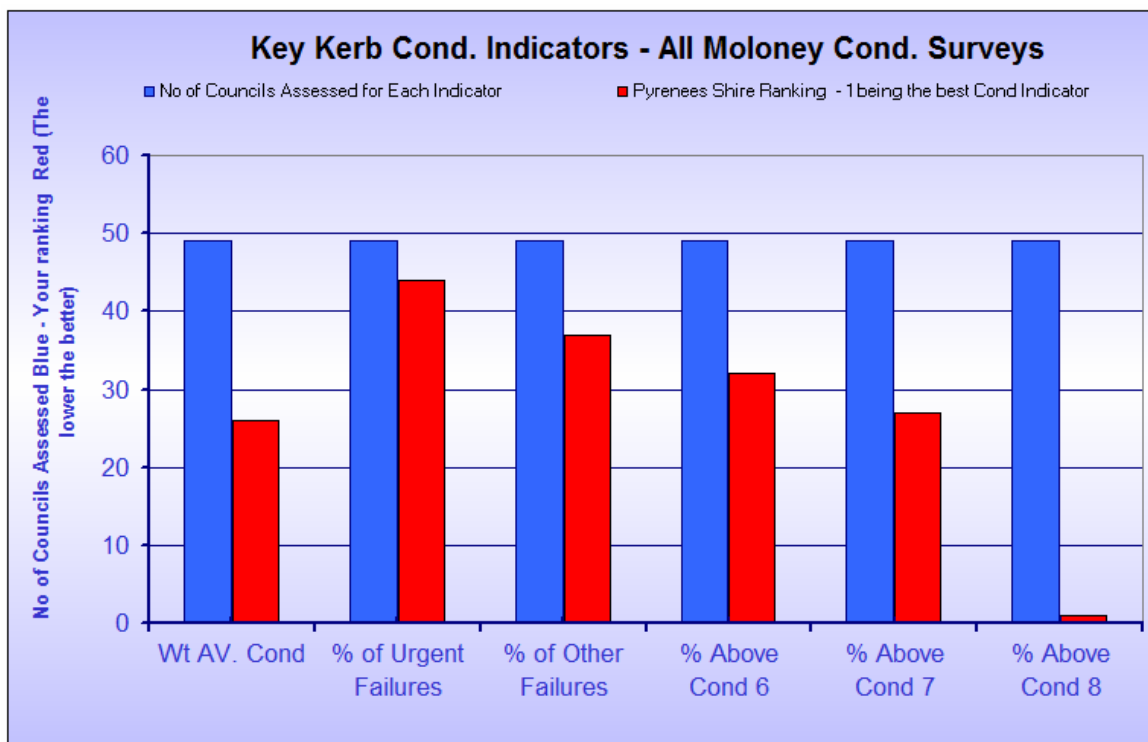


Figure K3 Key Condition Indicators as Compared with other Councils surveyed

The seven key condition indicators as detailed in figure K3 provide council with a comparison of where they sit in relation to other councils assessed by MAMS. The graph ranks the key condition indicators against those of all other councils assessed by MAMS. The lower the red bar the better the condition indicator. The blue bars represent the total number of councils assessed. The red bar at 1 equates to the best condition indicator encountered. The red bar level with the blue, represents the worst condition indicator.

The comparison with other council districts indicates that Pyrenees has good overall condition kerbs but there is an elevated extent of isolated kerb failures. The extent of very poor condition kerbs at and above condition 8 is the equal best we have come across at 0%. Down from 0.23% in 2011

8.2 Kerb Financial Modelling Analysis

The Kerb assets will be modelled as a single asset group. The table below contains a list of the basic Modelling parameters used. Note that the useable life is the life to intervention, an asset should not remain in service after that point.

8.2.1 Kerb Assets – Selection of Re-treatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various kerb condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of re-treatment intervention level.



Condition 3 Old But only Minor loss of shape & movement

Condition 6 Movement and Concrete breakdown



Condition 8 Large movement and holding of water



Condition 9 Extreme movement and lack of Function

It is very difficult to cover kerb condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 7 – 9 condition range where most interventions will take place. Kerbs can be within this condition range for a number of different reasons and the photos will cover only a limited range of situations. They should be considered as a typical situation and not the only situation for that condition rating.

8.2.2 Kerb Assets – Financial Modeling Results

Modelling Parameter	All Kerbs
Asset Quantity in lineal metres	47,997
Unit Renewal Rate	\$109.00
Total Asset Group Renewal Cost	\$5,231,673
Annual Renewal Exp.	\$10,000
Annual Maintenance Exp.	\$32,000
Retreat. Intervention Condition	8.0
Life to Condition 10 in Years	85.0
Life in years to Intervention	83.0

Figure K4 A – Summary of Modelling Input Parameters for Kerb Assets

Kerbs have been modelled as a single asset set as detailed in Figure K4 A above. Intervention level has been set at condition 8 which is what council is currently achieving and the life has been set a little lower than the figures coming out of the degradation curve process to help allow for the treatment of isolated kerb failures

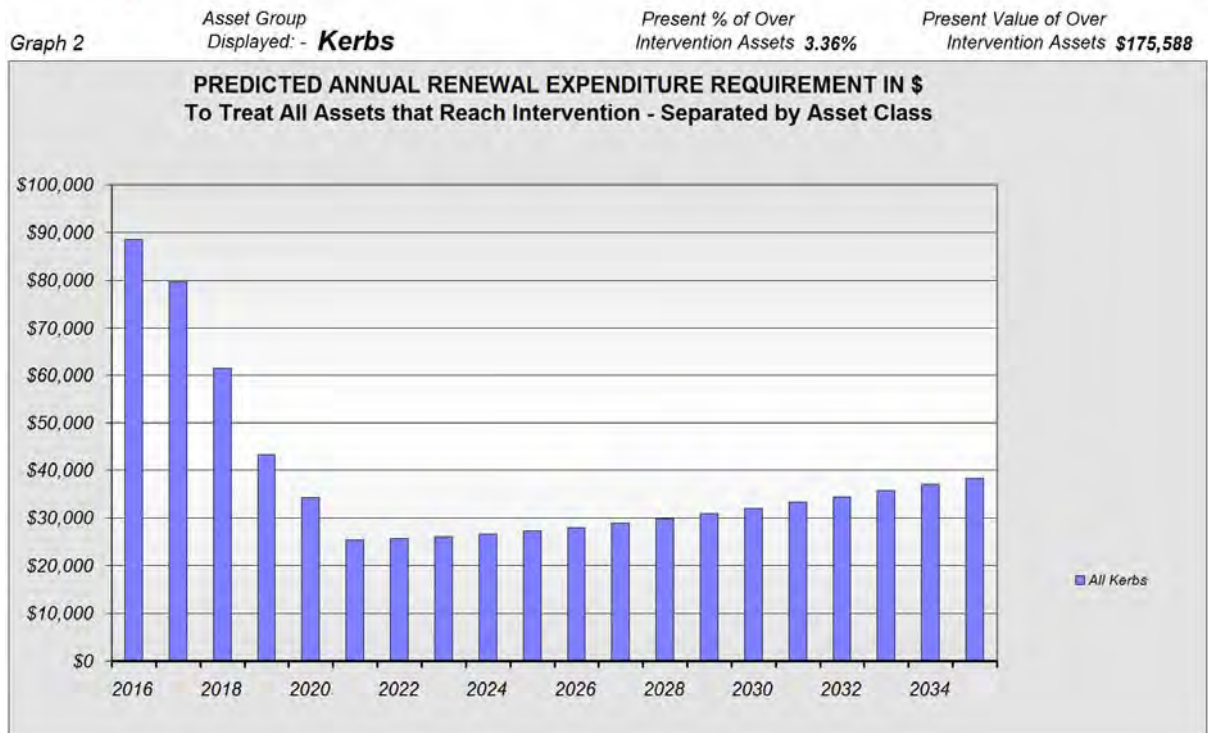


Figure K4 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years



Figure K5 Future Predicted Condition Based on planned expenditure profile

Figures K4 provides a profile of the predicted renewal demand to treat all assets that reach the intervention level through the degradation process. Figure K5 plots the extent of the asset base that is predicted to rise above the intervention level based upon the continuation of the present level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars.

Capital renewal demand is presently at \$88,000 pa which also represents the peak demand over the next 20-years. The present renewal expenditure at only \$10,000 pa is well below the predicted demand, but demand is predicted to fall away over the next 5-years. But clearly expenditure will need to be lifted on this asset class from its current level at only 14% of the consumption rate.

With no full kerb lengths at condition 8 within figure K1 the early renewal demand within figure K4 would be expected to be quite low. The reason it is elevated is that all of the small sections of isolated kerb failure that were identified during the survey have been converted within the Moloney software to short pieces of very poor condition kerb for the modelling process. In this way the forecasted demand includes the repair of all of the isolated kerb failures.

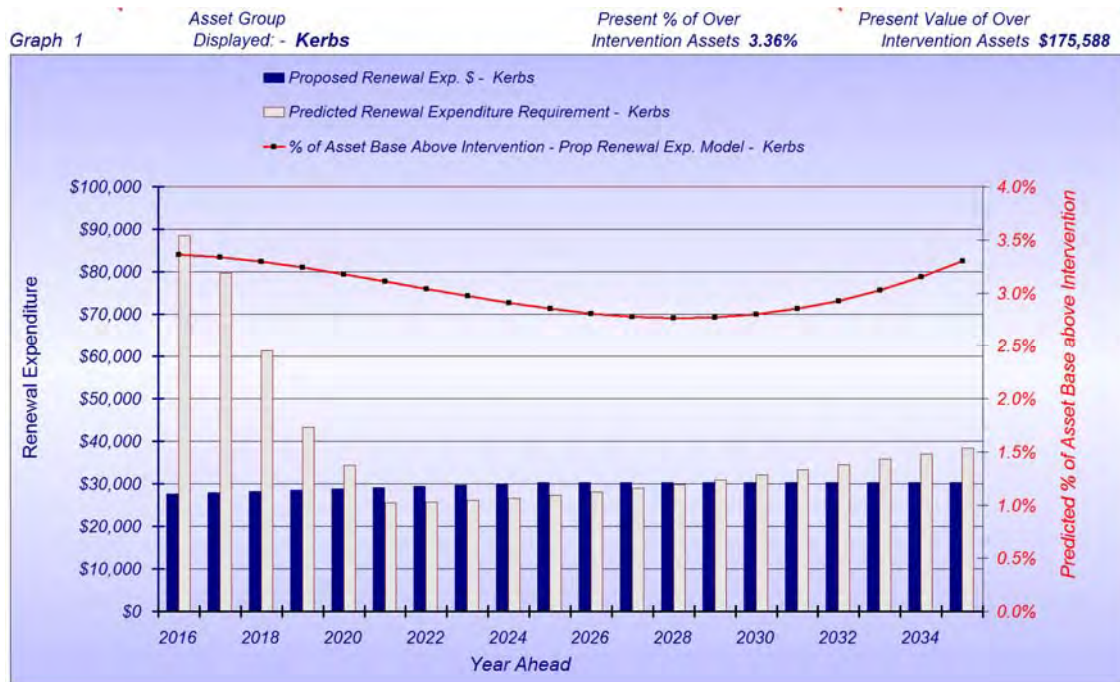


Figure K6 Renewal funding profile to achieve 0 over intervention within 20 years

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding based on need rather than the historic spend. See the notes below Figure P6 above for more detail. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varies if required.

The three Variables used for the kerb asset modelling are as detailed below:

- Desired extent of over intervention assets - 15% reduction in the present level of - 3.36%
- Time to achieve this - 10 - Years
- Annual percentage increase in renewal exp. - 1.0%

Figure K6 represents the minimum annual renewal expenditure to achieve a desired condition outcome within a nominated time frame. This modelling approach is designed to deliver an achievable outcome that accepts a small percentage of over intervention assets as remaining and hence often delivers far lower expenditure profiles than the K4 graph where all over intervention assets have to be treated.

Figure K6 indicates that a commencing annual renewal expenditure of \$28,000 next year combined with a 1.0% compounding annually for the next 10-years will deliver a 15% reduction in the present extent of over intervention assets after 10-years.

8.3 Kerb Summary

The Kerb assets were found to be in good overall condition when compare to the 49 councils assessed by MAMS and has improved in condition generally since 2011.

It is recommended that renewal expenditure commencing at \$28,000 next year and then be raised by 1.0% compounding annually for the next 10-years.

Section 9: Footpath and Recreation Pathway Asset Analysis

This section will deal with the footpath assets. The first two figures relate to asset condition and how condition has changed since the last survey while the third provides a condition comparison with other council districts assessed by MAMS.

9.1 Condition and Performance Indicators for Footpath Assets

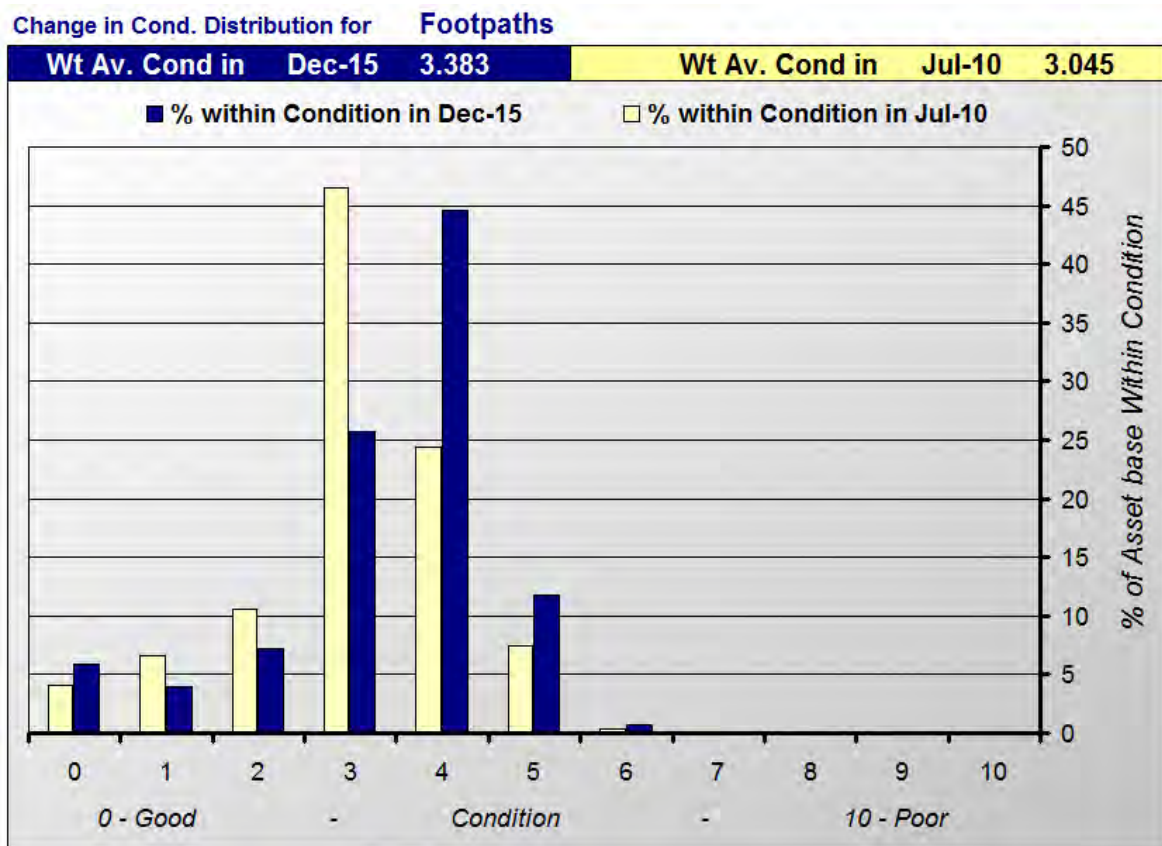


Figure F1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Footpath Condition Indicator	Figures from Last Survey in Jul-10	Figures from Current Survey in Dec-15	Actual Change Negative is a Condition Decline	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.05	3.38	-0.34	-4.8%	Worse
2	% of Asset Base above Condition 5	7.77	12.65	-4.88	-62.8%	Worse
3	% of Asset Base above Condition 6	0.35	0.90	-0.55	-156.4%	Worse
4	% of Asset Base above Condition 7	0.00	0.12	0.12	-100.0%	Worse
5	% of Asset Base above Condition 8	0.00	0.00	0.00	0.0%	Same
Renewal Demand Being Met For:		% of Long Term Demand Being Met				
Footpath Asset Group		124.3%				

Figure F2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide details of how Footpath asset condition has changed since the last survey. Figure F1 details the condition distribution for each survey along with the first of the key indicators the “weighted average asset condition”.

Figure F2 contains 7 of the eight key asset condition indicators that are relevant to this asset set. For a detailed explanation of the key condition indicators refer to section 5.1 above.

The footpath assets were found to be in good overall condition with very low levels of poor condition assets at and above condition 7. There was however a strong increase in the extent of urgent footpath failures

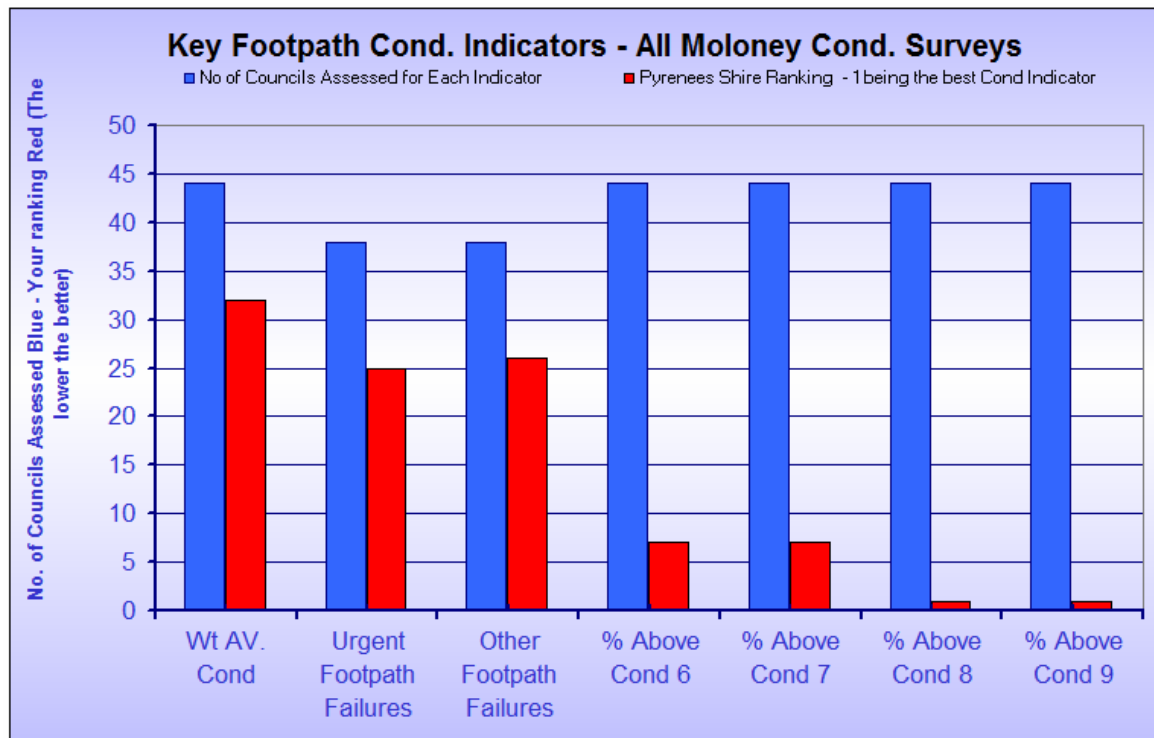


Figure F3 Key Condition Indicators as Compared with other Councils surveyed

The seven key condition indicators as detailed in figure F3 provide council with a comparison of where they sit in relation to other councils assessed by MAMS. The graph ranks the key condition indicators against those of all other councils assessed by MAMS. The lower the red bar the better the condition indicator. The blue bars represent the total number of councils assessed. The red bar at 1 equates to the best condition indicator encountered. The red bar level with the blue, represents the worst condition indicator.

The footpath assets were found to be in good overall condition when compared to the 44 councils assessed by MAMS. The extent of poor condition assets at and above condition 6 was found to be comparatively low. This indicates that council is targeting the poor condition assets very well.

9.2 Footpath Financial Modelling Analysis

The Footpath assets will be modelled in two groups with the results aggregated here in one presentation. The table below contains a list of the basic Modelling parameters used. Note that the useable life is the life to intervention, an asset should not remain in service after that point.

9.2.1 Footpath Assets – Selection of Re-treatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed pathway condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of re-treatment intervention level.

	
<p>Condition 0 – 1 Excellent condition</p>	<p>Condition 6 Extensive movement</p>
	
<p>Condition 7 Extensive cracking and movement</p>	<p>Condition 9 Very poor Condition – Cracking and breaking up</p>

It is very difficult to cover footpath condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 7 – 9 condition range where most interventions will take place. Footpaths can be within this condition range for a number of different reasons and the photos will cover only a limited set of situations. They should be considered as a typical situation and not the only situation for that condition rating.

9.2.2 Footpath Assets – Financial Modeling Results

Modelling Parameter	Spray seal and Asphalt Footpaths	Concrete Footpaths	Brick Paved Footpaths	Gravel Footpaths
Asset Quantity in sqm	2,502	20,443	676	10,194
Unit Renewal Rate	\$43.31	\$86.27	\$99.88	\$7.21
Total Asset Group Renewal Cost	\$108,373	\$1,763,644	\$67,516	\$73,490
Annual Renewal Exp.	\$6,000	\$33,000	\$1,000	\$6,000
Annual Maintenance Exp.	\$2,000	\$8,000	\$1,000	\$1,000
Retreat. Intervention Condition	7.0	7.0	7.0	7.0
Life to Condition 10 in Years	25.0	60.0	60.0	25.0
Life in years to Intervention	22.9	56.9	56.9	20.5

Figure F4 A – Summary of Modelling Input Parameters for Footpath Assets

The footpath sub asset set has been modelled in four categories as detailed in figure F4 A above. Intervention levels have all been set at condition 7 which is considered to be appropriate. Life cycles have been set lower than the figures coming out of the degradation analysis in order to allow for the treatment of the isolated footpath failures and not just the replacement of whole footpath segments

Note that within the modelling process all of the isolated footpath failures that were identified during the survey have been treated as small sections of very poor condition asset and hence included for treatment as appropriate within the modelling process. This is why there is a build up of renewal demand over the first 5-years within figure F4 below (because there will be a small percentage of very poor condition assets).

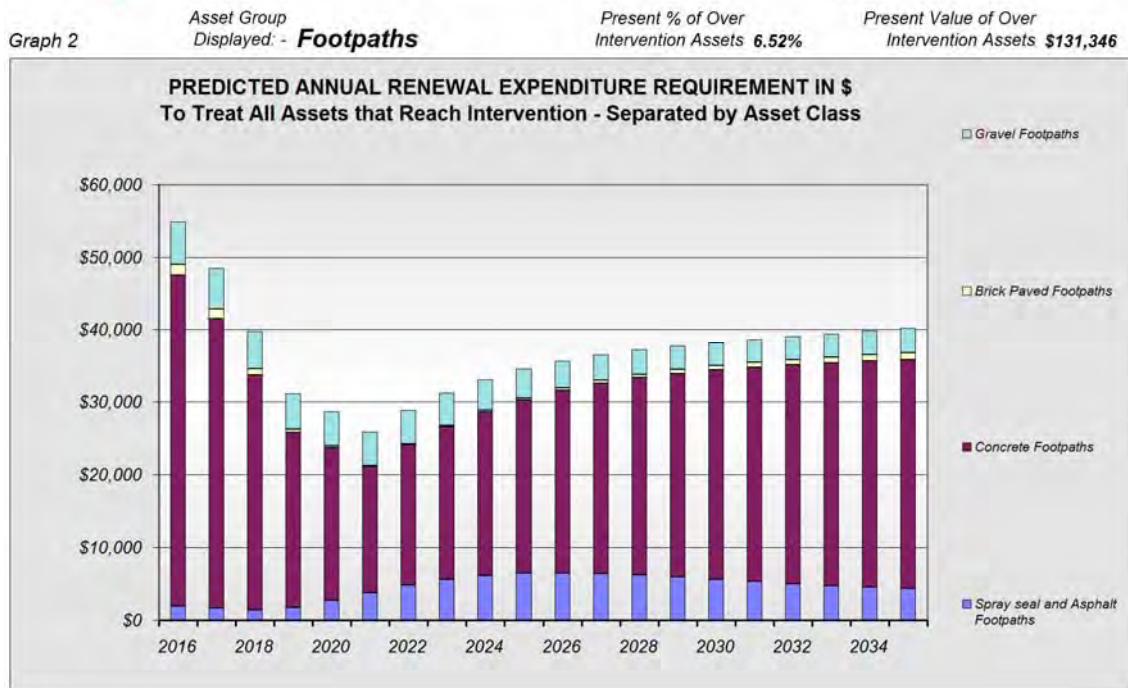


Figure F4 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figures F4 provides a profile of the predicted renewal demand to treat all assets that reach the adopted retreatment intervention level through the degradation process over the next 10-years. It splits the results up into each separately modelled data set if more than one data set has been modelled to produce the overall results. It represents the ideal funding scenario if funding is not limited.

Total predicted renewal demand is \$55,000 next year with this also representing the peak demand over the next 20-years.

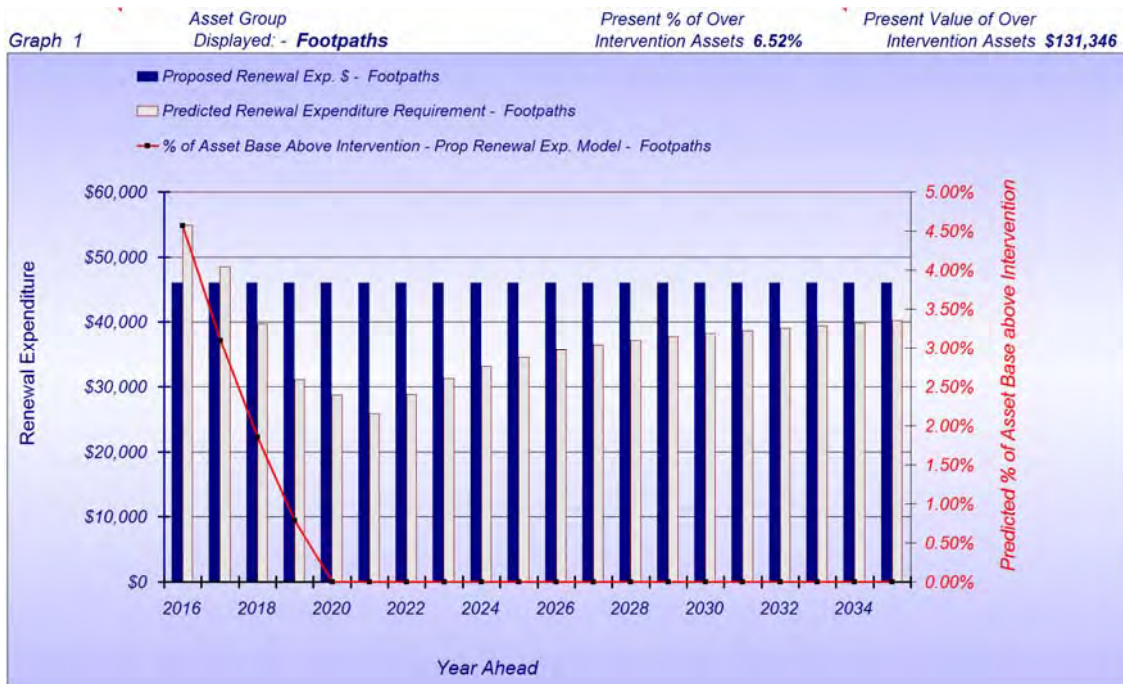


Figure F5 Future Predicted Condition Based on planned expenditure profile

Figure F5 plots the extent of the asset base that is predicted to rise above the intervention level (red line), based upon the continuation of the present level of renewal expenditure (blue bars) or the planned level over the next 20-years. It also plots the total predicted renewal demand (grey bars), which is the same total annual figure as detailed within F4 above.

The planned expenditure level of \$46,000 pa is predicted to deliver a zero extent of over intervention assets within 5-years and can probably be reduced a little. Remember that this also includes the repair of all identifies isolated footpath failures.

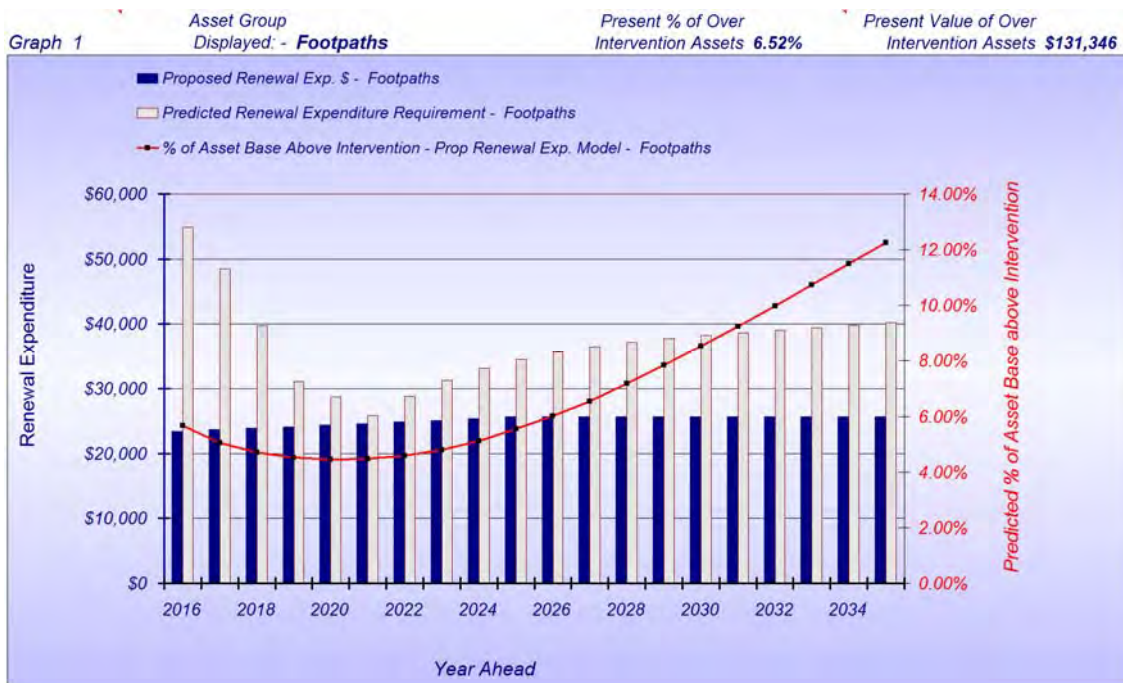


Figure F6 Recommended renewal funding profile for next 10 - 20 years

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding based on need rather than the historic spend. See the notes below Figure P6 above for more detail. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varies if required.

The three Variables used for the footpath asset modelling are as detailed below:

- *Desired extent of over intervention assets* - 15% reduction in the present level of - 6.52%
- *Time to achieve this* - 10 - Years
- *Annual percentage increase in renewal exp.* - 1.0%

Figure F6 represents the minimum annual renewal expenditure to achieve a desired condition outcome within a nominated time frame. This modelling approach is designed to deliver an achievable outcome that accepts a small percentage of over intervention assets as remaining and hence often delivers far lower expenditure profiles than the F4 graph where all over intervention assets have to be treated.

Modelling indicates within figure F6 that a commencing expenditure of \$25,000 pa next year combined with a compounding annual increase of 1.0% pa for 10-years will deliver a 15% reduction in the extent of over intervention assets after 10-years (currently at 6.52%). This figure may be a little high and some readjustment of the total planned renewal expenditure level may be required between the road asset classes. Certainly the expenditure level on the sealed road pavements could be reduced a little over the first 2-3 years and some of that directed to the footpath assets.

9.3 Footpath Summary

The footpath assets were found to be in good overall condition but had generally declined in condition since 2011. It is suspected that the current level of renewal expenditure has been at a lower level for at least part of the period since the last survey.

It is recommended that renewal funding commence at \$25,000 pa next year and then be raised by 1.0% compounding annually for the next 10-years.

Section 10: Aggregated Modelling Results for Road Network

10.1 Overall Financial Reporting

Accurate network modelling within the Moloney system depends upon ten independent Modelling variables. Council now has a good handle on most of these variables and the Modelling results are becoming quite meaningful. Modelling has been based upon the ongoing rehabilitation of the existing asset base only and does not allow for an expanding asset base. Any proposed expenditure on the upgrading of existing assets must be added to the figures delivered within this report.

The Moloney System allows for the Modelling of individual asset sets or sub sets and to then combine these results into a single aggregated report. This section will deal with the aggregated results of the individual sub asset Modelling operations undertaken in the sub asset sections above. It will deliver a single overall Modelling outcome for the whole roads group.

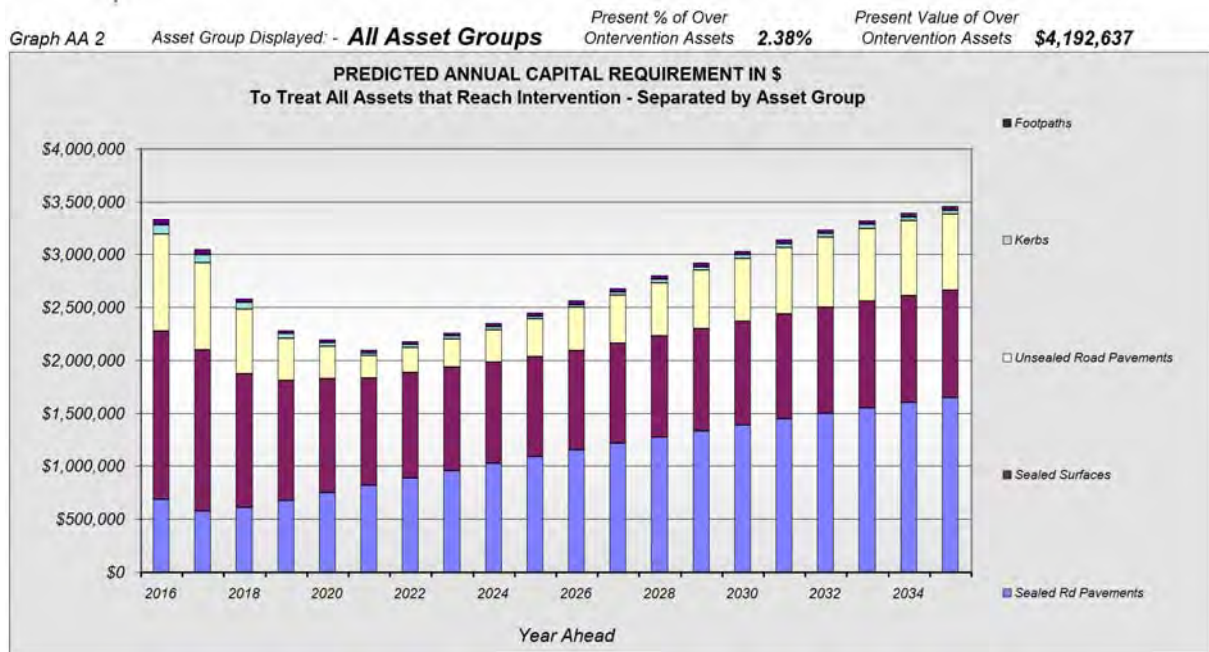


Figure Agg 1 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

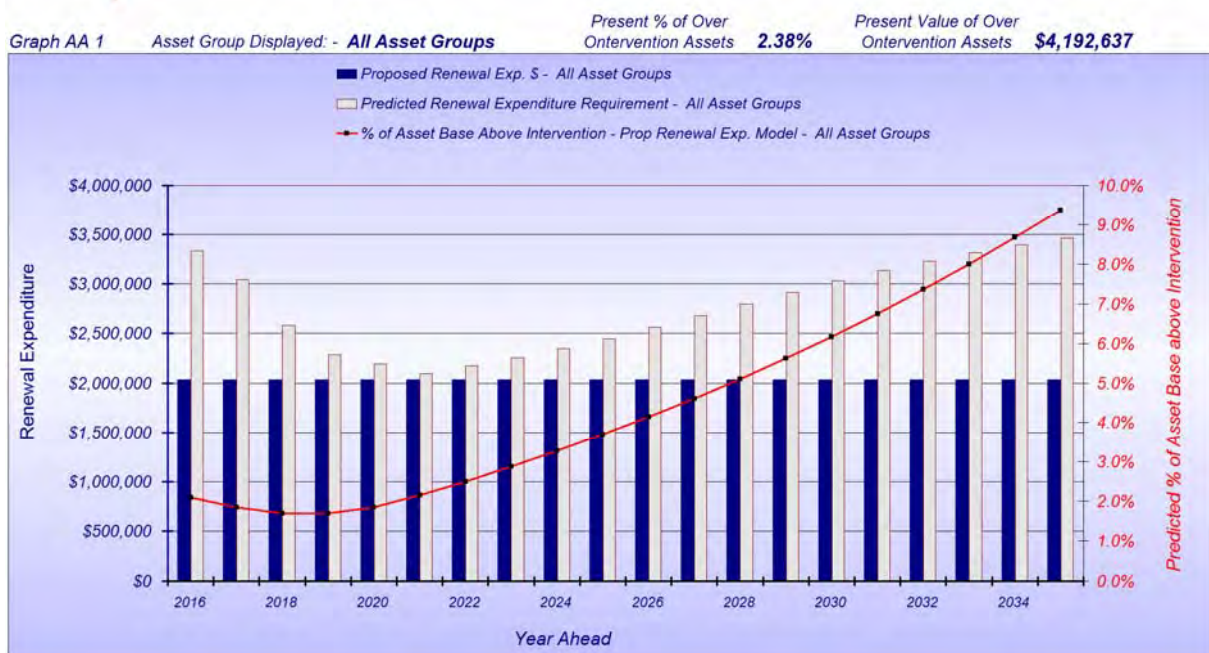


Figure Agg 2 – Future Predicted Condition Based on planned expenditure profile

Modelling predicts the present capital renewal demand at \$3,333,000 pa with the peak over the modelling period of \$3,462,000 pa in the year 2035

Figures Agg 2 plots the extent of the asset base that is predicted to rise above the intervention level based upon the continuation of the present renewal expenditure profile within the blue bars. It also plots the predicted renewal demand within the grey bars for comparison purposes.

The present extent of over intervention assets (backlog) on the whole roads group is estimated at \$4,192,637, which represents 2.38% of the network. This is a reasonable total figure by industry standards but it would be desirable to reduce it a little over the next 10-years.

The predicted growth in the extent of over intervention assets within figure Agg 2 would not represent a desirable outcome for council.

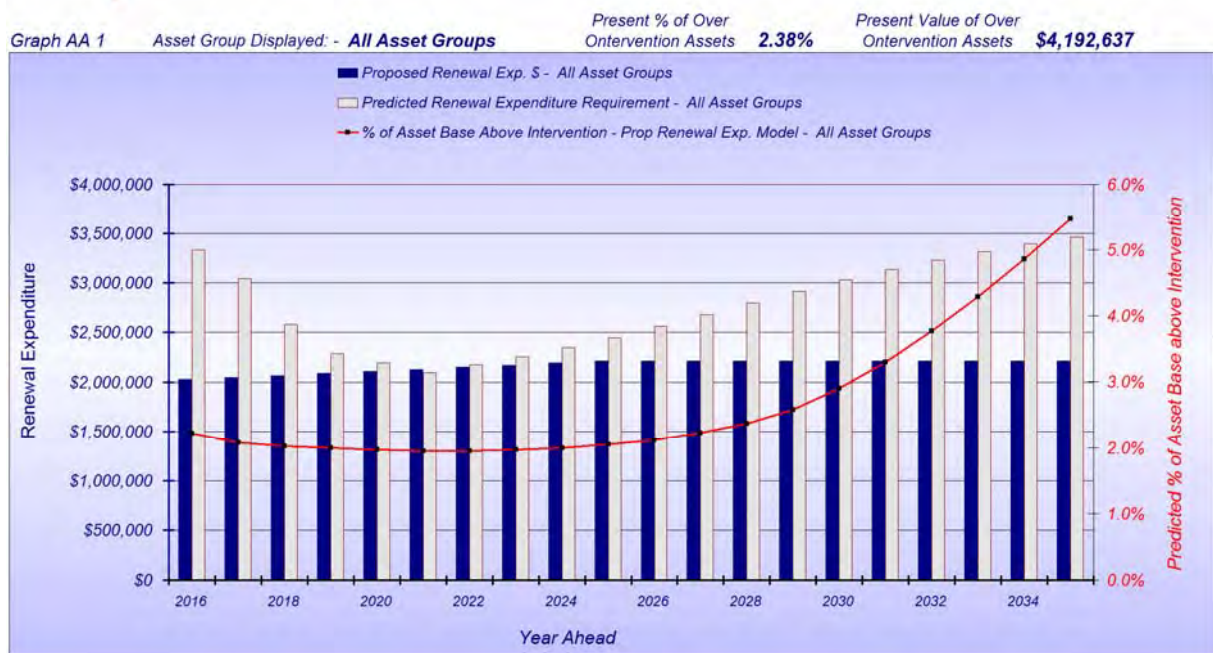


Figure Agg 3 – Recommended future funding profile with future predicted extent of over intervention assets

Figure Agg 3 comes from the same modelling process as Agg 2. Accept that here a recommended total renewal expenditure profile has been developed that will achieve a desired condition outcome within a designated time frame

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of the asset base to be over the selected intervention level within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is used to allocate funding across all road sub assets based on need rather than historic expenditure. There are 3 variables that are input and in most cases the same 3 variables are used for all of the road sub assets, however this can be varies if required.

We normally attempt to commence the year one expenditure with council's present expenditure level (at a whole of roads group level). In this way we can deliver an achievable outcome. If additional funding is required then it will come as an annual percentage increase. If total funding is sufficient then there may be some reallocation between asset classes based on need.

The three Variables used for the modelling at a whole of roads group level were:

- *Desired extent of over intervention assets* - 15% reduction in the present level of 2.38%
- *Time to achieve this* - 10 - Years
- *Annual percentage increase in renewal exp.* - 1.0%

Figure Agg 3 has been developed through the Moloney model so that the extent of over intervention assets after 10-years will be 15% less than the present level of 2.38%. The model was adjusted through an iterative process so that the starting total expenditure in year 1 was the same as the planned level of renewal expenditure for 2016 at \$2,030,000. To achieve this an iterative process was undertaken that adjusted the annual percentage increase in renewal funding until the commencing expenditure level of

\$2,030,000 was achieved. The model was also set to deliver a figure of 2.02% of the network to be over the intervention level after 10-years. The result was that an annual increase over the whole of the roads network of 1.0% pa was established.

All modelling was undertaken in today's values and any CPI increase would need to be added to the results within this report. The Moloney software can allow for CPI within its outputs, but the results can be a little misleading and difficult to interpret.

Other scenarios can be run to achieve different outcomes on different time frames. The modelling function employed here is extremely versatile and it is strongly recommended that council spend the time to understand it and use it, as it will be a most valuable tool in the development of the 10-Year financial plan for your organization.

Sub Asset Description	Average Planned renewal expenditure next 10 Years	Annual Depreciation or Average Long term Annual Demand	Present Capital Renewal Demand From Modelling	Peak Capital Renewal Demand From Modelling	Year of Predicted Peak Demand	Recommended Commencing funding with 1.0% Compounding annual increase for next 10-years	% of Present Renewal Demand (From Model) Being Met	% of Annual Depreciation Being Met
Sealed Pavements	\$404,000	\$1,901,516	\$682,000	\$1,650,000	2035	\$800,000	59%	21%
Sealed Surfaces	\$850,000	\$1,012,259	\$1,593,000	\$1,593,000	2016	\$912,000	53%	84%
Unsealed Pavements	\$720,000	\$852,089	\$915,000	\$915,000	2016	\$265,000	79%	84%
Kerbs	\$10,000	\$70,420	\$88,000	\$88,000	2016	\$28,000	11%	14%
Footpaths	\$46,000	\$37,007	\$55,000	\$55,000	2016	\$25,000	84%	124%
Totals	\$2,030,000	\$3,873,292	\$3,333,000	\$3,462,000	2035	\$2,030,000	61%	52%

Figure Agg 4 – Summary Table of Current & Required Renewal Expenditure Levels

Figure Agg 4 provides an alternative way of comparing the renewal demand with the present renewal expenditure levels. The key figures within the table are located in the two far right columns and represent the percentage of the renewal demand that is being met.

Pyrenees Shire is currently funding its renewal program at \$2,030,000 pa which represents 52% of the average consumption rate (annual depreciation). The green shaded cells contain the recommended commencing funding level in 2016 for all of the sub asset classes. In summary it is recommended that council commence with the planned total renewal expenditure of \$2,030,000 pa next year and then increase that annually by 1.0% compounding for 10-years.

Note that the main emphasis within the financial modelling sections of this report was to deliver a whole of roads group recommended funding profile for the next 10-years. This approach does have some limitations and it may be necessary from year to year to alter the split of the total funding to achieve the best outcome.

10.2 Overall Condition performance

It is often quite useful to examine the overall performance of the total road network between the two most recent condition surveys. Funding can vary between the road sub asset classes and a picture of the total performance of the whole group can be of considerable value.

Figure Agg 5 details each of the 5 road sub asset groups and details the change in the "weighted average asset condition" between the two surveys. This is a single condition representing the whole of the asset set. It is created by taking the condition of all individual components making up the data set and weighting them based on their value to deliver a single whole of asset set condition.

Then at the bottom of the table each of the percentage changes in asset condition for the five possible components is further weighted for the value within the sub asset set. For example if you had a very big percentage change in the unsealed road pavements but their quantity was very small it would give only a small impact on the total outcome (within the red shaded cell).

No.	Sub Asset Group	Wt Average Asset Condition Oct-11	Wt Average Asset Condition Dec-15	Change between Surveys New Minus Old	End point Condition for asset Valuation	% Loss or gain in Overall Asset Condition	Better or Worse Since last Survey
1	Sealed Road Pavements	3.730	3.865	-0.13	8.00	-1.68%	Worse
2	Sealed Rd Surfaces	3.434	3.744	-0.31	7.20	-4.32%	Worse
3	Unsealed Road Pavements	1.594	1.263	0.33	7.00	4.72%	Better
4	Kerbs	3.517	3.200	0.32	8.00	3.96%	Better
5	Footpaths	3.045	3.383	-0.34	7.00	-4.83%	Worse
Whole Roads Group Weighted Asset Condition and Change		3.421	3.509	-0.09	7.77	-1.13%	Worse
Renewal Demand Being Met For:						% of Long Term Demand Being Met	
						52%	

Figure Agg 5 – Overall condition change - whole roads group

For Pyrenees Shire the total road network has declined in condition by 1.13% since 2011. Three of the five sub asset classes have declined (as you would expect with only 52% of the consumption rate being met). Meaning that Pyrenees Shire has lost around -1.13% of the value within its road network since the time of the last survey.

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For a detailed Explanation of the Moloney Model its assumptions and operations please refer to the document "Model All Explanation". This document can be obtained from our web site without the need to log on as a user.

A satellite night view of Australia, showing the continent's outline and the glowing lights of major cities and towns. The background is dark, with the lights providing a stark contrast.

**LOCAL GOVERNMENT COMMUNITY SATISFACTION SURVEY
PYRENEES SHIRE COUNCIL**

2016 RESEARCH REPORT

**COORDINATED BY THE DEPARTMENT OF ENVIRONMENT, LAND, WATER AND
PLANNING ON BEHALF OF VICTORIAN COUNCILS**

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 - [Key core measure: Customer service](#)
 - [Key core measure: Council direction indicators](#)
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- [Appendix A: Detailed survey tabulations](#)
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BACKGROUND AND OBJECTIVES

Welcome to the report of results and recommendations for the 2016 State-wide Local Government Community Satisfaction Survey for Pyrenees Shire Council.

Each year Local Government Victoria (LGV) coordinates and auspices this State-wide Local Government Community Satisfaction Survey throughout Victorian local government areas. This coordinated approach allows for far more cost effective surveying than would be possible if councils commissioned surveys individually.

Participation in the State-wide Local Government Community Satisfaction Survey is optional and participating councils have a range of choices as to the content of the questionnaire and the sample size to be surveyed, depending on their individual strategic, financial and other considerations.

The main objectives of the survey are to assess the performance of Pyrenees Shire Council across a range of measures and to seek insight into ways to provide improved or more effective service delivery. The survey also provides councils with a means to fulfil some of their statutory reporting requirements as well as acting as a feedback mechanism to LGV.

SURVEY METHODOLOGY AND SAMPLING

This survey was conducted by Computer Assisted Telephone Interviewing (CATI) as a representative random probability survey of residents aged 18+ years in Pyrenees Shire Council.

Survey sample matched to the demographic profile of Pyrenees Shire Council as determined by the most recent ABS population estimates was purchased from an accredited supplier of publicly available phone records, including up to 10% mobile phone numbers to cater to the diversity of residents within Pyrenees Shire Council, particularly younger people.

A total of n=402 completed interviews were achieved in Pyrenees Shire Council. Survey fieldwork was conducted in the period of 1st February – 30th March, 2016.

The 2016 results are compared with previous years, as detailed below:

- 2015, n=400 completed interviews, conducted in the period of 1st February – 30th March.
- 2014, n=400 completed interviews, conducted in the period of 31st January – 11th March.
- 2013, n=400 completed interviews, conducted in the period of 1st February – 24th March.
- 2012, n=400 completed interviews, conducted in the period of 18th May – 30th June.

Minimum quotas of gender within age groups were applied during the fieldwork phase. Post-survey weighting was then conducted to ensure accurate representation of the age and gender profile of the Pyrenees Shire Council area.

Any variation of +/-1% between individual results and net scores in this report or the detailed survey tabulations is due to rounding. In reporting, ‘—’ denotes not mentioned and ‘0%’ denotes mentioned by less than 1% of respondents. ‘Net’ scores refer to two or more response categories being combined into one category for simplicity of reporting.

SURVEY METHODOLOGY AND SAMPLING

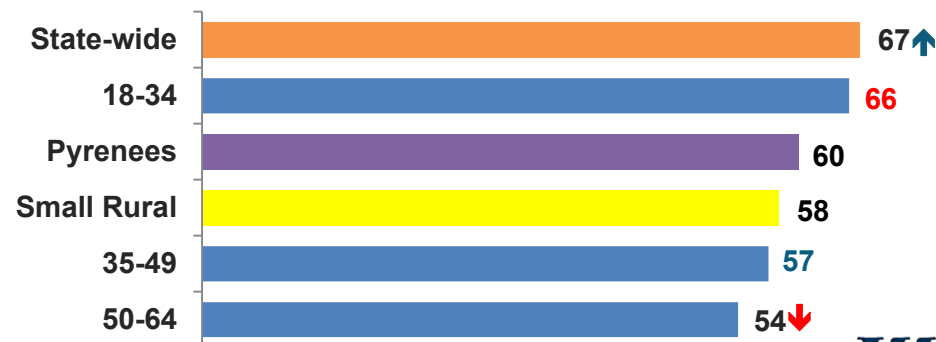
Within tables and index score charts throughout this report, statistically significant differences at the 95% confidence level are represented by upward directing blue and downward directing red arrows. Significance when noted indicates a significantly higher or lower result for the analysis group in comparison to the ‘Total’ result for the council for that survey question for that year. Therefore in the example below:

- The state-wide result is significantly higher than the overall result for the council.
- The result among 50-64 year olds is significantly lower than for the overall result for the council.

Further, results shown in blue and red indicate significantly higher or lower results than in 2015. Therefore in the example below:

- The result among 35-49 year olds in the council is significantly higher than the result achieved among this group in 2015.
- The result among 18-34 year olds in the council is significantly lower than the result achieved among this group in 2015.

Overall Performance – Index Scores (example extract only)



Note: For details on the calculations used to determine statistically significant differences, please refer to Appendix B.

FURTHER INFORMATION

Further Information

Further information about the report and explanations about the State-wide Local Government Community Satisfaction Survey can be found in [Appendix B](#), including:

- [Background and objectives](#)
- [Margins of error](#)
- [Analysis and reporting](#)
- [Glossary of terms](#)

Contacts

For further queries about the conduct and reporting of the 2016 State-wide Local Government Community Satisfaction Survey, please contact JWS Research on (03) 8685 8555.

A satellite night view of South Africa, showing the country's coastline and interior. The land is dark brown, and the sea is dark blue. A dense network of white lines represents roads, and several bright yellow and white spots represent major cities and towns. The text "KEY FINDINGS & RECOMMENDATIONS" is overlaid in white, bold, sans-serif font across the center of the image.

KEY FINDINGS & RECOMMENDATIONS

KEY FINDINGS AND RECOMMENDATIONS

- Across most core and individual service measures, performance was relatively **stable**, moving only a point or two in either the plus or minus direction between 2015 and 2016. Performance exhibited **significant movement in only two service areas** compared to 2015 results.
 - With regards to **core** measures, **Community Consultation** (56) and **Lobbying** (55) declined two points; **Overall Performance** (61), **Making Community Decisions** (56) and **Sealed Local Roads** (54) declined one point; and **Customer Service** (72) and **Overall Council Direction** (54) stayed the same.
 - Pyrenees Shire Council exceeds average ratings for Small Rural councils on all core measures; Council **significantly exceeds Group averages** for Overall Performance, Council Direction and Community Decisions.
 - Pyrenees Shire Council also exceeds State-wide averages for core measures, with the exception of Sealed Local Roads, where Pyrenees Shire's results match that of the State. Council **significantly exceeds the State-wide average** for Overall Council Direction.

KEY FINDINGS AND RECOMMENDATIONS

- The **Overall Performance** index score of 61 is largely in line with 2015 results (62). Most demographic and geographic groups rate Overall Performance within a few points of 2015 results, with the exception of 18 to 34 year olds (*small sample size*) who rate Council significantly higher for Overall Performance in 2016 (up 8 points to an index score of 62).
 - **Beaufort and Ercildoune** residents (64) rate Council's Overall Performance higher than any other resident group, followed by Avoca and DeCameron residents (61), while **Mt. Emu** residents are lowest in their ratings (57).
 - Generationally, the youngest and oldest cohorts of residents rate Council **higher** for Overall Performance (62 among **residents aged 65+** and 62 among **residents aged 18 to 34 years**) than residents aged **35 to 49** and **50 to 64** (with index scores of 60 for each).

- Ratings for **Overall Council Direction** (index score of 54) have not moved in the past five years, and this remains the lowest rated of core measures. That said, results are indicative of neutral, rather than negative, attitudes. Two thirds of residents (66%) believe Council's Overall Direction has stayed the same over the previous 12 months rather than improving (18%) or deteriorating (11%).

KEY FINDINGS AND RECOMMENDATIONS

- Performance ratings for **Community Consultation** (56) and **Lobbying** (55) **declined slightly** – by two points each in the past year. In the case of **Community Consultation**, declining performance can largely be attributed to lower ratings among residents aged 50 to 64 (-9 index points to 51, noting this group also rate Council the lowest for this measure) and Avoca and DeCameron residents (-6 to 56).
- Performance ratings on **Lobbying** have higher levels of ‘don’t know’ responses than other core measures (23%, up from 17% in 2015). This suggests that a lot of the community is not hearing what Council is doing in this area.
- Of the core measures, **Pyrenees Shire Council** continues to perform **best** in the area of **Customer Service** (index score of 72). Customer service ratings have remained fairly consistent since 2012, with the exception of 2013 when ratings dipped slightly to an index score of 68. Nearly two in five (38%) rate Council’s Customer Service as ‘very good’, with a further 31% rating Customer Service as ‘good’ (with 14% rating ‘average’ and 15% ‘very poor’ or ‘poor’).
 - Women (66% contacted Council) had more contact with Council in the past year and rate Council significantly higher (index score of 77) for the quality of their contacts than their male counterparts (58% contacted Council, index score of 66).

KEY FINDINGS AND RECOMMENDATIONS

- Council is **performing well** on most **individual service areas**, generally better in fact than on the core measures. Of the 10 services where performance was evaluated in 2016 in addition to core measures, Council received positive ratings (an index score of 60 or higher) on seven of them.
 - Performance on individual service areas is largely consistent with 2015 results, with the exception of **Emergency and Disaster Management which improved significantly** (73, +4) and **Recreational Facilities which declined significantly** (65, -4)
 - Council **performs best** on **Emergency and Disaster Management** (index score of 73), **Appearance of Public Areas** (70), **Waste Management** (70), **Elderly Support Services** (69) and **Family Support Services** (68).
 - Performance is **weakest** on **Unsealed Roads** (45) and **Planning and Building Permits** (54), in addition to the core measures of **Sealed Roads** (54), **Lobbying** (55), **Community Decisions** (56) and **Consultation and Engagement** (56).

KEY FINDINGS AND RECOMMENDATIONS

- Council performance is **in line with Small Rural and State-wide council averages for most individual service areas**, with only a couple of exceptions:
 - Council **significantly exceeds other Small Rural councils and the State** when it comes to **Planning Permits** and trails both when it comes to **Recreational Facilities**. It also exceeds State-wide average ratings for **Emergency and Disaster Management** and trails the Group for the **Appearance of Public Areas**.

- In general, Council should pay attention to service areas where residents stated **importance exceeds rated performance** by 10 or more points – five service areas. The following list of priority areas is consistent with 2015 recommendations with the addition of one more service area – Elderly Support Services:
 - **Maintenance of Unsealed Roads** (margin of 37 points)
 - **Condition of Local Streets and Footpaths** (margin of 16 points)
 - **Planning Permits** (margin of 15 points)
 - **Emergency and Disaster Management** (margin of 11 points)
 - **Elderly support services** (margin of 10 points).

KEY FINDINGS AND RECOMMENDATIONS

- Residents are most likely to cite **sealed road maintenance** (16%), **unsealed road maintenance** (12%) and **communication** (12%) as the **key areas for improvement** for Council.
- A majority of Council residents continue to prefer to learn about Council issues through **a newsletter sent via mail** (52%), followed distantly by an e-newsletter (19%). Both residents under 50 (54%) and over 50 (50%) years of age would prefer to receive a print newsletter in the mail.
- Pyrenees Shire Council should pay extra attention to areas and cohorts where it is underperforming in comparison with other areas and cohorts. **Residents aged 50 to 64 years and Mt. Emu residents are generally more critical of Council** in 2016 compared with other resident segments.

KEY FINDINGS AND RECOMMENDATIONS

- An approach we recommend is to further mine the survey data to better understand the profile of these over and under-performing demographic groups. This can be achieved via additional consultation and data interrogation, or self-mining the SPSS data provided or via the dashboard portal available to the council.
- Please note that the category descriptions for the coded open ended responses are generic summaries only. We recommend further analysis of the detailed cross tabulations and the actual verbatim responses, with a view to the responses of the key gender and age groups, especially any target groups identified.
- **A complimentary personal briefing by senior JWS Research representatives is also available to assist in providing both explanation and interpretation of the results. Please contact JWS Research on 03 8685 8555.**

KEY FINDINGS AND RECOMMENDATIONS

Higher results in 2016

- Emergency and disaster management

Lower results in 2016

- Recreational facilities

Most favourably disposed towards Council

- Varies by measure

Least favourably disposed towards Council

- 50-64 year olds
- Mt. Emu residents

A satellite night view of the United Kingdom, showing the dense network of roads and city lights. The text "SUMMARY OF FINDINGS" is overlaid in white, bold, sans-serif font on the left side of the image.

SUMMARY OF FINDINGS

2016 SUMMARY OF CORE MEASURES INDEX SCORE RESULTS

Performance Measures	Pyrenees 2012	Pyrenees 2013	Pyrenees 2014	Pyrenees 2015	Pyrenees 2016	Small Rural 2016	State-wide 2016
OVERALL PERFORMANCE	62	63	63	62	61	57	59
COMMUNITY CONSULTATION (Community consultation and engagement)	59	59	58	58	56	55	54
ADVOCACY (Lobbying on behalf of the community)	58	58	56	57	55	54	53
MAKING COMMUNITY DECISIONS (Decisions made in the interest of the community)	n/a	n/a	57	57	56	53	54
SEALED LOCAL ROADS (Condition of sealed local roads)	n/a	n/a	56	55	54	52	54
CUSTOMER SERVICE	72	68	71	72	72	69	69
OVERALL COUNCIL DIRECTION	54	54	54	54	54	50	51

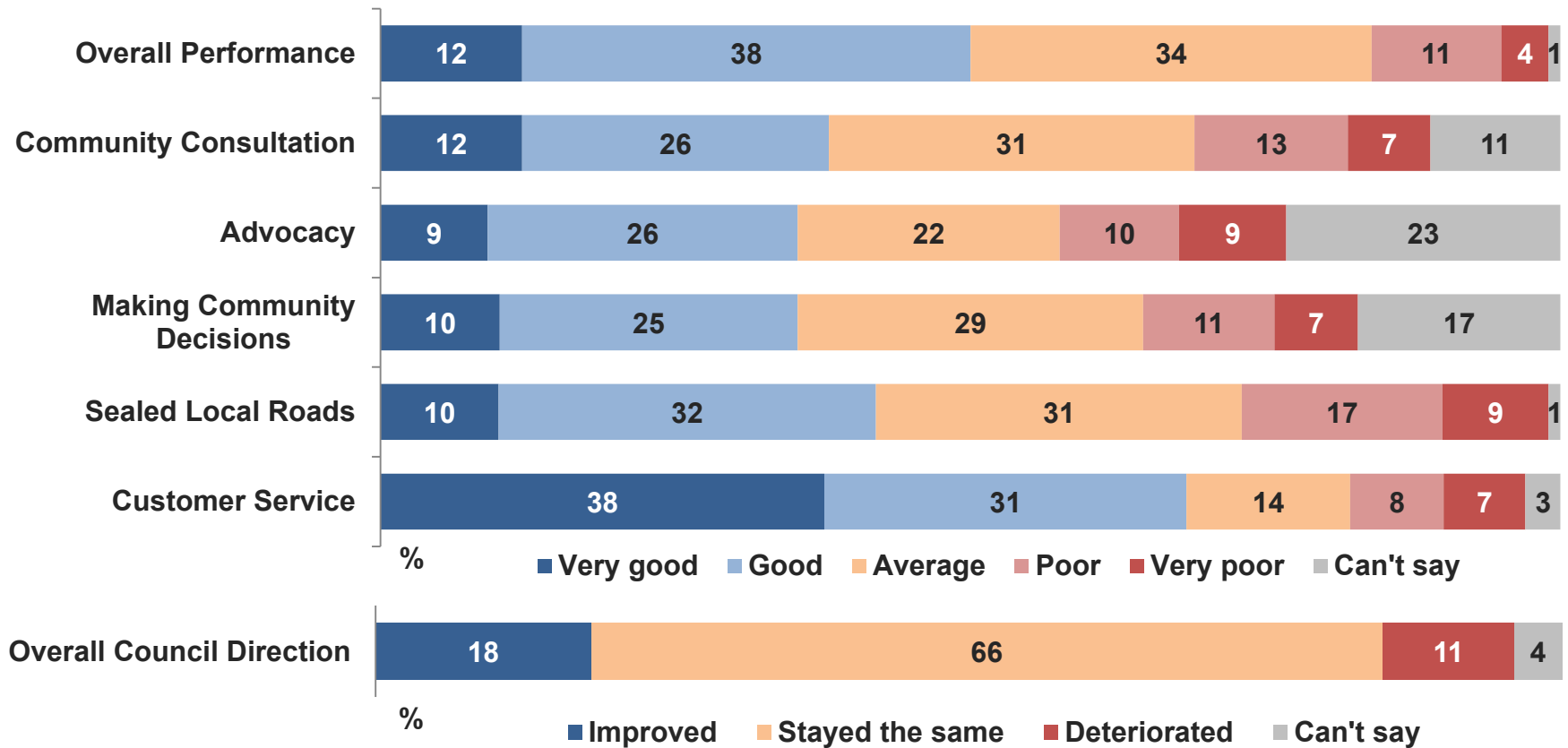
2016 SUMMARY OF CORE MEASURES

DETAILED ANALYSIS

Performance Measures	Pyrenees 2016	vs Pyrenees 2015	vs Small Rural 2016	vs State-wide 2016	Highest score	Lowest score
OVERALL PERFORMANCE	61	1 point lower	4 points higher	2 points higher	Beaufort, Ercildoune	Mt Emu
COMMUNITY CONSULTATION (Community consultation and engagement)	56	2 points lower	1 point higher	2 points higher	35-49 and 65+ year olds	50-64 year olds
ADVOCACY (Lobbying on behalf of the community)	55	2 points lower	1 point higher	2 points higher	65+ year olds	35-49 year olds
MAKING COMMUNITY DECISIONS (Decisions made in the interest of the community)	56	1 point lower	3 points higher	2 points higher	65+ year olds	Mt Emu
SEALED LOCAL ROADS (Condition of sealed local roads)	54	1 point lower	2 points higher	Equal	65+ year olds	50-64 year olds
CUSTOMER SERVICE	72	Equal	3 points higher	3 points higher	Women	Men
OVERALL COUNCIL DIRECTION	54	Equal	4 points higher	3 points higher	18-34 year olds	50-64 year olds

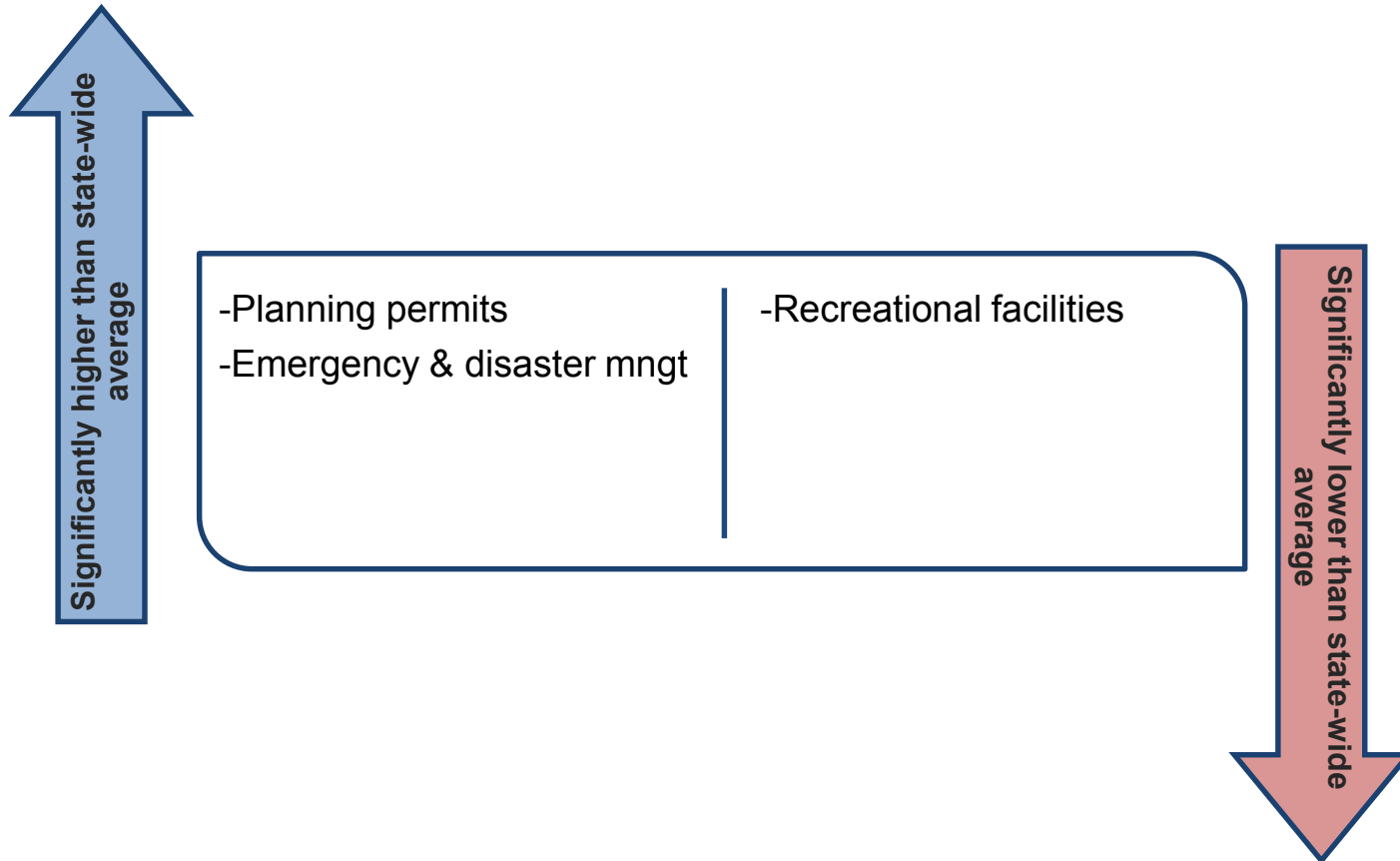
2016 SUMMARY OF KEY COMMUNITY SATISFACTION PERCENTAGE RESULTS

Key Measures Summary Results



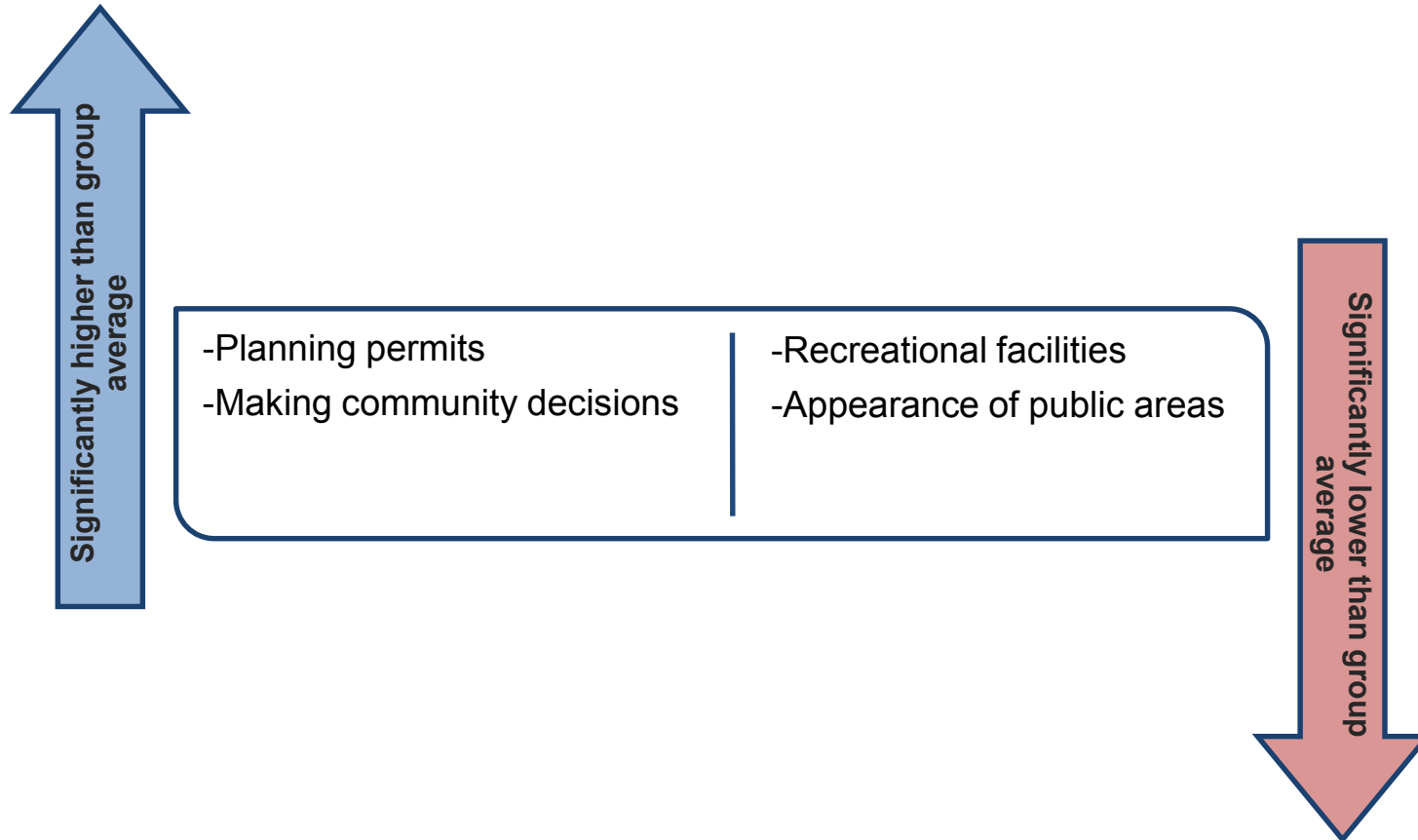
INDIVIDUAL SERVICE AREAS SUMMARY

COUNCIL'S PERFORMANCE VS STATE-WIDE AVERAGE



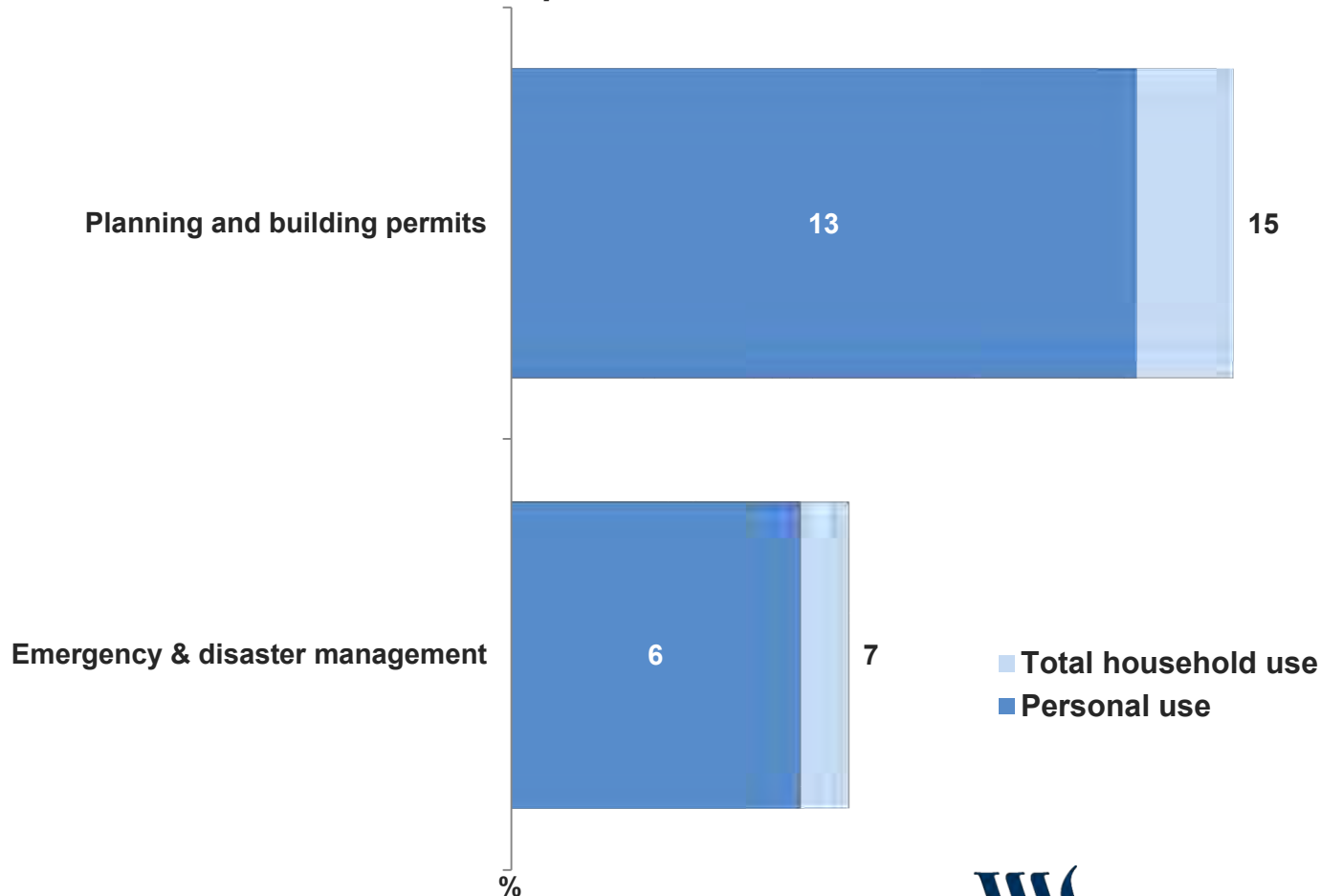
INDIVIDUAL SERVICE AREAS SUMMARY

COUNCIL'S PERFORMANCE VS GROUP AVERAGE



2016 PERSONAL AND HOUSEHOLD USE AND EXPERIENCE OF COUNCIL SERVICES PERCENTAGE RESULTS

Experience of Services



Q4. In the last 12 months, have you or has any member of your household used or experienced any of the following services provided by Council?

Base: All respondents. Councils asked state-wide: 14

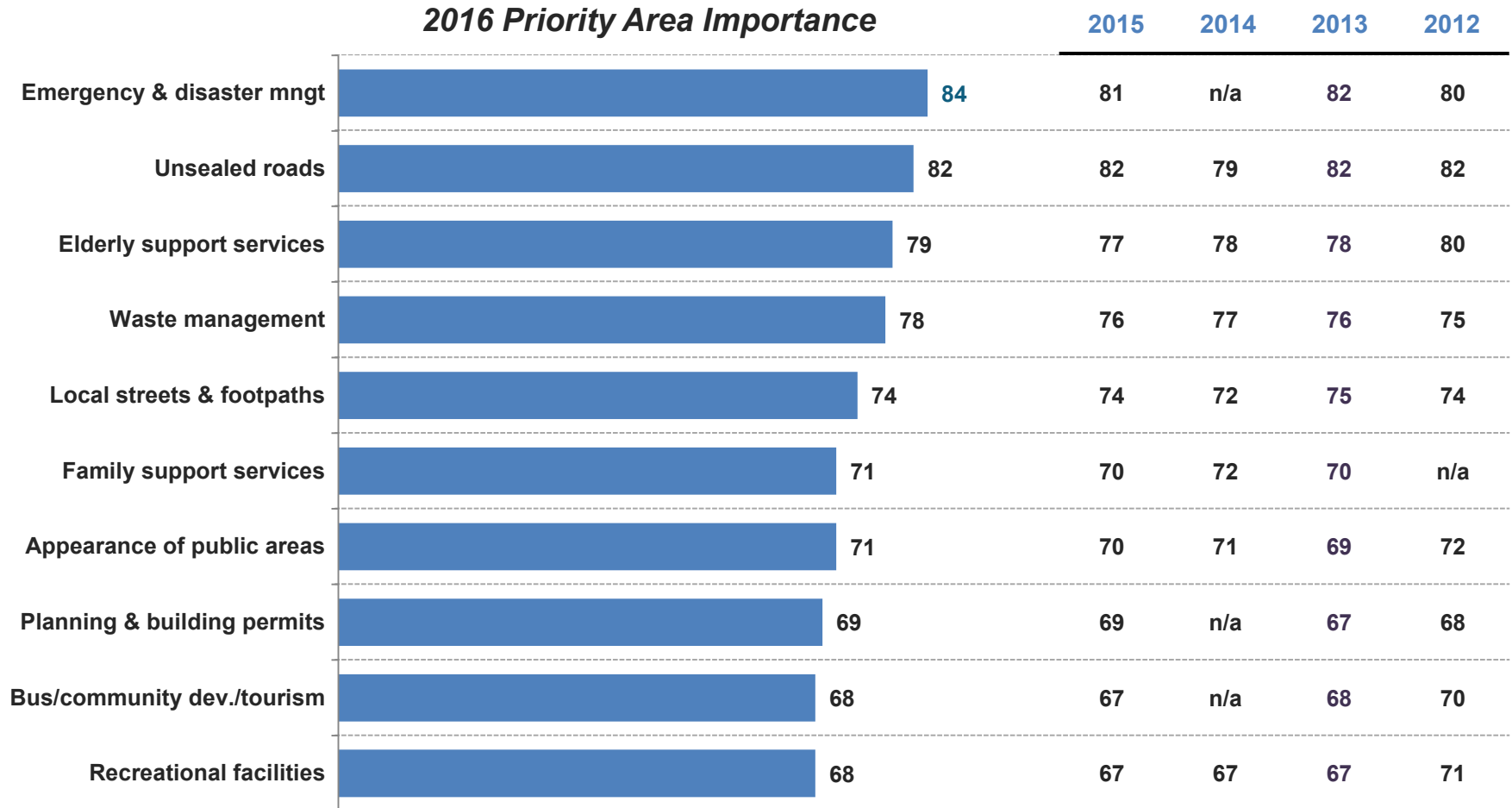
INDIVIDUAL SERVICE AREA SUMMARY

IMPORTANCE VS PERFORMANCE

Service areas where importance exceeds performance by 10 points or more, suggesting further investigation is necessary:

Service	Importance	Performance	Net differential
Maintenance of unsealed roads	82	45	-37
Condition of local streets & footpaths	74	58	-16
Planning permits	69	54	-15
Emergency & disaster management	84	73	-11
Elderly support services	79	69	-10

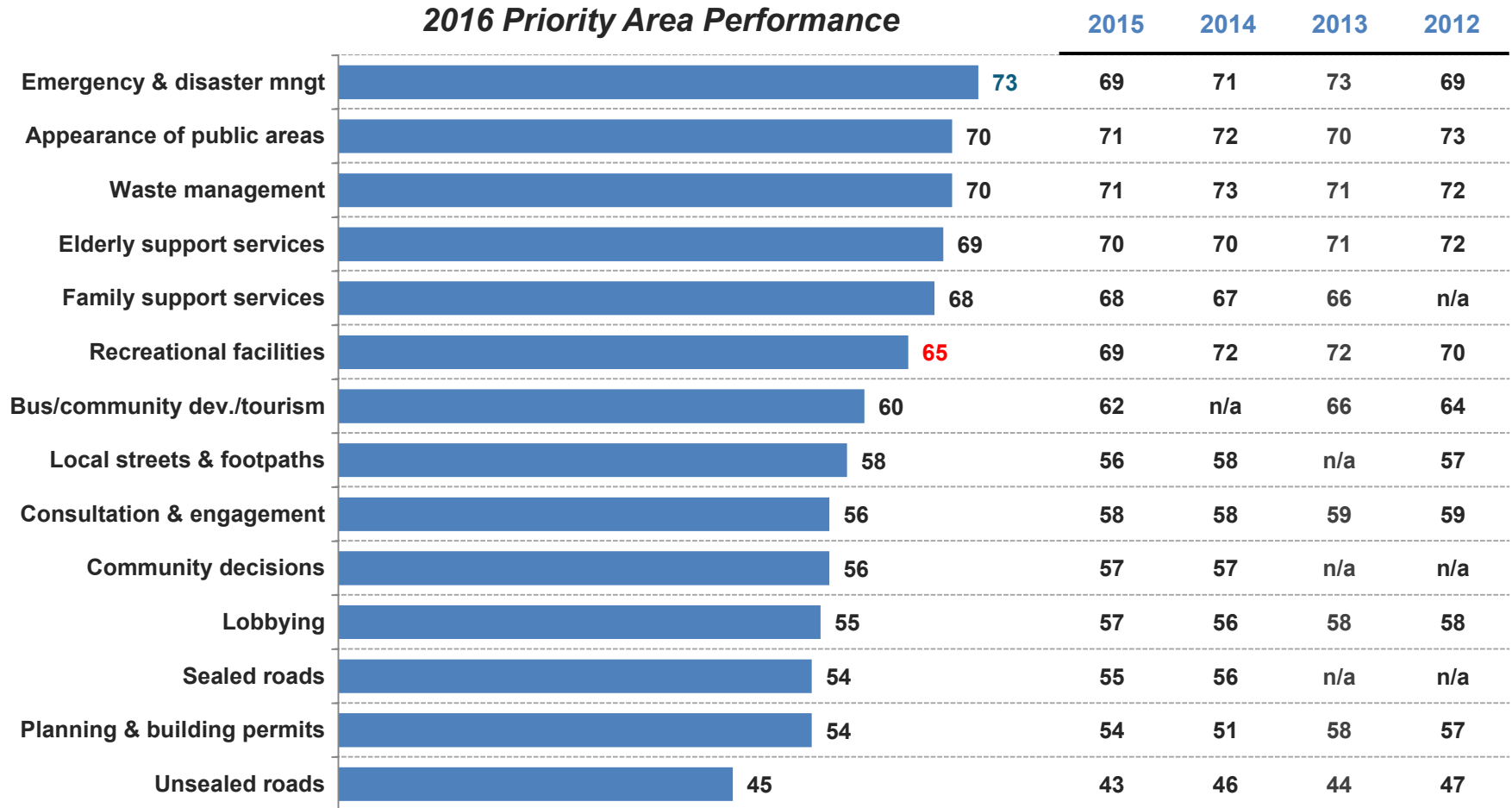
2016 IMPORTANCE SUMMARY



Base: All respondents. Councils asked state-wide: 69

Note: Please see page 5 for explanation of significant differences

2016 PERFORMANCE SUMMARY



Base: All respondents. Councils asked state-wide: 69
 Note: Please see page 5 for explanation of significant differences

2016 IMPORTANCE SUMMARY BY COUNCIL GROUP

Top Three Most Important Service Areas (Highest to lowest, i.e. 1. = most important)

Pyrenees Shire Council	Metropolitan	Interface	Regional Centres	Large Rural	Small Rural
<ol style="list-style-type: none"> 1. Emergency & disaster mngt 2. Unsealed roads 3. Elderly support services 	<ol style="list-style-type: none"> 1. Waste management 2. Community decisions 3. Elderly support services 	<ol style="list-style-type: none"> 1. Emergency & disaster mngt 2. Waste management 3. Local streets & footpaths 	<ol style="list-style-type: none"> 1. Community decisions 2. Emergency & disaster mngt 3. Waste management 	<ol style="list-style-type: none"> 1. Emergency & disaster mngt 2. Unsealed roads 3. Elderly support services 	<ol style="list-style-type: none"> 1. Emergency & disaster mngt 2. Community decisions 3. Sealed roads

Bottom Three Most Important Service Areas (Lowest to highest, i.e. 1. = least important)

Pyrenees Shire Council	Metropolitan	Interface	Regional Centres	Large Rural	Small Rural
<ol style="list-style-type: none"> 1. Recreational facilities 2. Bus/community dev./tourism 3. Planning permits 	<ol style="list-style-type: none"> 1. Bus/community dev./tourism 2. Community & cultural 3. Slashing & weed control 	<ol style="list-style-type: none"> 1. Tourism development 2. Community & cultural 3. Bus/community dev./tourism 	<ol style="list-style-type: none"> 1. Community & cultural 2. Art centres & libraries 3. Lobbying 	<ol style="list-style-type: none"> 1. Community & cultural 2. Art centres & libraries 3. Tourism development 	<ol style="list-style-type: none"> 1. Traffic management 2. Community & cultural 3. Art centres & libraries

2016 PERFORMANCE SUMMARY BY COUNCIL GROUP

Top Three Most Performance Service Areas (Highest to lowest, i.e. 1. = highest performance)

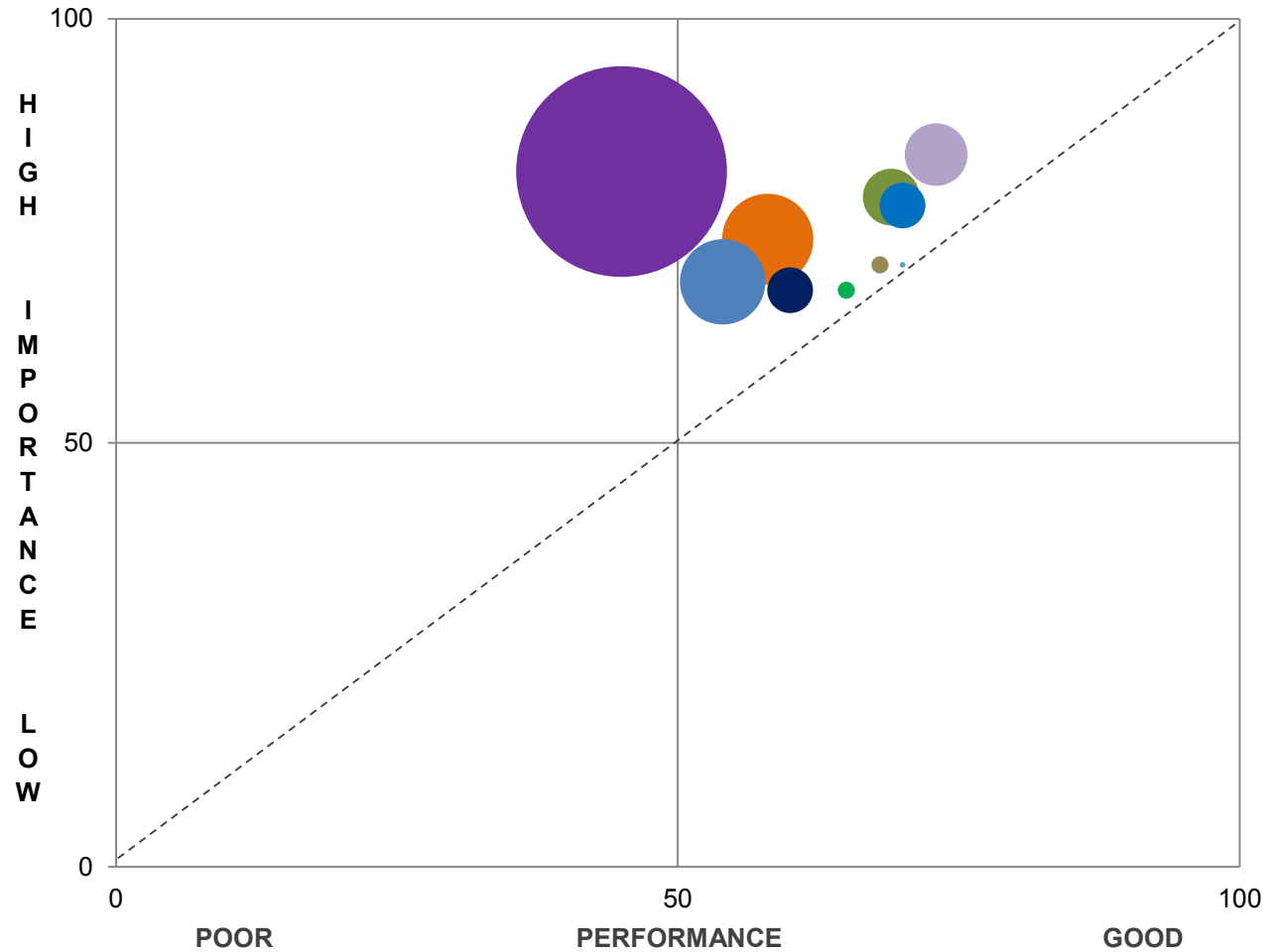
Pyrenees Shire Council	Metropolitan	Interface	Regional Centres	Large Rural	Small Rural
<ol style="list-style-type: none"> 1. Emergency & disaster mngt 2. Appearance of public areas 3. Waste management 	<ol style="list-style-type: none"> 1. Waste management 2. Art centres & libraries 3. Recreational facilities 	<ol style="list-style-type: none"> 1. Waste management 2. Emergency & disaster mngt 3. Art centres & libraries 	<ol style="list-style-type: none"> 1. Art centres & libraries 2. Appearance of public areas 3. Tourism development 	<ol style="list-style-type: none"> 1. Art centres & libraries 2. Emergency & disaster mngt 3. Appearance of public areas 	<ol style="list-style-type: none"> 1. Appearance of public areas 2. Art centres & libraries 3. Emergency & disaster mngt

Bottom Three Most Performance Service Areas (Lowest to highest, i.e. 1. = lowest performance)

Pyrenees Shire Council	Metropolitan	Interface	Regional Centres	Large Rural	Small Rural
<ol style="list-style-type: none"> 1. Unsealed roads 2. Planning permits 3. Sealed roads 	<ol style="list-style-type: none"> 1. Planning permits 2. Population growth 3. Town planning policy 	<ol style="list-style-type: none"> 1. Unsealed roads 2. Planning permits 3. Town planning policy 	<ol style="list-style-type: none"> 1. Community decisions 2. Lobbying 3. Consultation & engagement 	<ol style="list-style-type: none"> 1. Unsealed roads 2. Sealed roads 3. Population growth 	<ol style="list-style-type: none"> 1. Unsealed roads 2. Town planning policy 3. Planning permits

Service	Importance	Performance
Condition of local streets & footpaths	74	58
Family support services	71	68
Elderly support services	79	69
Recreational facilities	68	65
Appearance of public areas	71	70
Waste management	78	70
Business & community development & tourism	68	60
Planning permits	69	54
Emergency & disaster management	84	73
Maintenance of unsealed roads	82	45

Importance and Performance 2016 Index Scores Grid



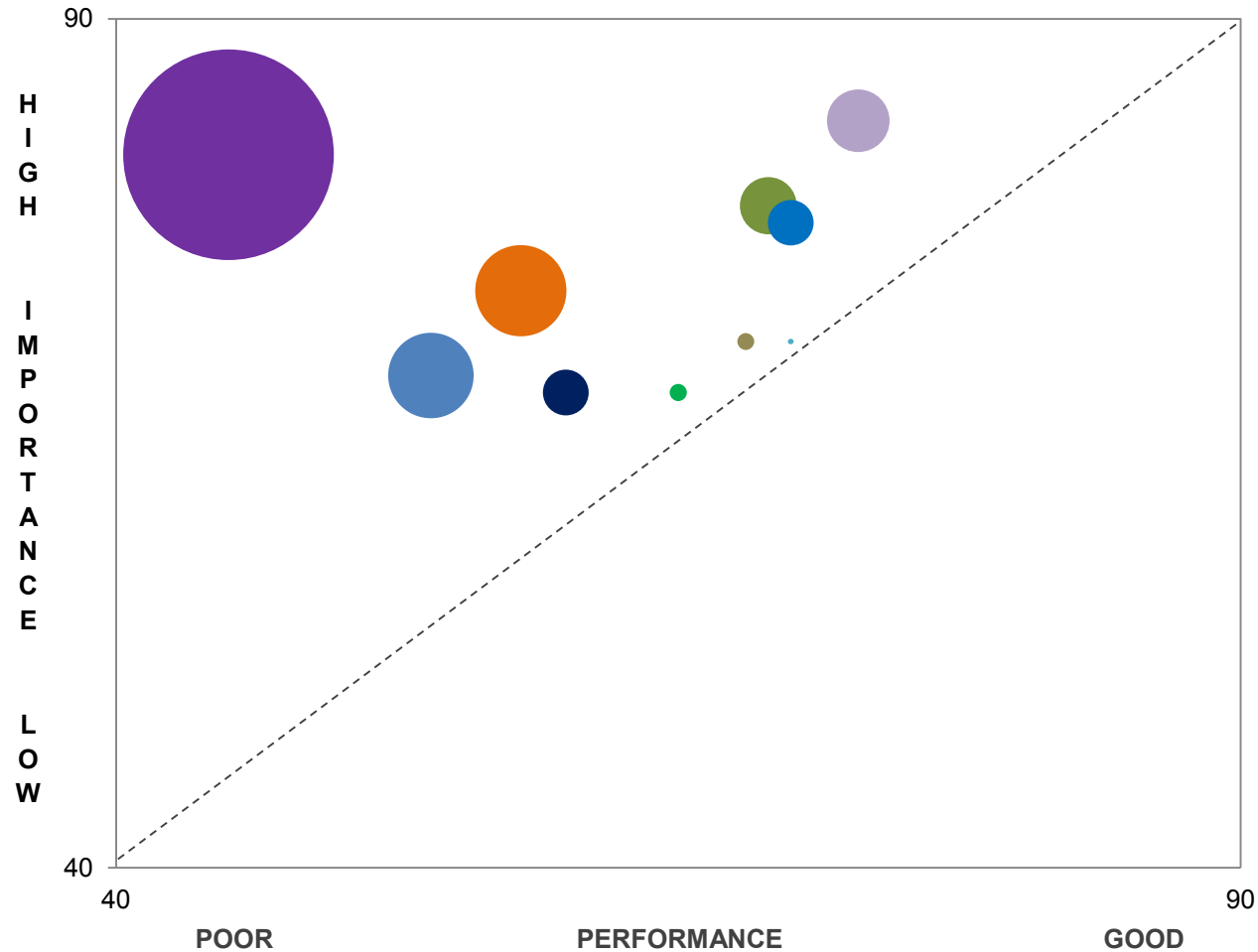
Note: The larger the circle, the larger the gap between importance and performance.

Base: All respondents



Service	Importance	Performance
Condition of local streets & footpaths	74	58
Family support services	71	68
Elderly support services	79	69
Recreational facilities	68	65
Appearance of public areas	71	70
Waste management	78	70
Business & community development & tourism	68	60
Planning permits	69	54
Emergency & disaster management	84	73
Maintenance of unsealed roads	82	45

Importance and Performance 2016 Index Scores Grid (Magnified view)



Note: The larger the circle, the larger the gap between importance and performance.
Base: All respondents



AREAS FOR IMPROVEMENT SUMMARY

- Sealed road maintenance
- Unsealed road maintenance
- Communication
- Waste management
- Rural/regional communities

AREAS FOR IMPROVEMENT

COMMUNICATIONS SUMMARY

Overall preferred forms of communication

- Newsletter sent via mail (52)

Preferred forms of communication among over 50s

- Newsletter sent via mail (50)

Preferred forms of communication among under 50s

- Newsletter sent via mail (54)

Greatest change since 2015

- Newsletter sent via email (up 3 points)

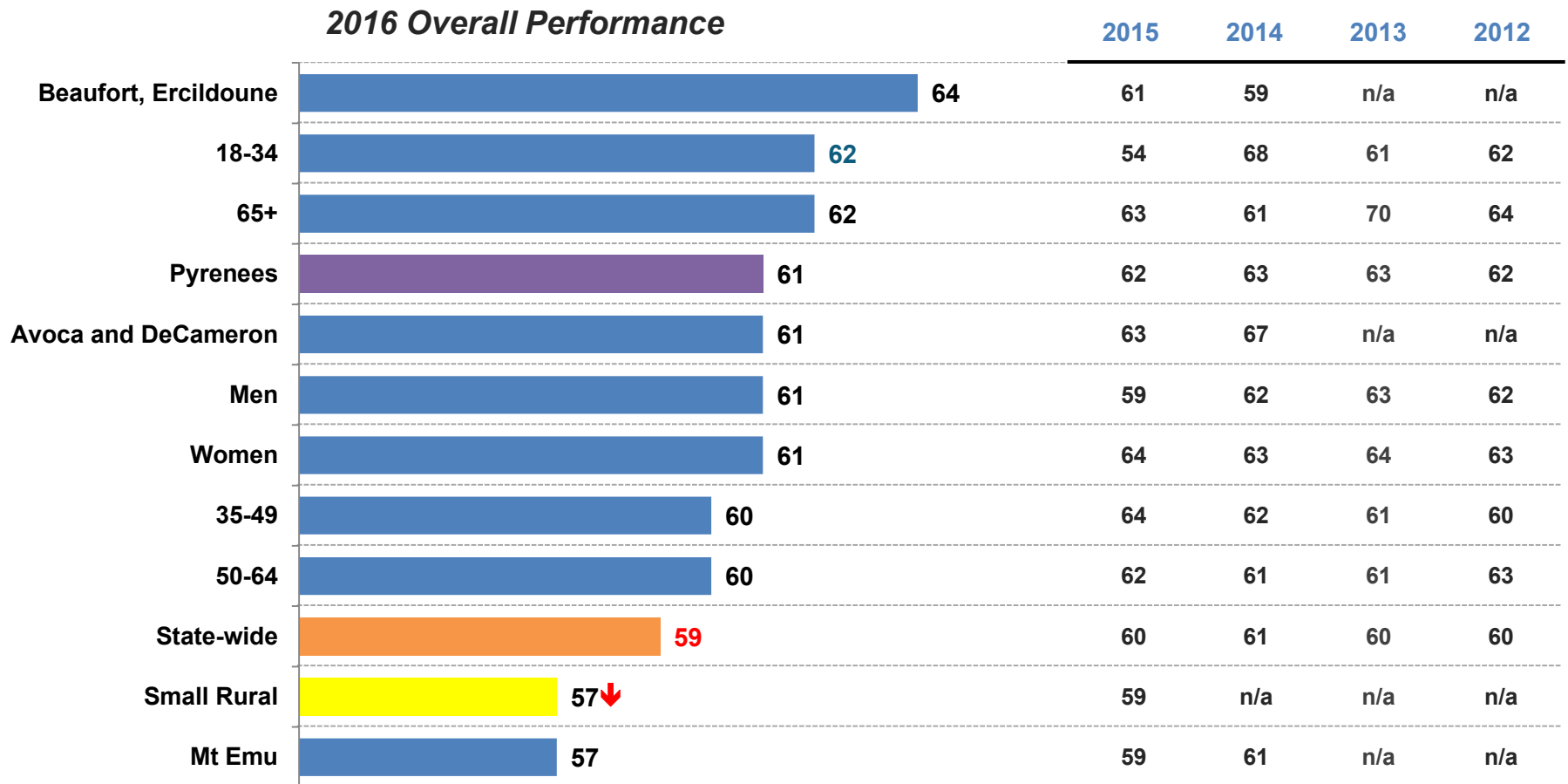
A satellite night view of the United Kingdom, showing the dense network of roads and city lights. The text "DETAILED FINDINGS" is overlaid on the left side of the image.

DETAILED FINDINGS

A satellite night view of the United Kingdom, showing city lights and a network of white lines. The text is overlaid on the left side of the image.

**KEY CORE MEASURE
OVERALL PERFORMANCE**

OVERALL PERFORMANCE INDEX SCORES



Q3. ON BALANCE, for the last twelve months, how do you feel about the performance of Pyrenees Shire Council, not just on one or two issues, BUT OVERALL across all responsibility areas? Has it been very good, good, average, poor or very poor?

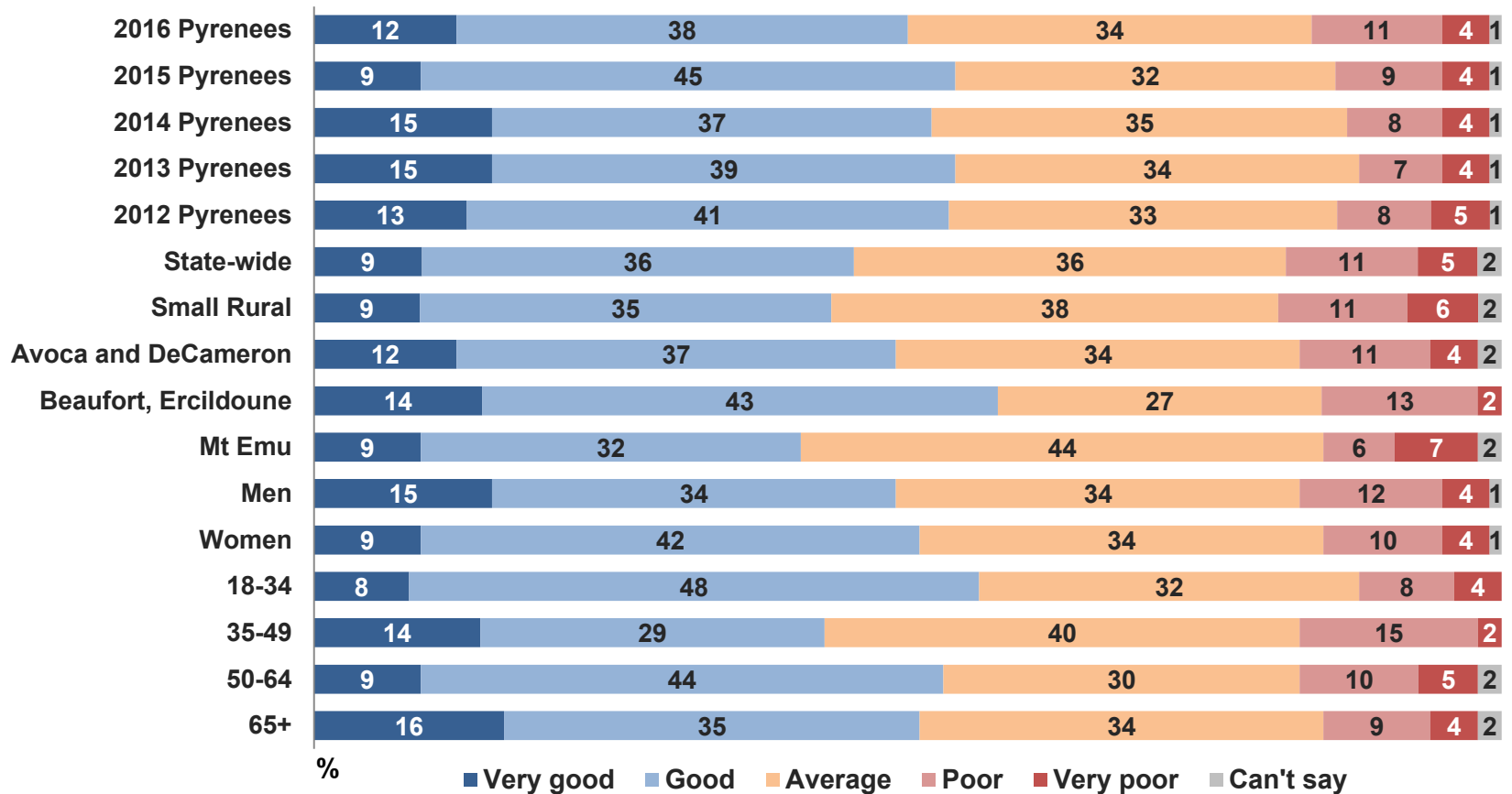
Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

Note: Please see page 5 for explanation about significant differences



OVERALL PERFORMANCE DETAILED PERCENTAGES

2016 Overall Performance



Q3. ON BALANCE, for the last twelve months, how do you feel about the performance of Pyrenees Shire Council, not just on one or two issues, BUT OVERALL across all responsibility areas? Has it been very good, good, average, poor or very poor?

Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17





**KEY CORE MEASURE
CUSTOMER SERVICE**

CONTACT LAST 12 MONTHS SUMMARY

Overall contact with Pyrenees Shire Council

- 62%, down 9 points on 2015

Most contact with Pyrenees Shire Council

- Aged 35-49 years

Least contact with Pyrenees Shire Council

- Aged 65+ years

Customer Service rating

- Index score of 72, equal points on 2015

Most satisfied with Customer Service

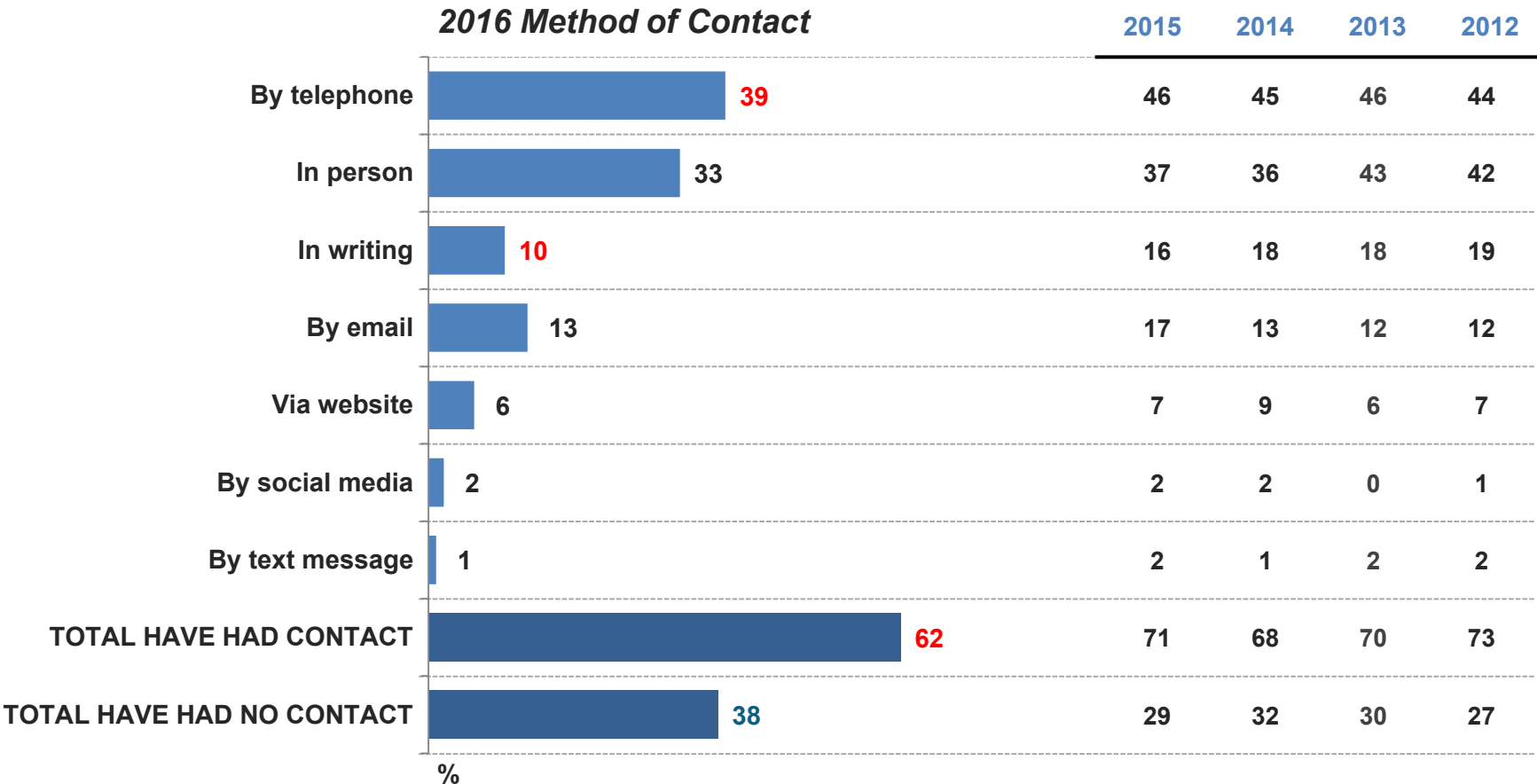
- Women
- Aged 65+ years

Least satisfied with Customer Service

- Men
- Mt Emu

2016 CONTACT WITH COUNCIL LAST 12 MONTHS DETAILED PERCENTAGES INCLUDING METHOD OF CONTACT

2016 Method of Contact



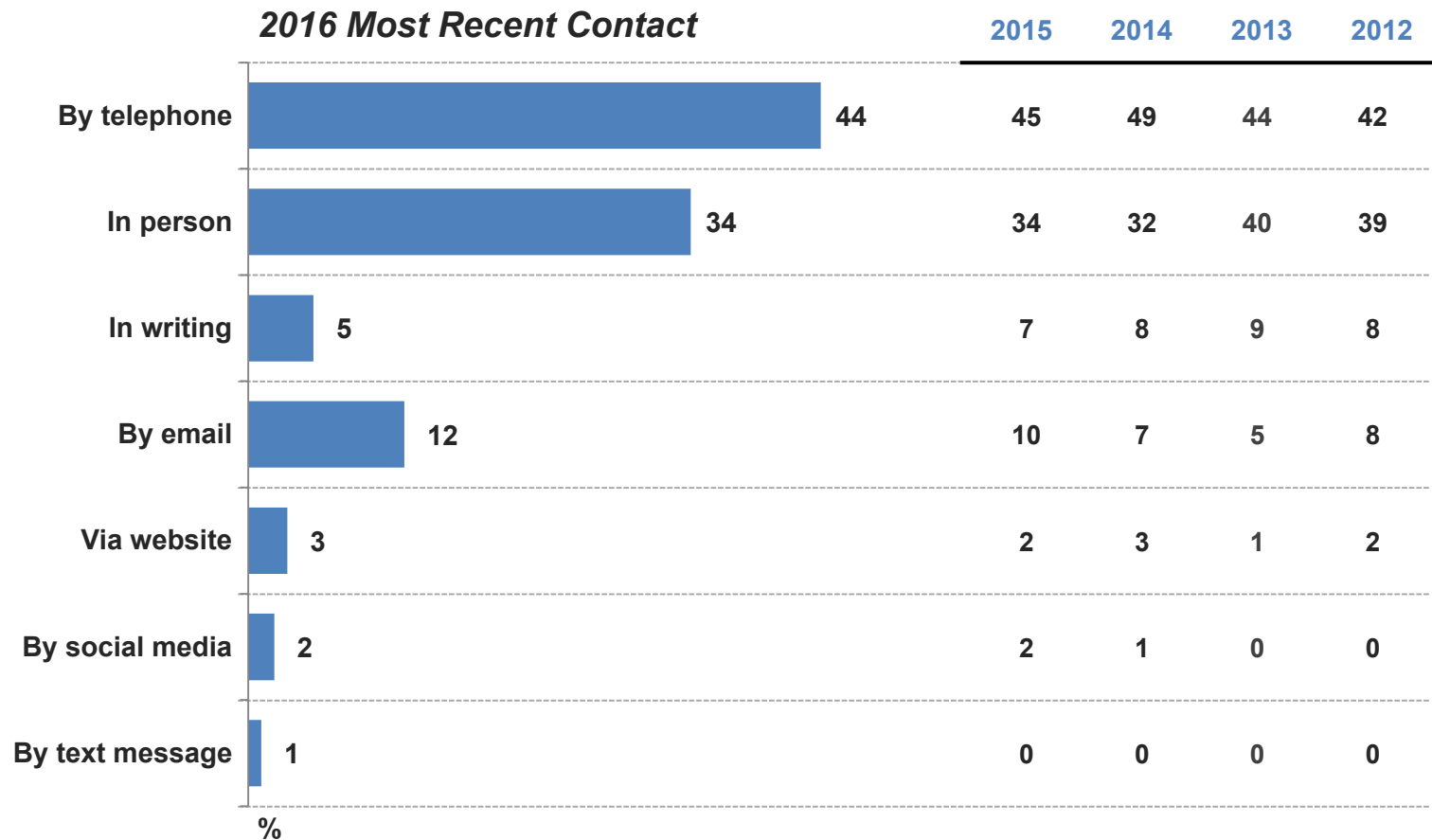
Q5a. Over the last 12 months, have you or any member of your household had any contact with Pyrenees Shire Council in any of the following ways? In person, in writing, by telephone conversation, by text message, by email or via their website or social media such as Facebook or Twitter?

Base: All respondents. Councils asked state-wide: 17 Councils asked group: 4

Note: Respondents could name multiple contacts methods so responses may add to more than 100%

Note: Please see page 5 for explanation about significant differences

2016 CONTACT WITH COUNCIL MOST RECENT METHOD DETAILED PERCENTAGES



Q5b. What was the method of contact for the most recent contact you had with Pyrenees Shire Council?

Base: All respondents who have had contact with Council in the last 12 months.

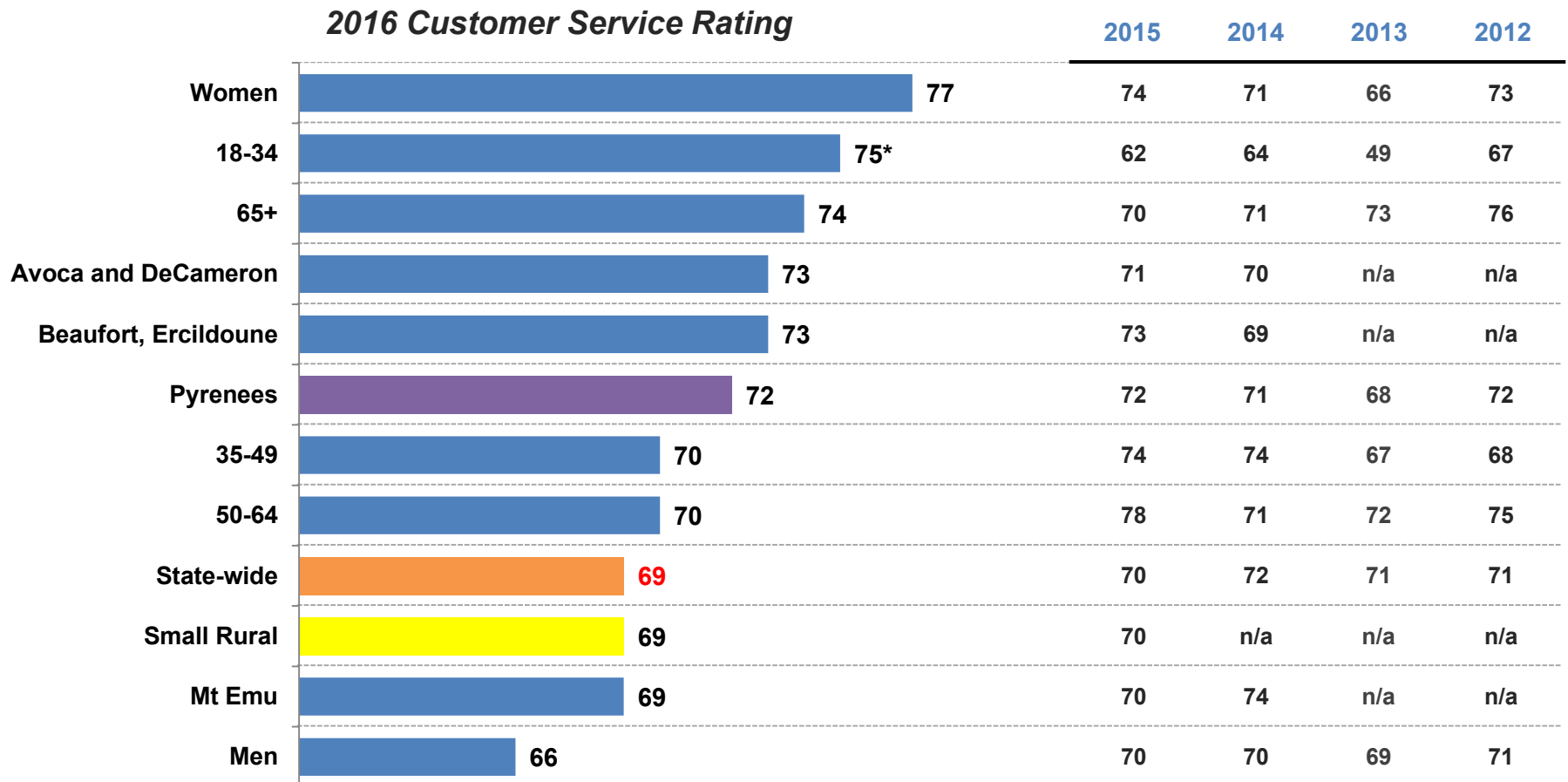
Councils asked state-wide: 17 Councils asked group: 4

Note: Respondents could name multiple contacts methods so responses may add to more than 100%

Note: Please see page 5 for explanation about significant differences

* Caution: small sample size < n=30

2016 CONTACT CUSTOMER SERVICE INDEX SCORES



Q5c. Thinking of the most recent contact, how would you rate Pyrenees Shire Council for customer service?

Please keep in mind we do not mean the actual outcome but rather the actual service that was received.

Base: All respondents who have had contact with Council in the last 12 months.

Councils asked state-wide: 69 Councils asked group: 17

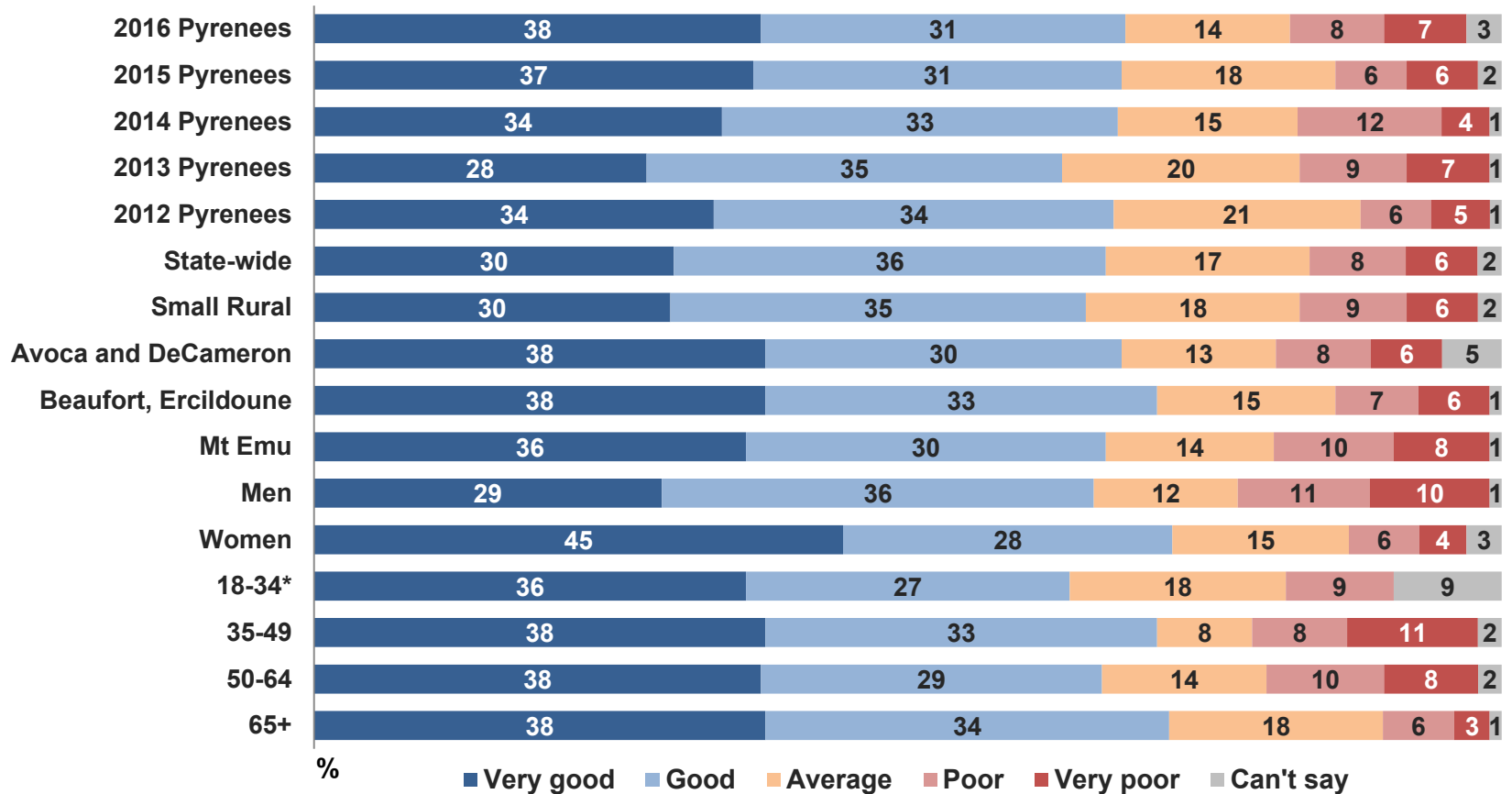
Note: Please see page 5 for explanation about significant differences

*Caution: small sample size < n=30



2016 CONTACT CUSTOMER SERVICE DETAILED PERCENTAGES

2016 Customer Service Rating



Q5c. Thinking of the most recent contact, how would you rate Pyrenees Shire Council for customer service? Please keep in mind we do not mean the actual outcome but rather the actual service that was received.

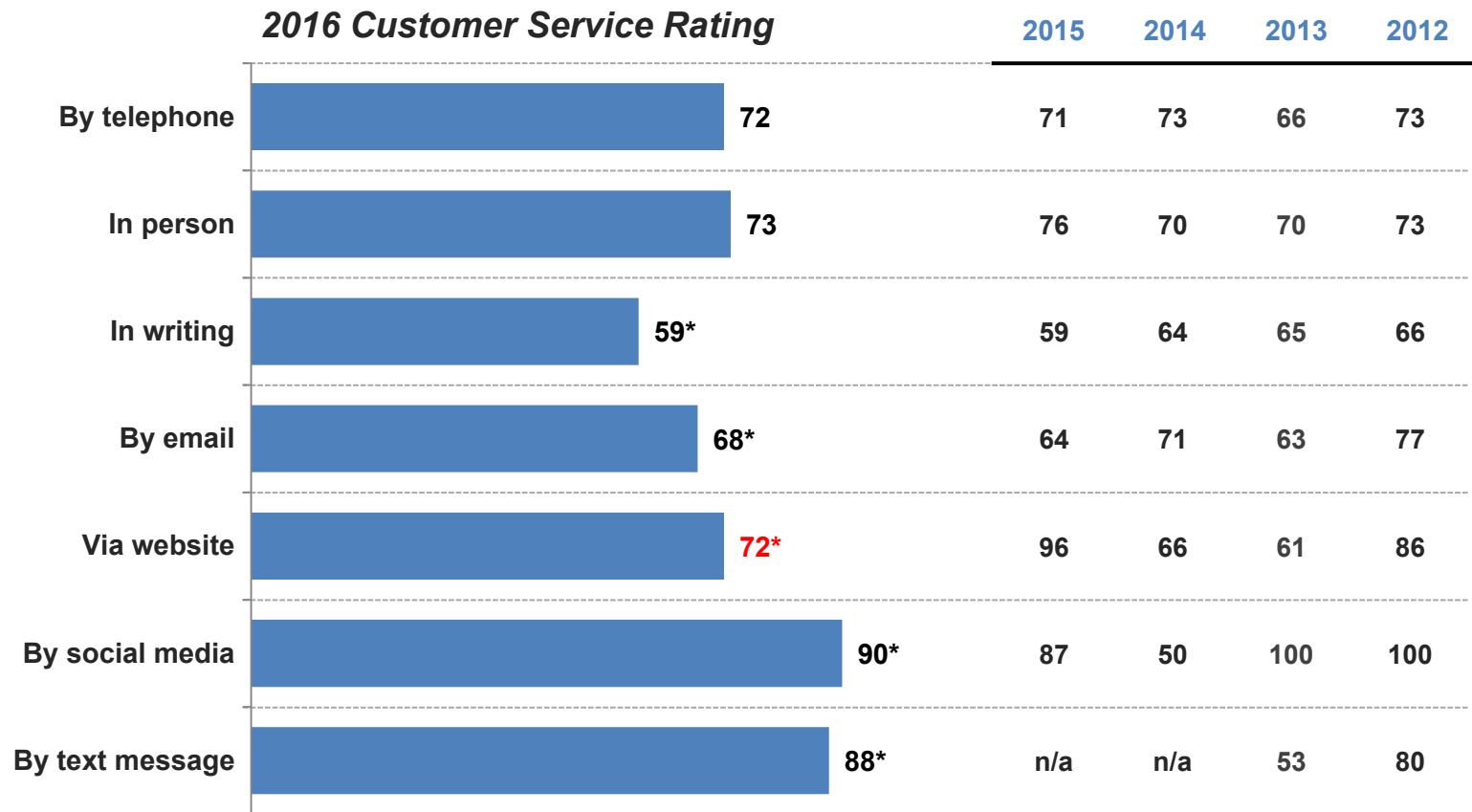
Base: All respondents who have had contact with Council in the last 12 months.

Councils asked state-wide: 69 Councils asked group: 17

*Caution: small sample size < n=30



2016 CONTACT CUSTOMER SERVICE INDEX SCORES BY METHOD OF LAST CONTACT



Q5c. Thinking of the most recent contact, how would you rate Pyrenees Shire Council for customer service?

Please keep in mind we do not mean the actual outcome but rather the actual service that was received.

Base: All respondents who have had contact with Council in the last 12 months.

Councils asked state-wide: 17 Councils asked group: 4

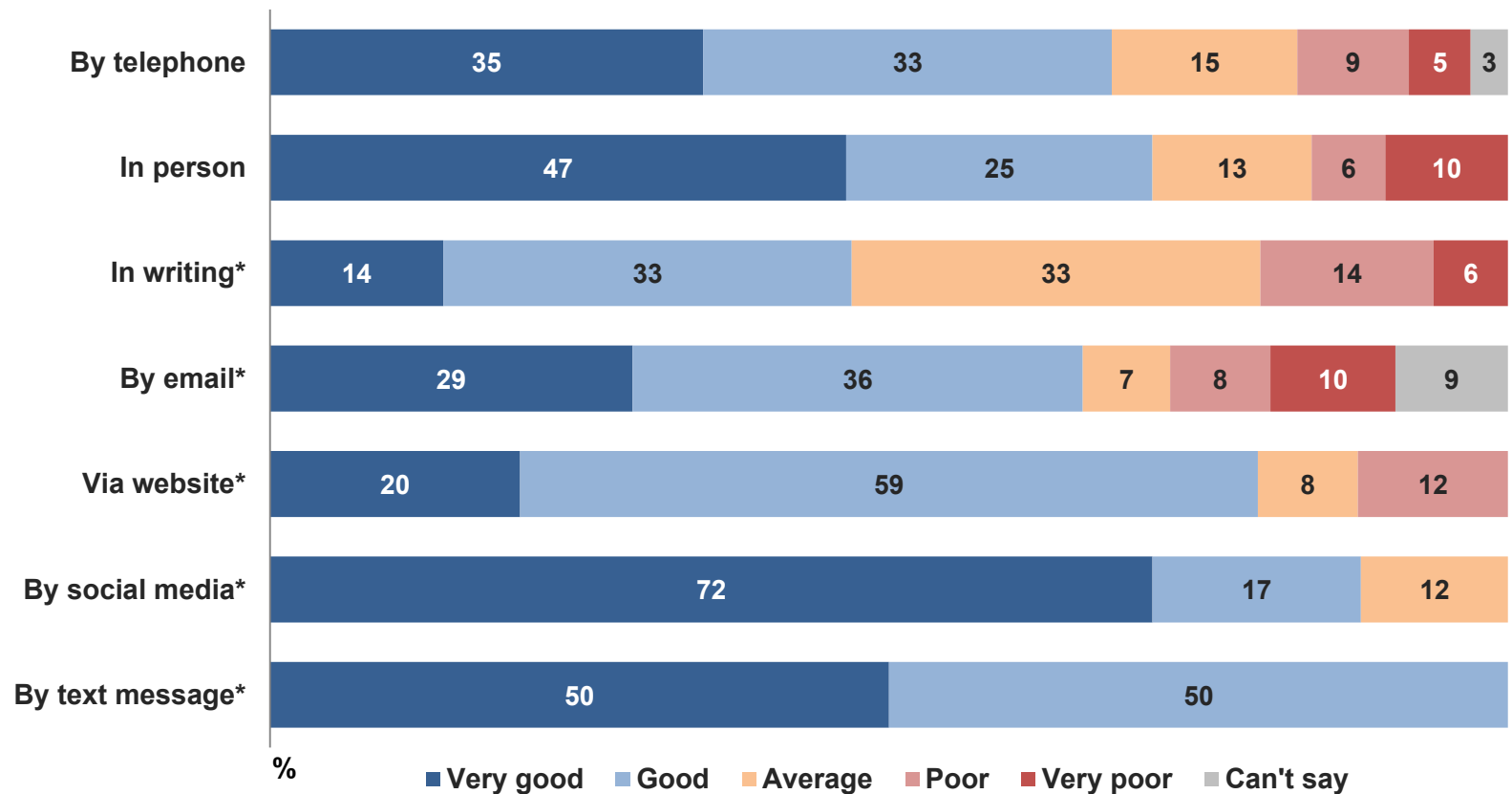
Note: Please see page 5 for explanation about significant differences

*Caution: small sample size < n=30



2016 CONTACT CUSTOMER SERVICE DETAILED PERCENTAGES BY METHOD OF LAST CONTACT

2016 Customer Service Rating



Q5c. Thinking of the most recent contact, how would you rate Pyrenees Shire Council for customer service?
Please keep in mind we do not mean the actual outcome but rather the actual service that was received.
Base: All respondents who have had contact with Council in the last 12 months.
Councils asked state-wide: 17 Councils asked group: 4
*Caution: small sample size < n=30



**KEY CORE MEASURE
COUNCIL DIRECTION INDICATORS**

COUNCIL DIRECTION SUMMARY

Council Direction over last 12 months

- 66% stayed about the same, up 3 points on 2015
- 18% improved, down 2 points on 2015
- 11% deteriorated, down 1 point on 2015

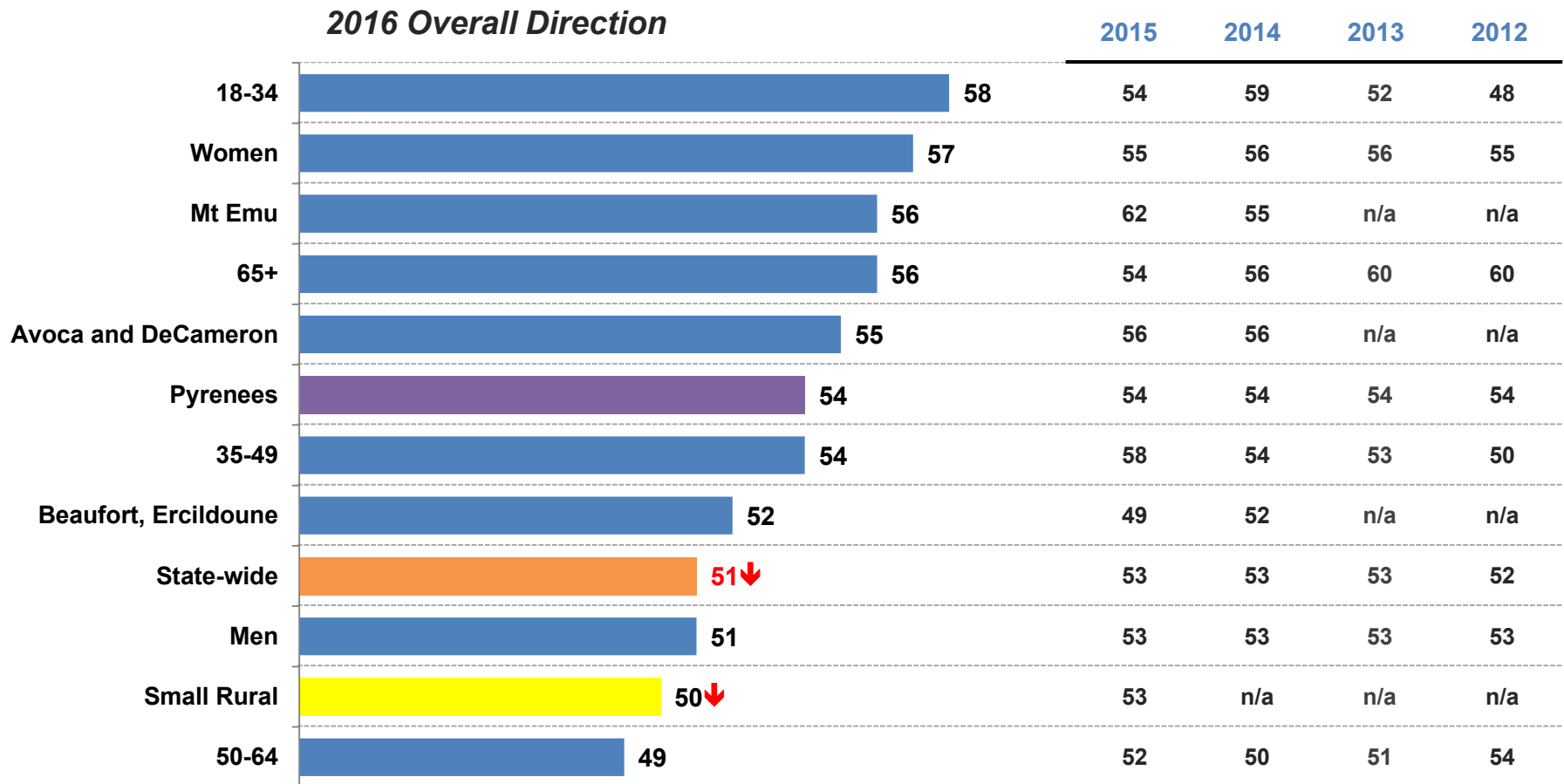
Most satisfied with Council Direction

- Aged 18-34 years
- Women

Least satisfied with Council Direction

- Aged 50-64 years
- Men

2016 OVERALL COUNCIL DIRECTION LAST 12 MONTHS INDEX SCORES



Q6. Over the last 12 months, what is your view of the direction of Pyrenees Shire Council's overall performance?

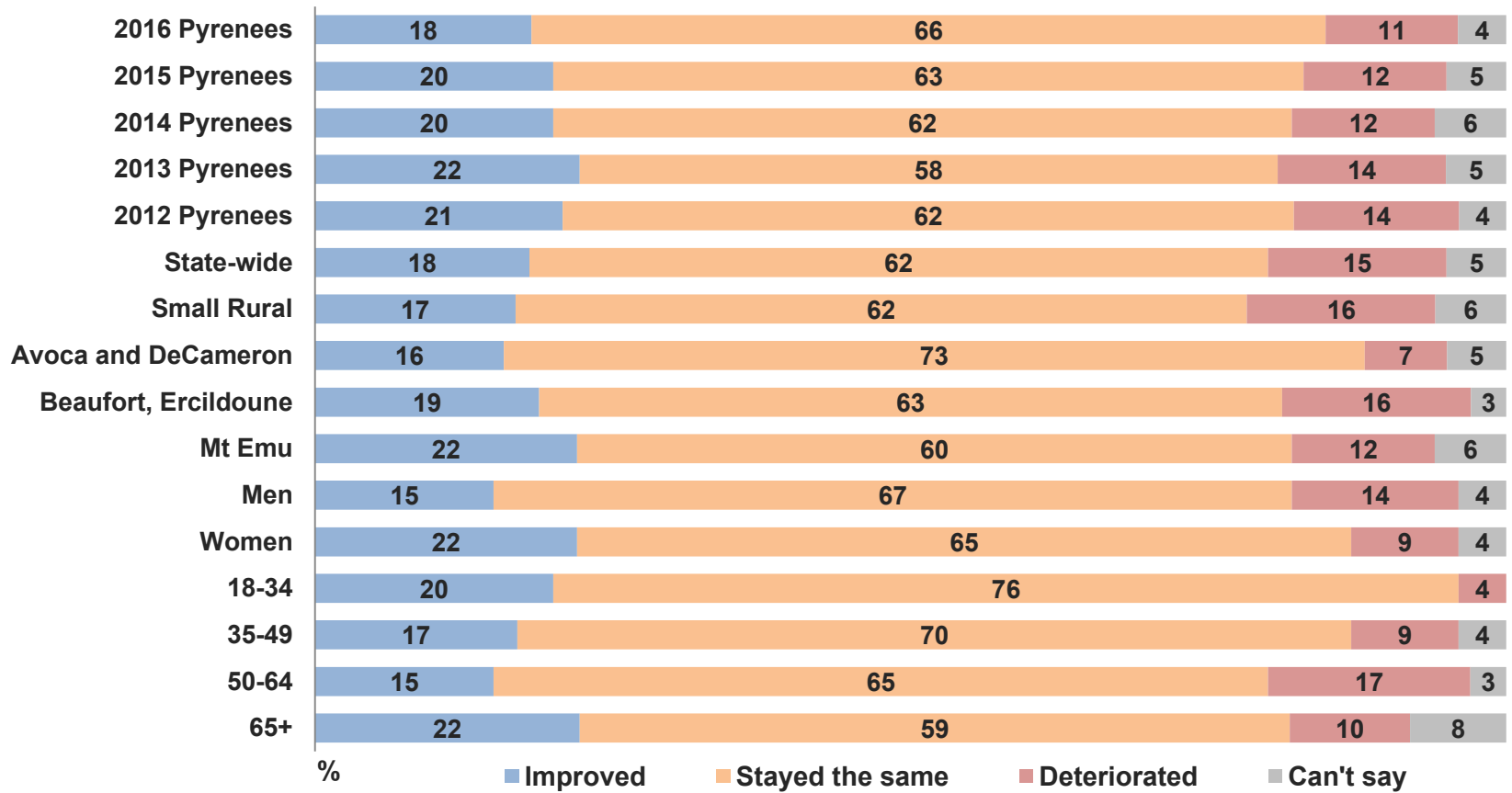
Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

Note: Please see page 5 for explanation about significant differences

2016 OVERALL COUNCIL DIRECTION LAST 12 MONTHS

DETAILED PERCENTAGES

2016 Overall Direction



Q6. Over the last 12 months, what is your view of the direction of Pyrenees Shire Council's overall performance?

Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17



A satellite night view of South America, showing the continent's outline and the glowing lights of major cities and a dense network of roads. The lights are concentrated in the eastern and southern parts of the continent, with a few smaller lights visible in the north and west. The surrounding oceans are dark, and the text 'AREAS FOR IMPROVEMENT' is overlaid in white, bold, sans-serif font across the center of the image.

AREAS FOR IMPROVEMENT

2016 SERVICES TO IMPROVE DETAILED PERCENTAGES

2016 Areas for Improvement



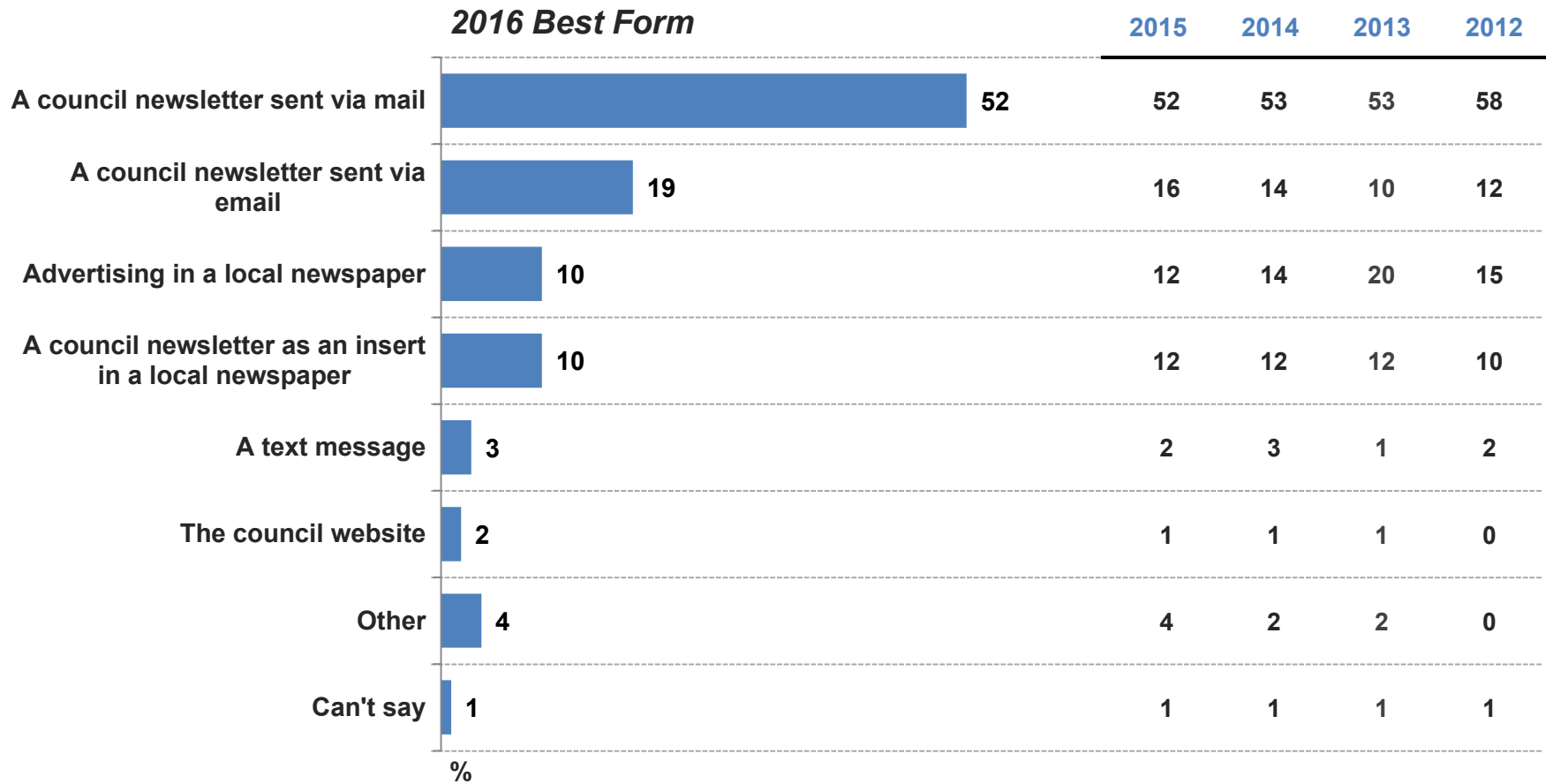
Q17. What does Pyrenees Shire Council MOST need to do to improve its performance?
Base: All respondents. Councils asked state-wide: 37 Councils asked group: 9



COMMUNICATIONS



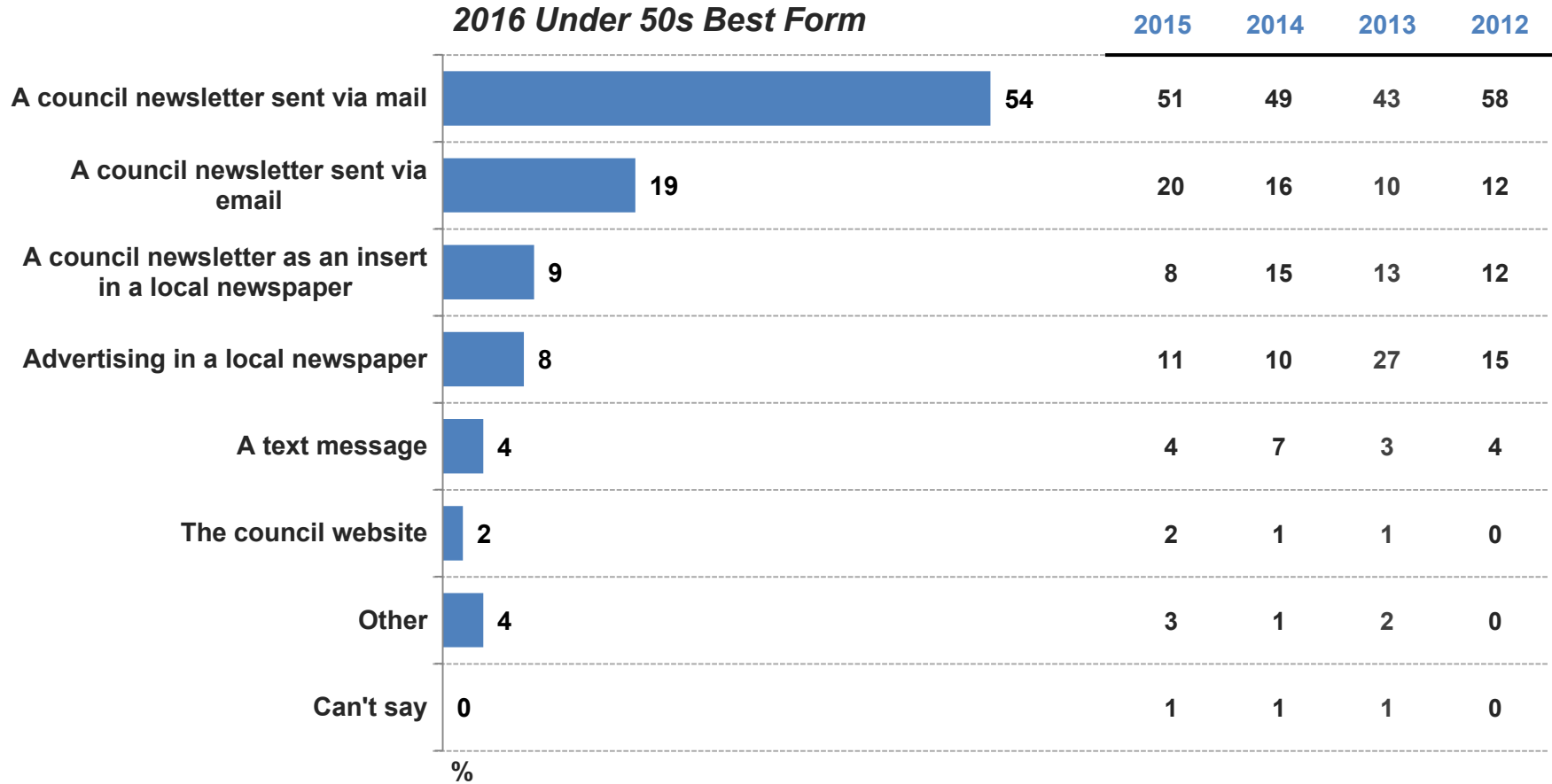
2016 BEST FORMS OF COMMUNICATION



Q13. If Pyrenees Shire Council was going to get in touch with you to inform you about Council news and information and upcoming events, which ONE of the following is the BEST way to communicate with you?
 Base: All respondents. Councils asked state-wide: 23 Councils asked group: 5
 Note: Please see page 5 for explanation about significant differences

2016 BEST FORMS OF COMMUNICATION: UNDER 50s

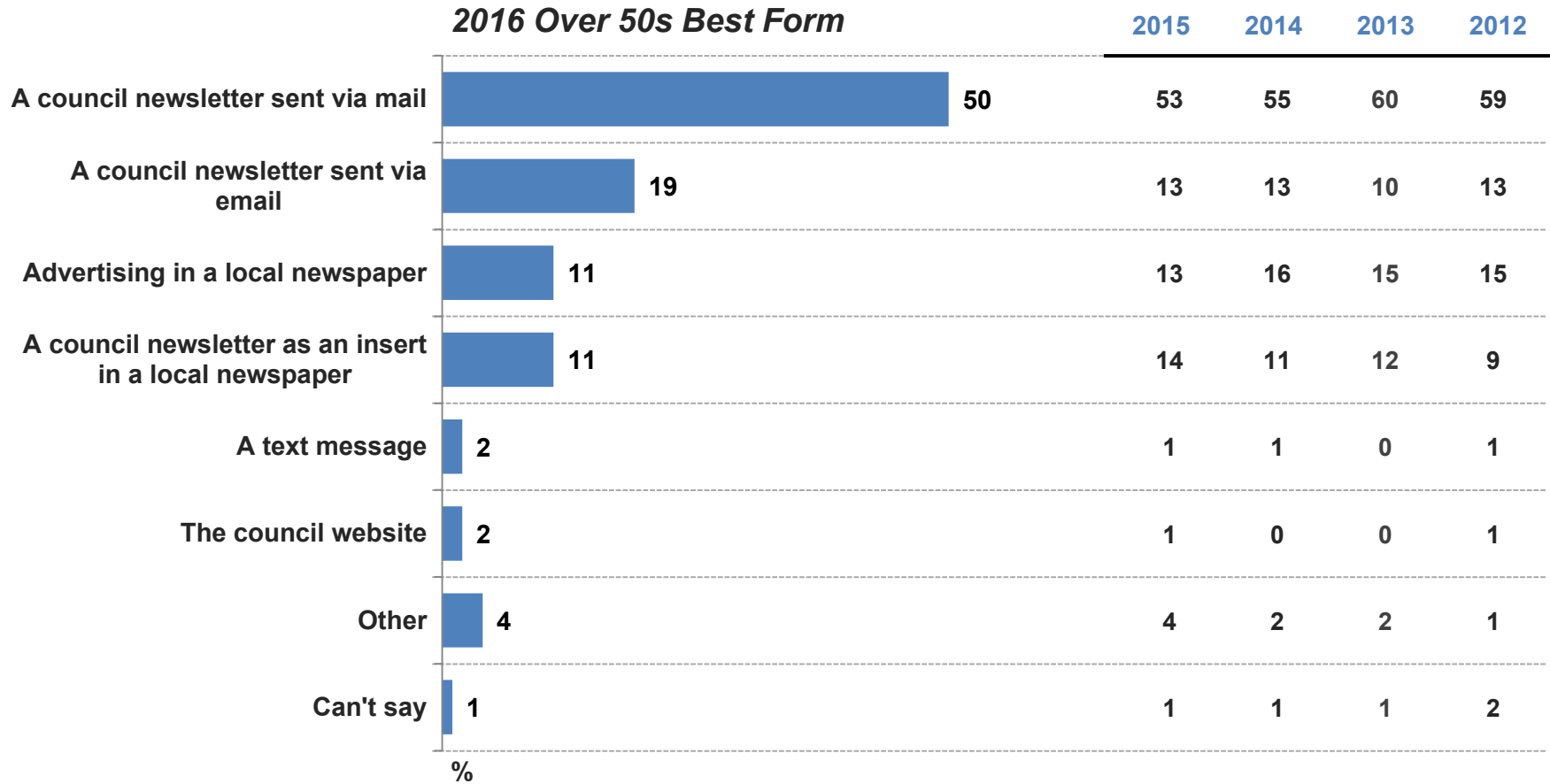
2016 Under 50s Best Form



Q13. If Pyrenees Shire Council was going to get in touch with you to inform you about Council news and information and upcoming events, which ONE of the following is the BEST way to communicate with you?
 Base: All respondents aged under 50. Councils asked state-wide: 23 Councils asked group: 5
 Note: Please see page 5 for explanation about significant differences

2016 BEST FORMS OF COMMUNICATION: OVER 50s

2016 Over 50s Best Form



Q13. If Pyrenees Shire Council was going to get in touch with you to inform you about Council news and information and upcoming events, which ONE of the following is the BEST way to communicate with you?
 Base: All respondents aged over 50. Councils asked state-wide: 23 Councils asked group: 5
 Note: Please see page 5 for explanation about significant differences

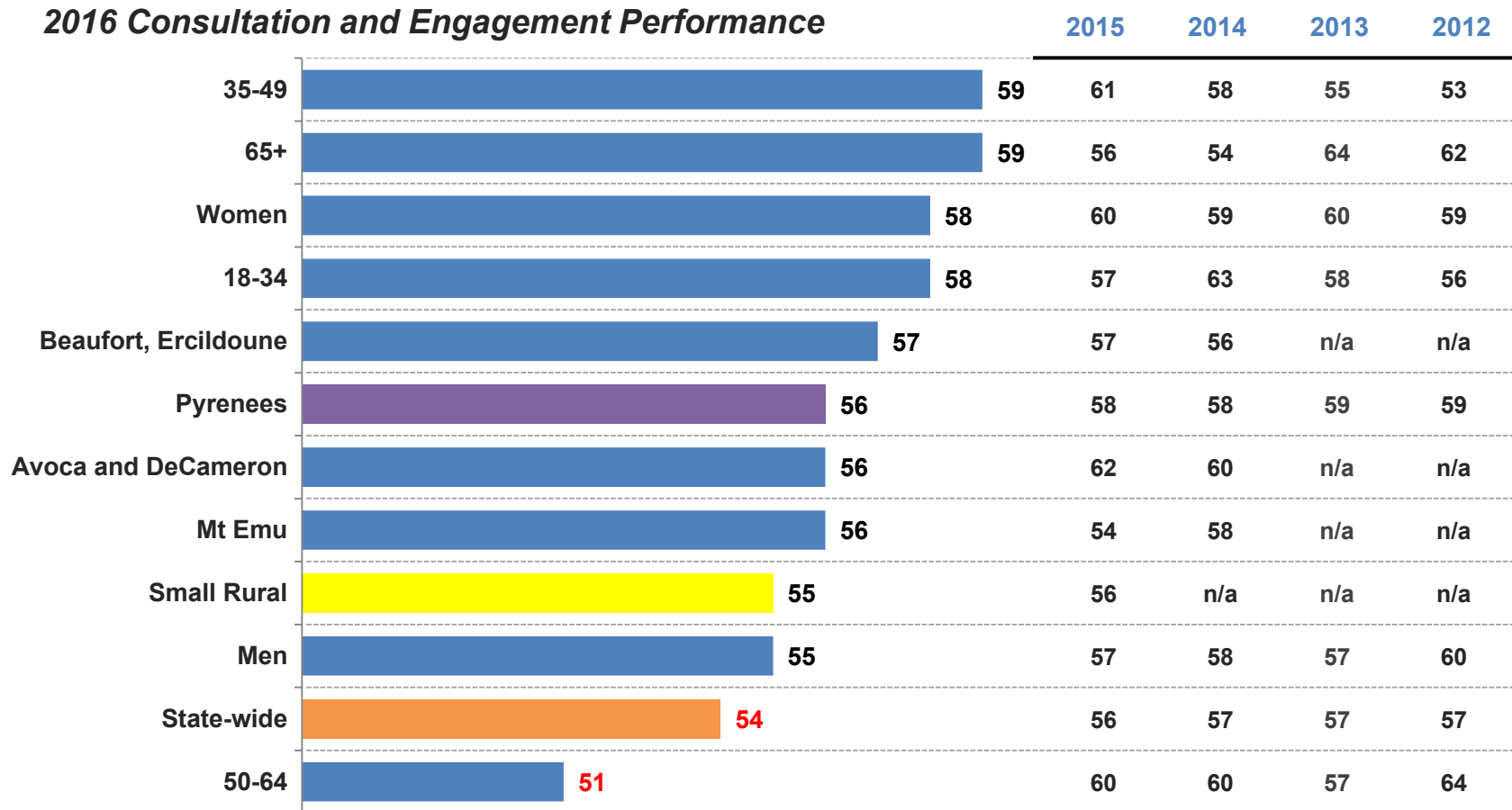




INDIVIDUAL SERVICE AREAS

2016 COMMUNITY CONSULTATION AND ENGAGEMENT PERFORMANCE INDEX SCORES

2016 Consultation and Engagement Performance



Q2. How has Council performed on 'community consultation and engagement' over the last 12 months?

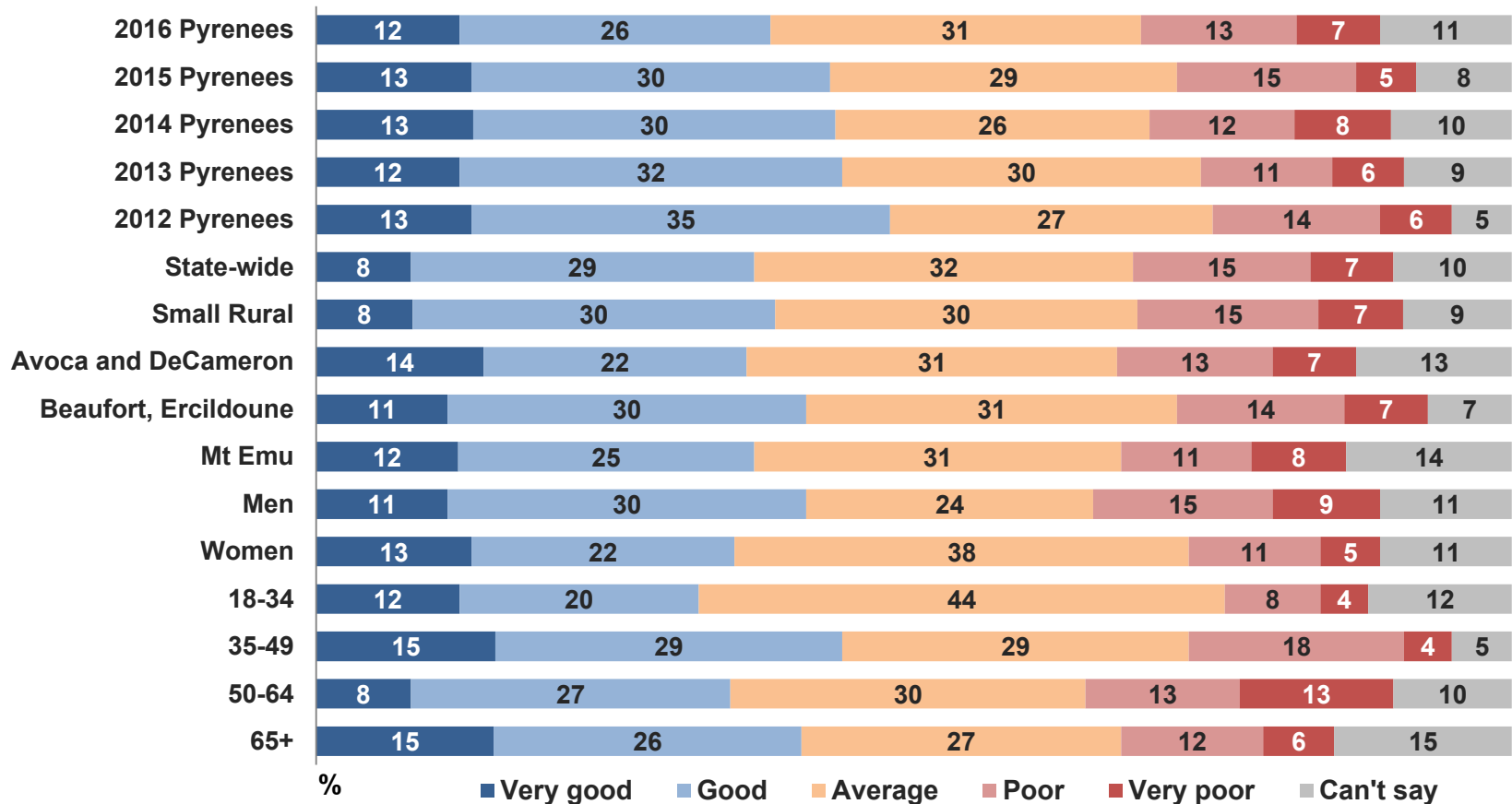
Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

Note: Please see slide 5 for explanation about significant differences



2016 COMMUNITY CONSULTATION AND ENGAGEMENT PERFORMANCE DETAILED PERCENTAGES

2016 Consultation and Engagement Performance

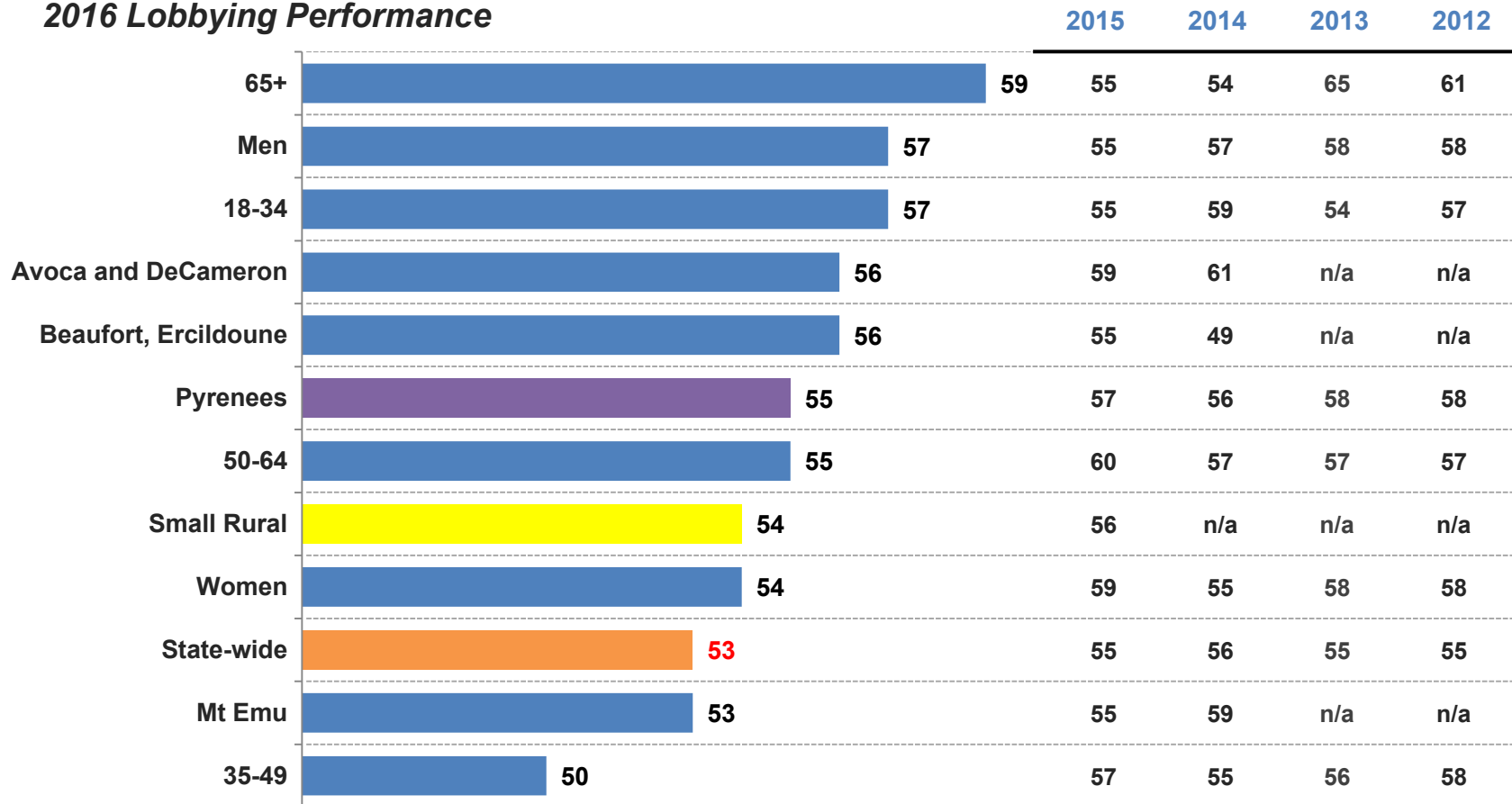


Q2. How has Council performed on 'community consultation and engagement' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17



2016 LOBBYING ON BEHALF OF THE COMMUNITY PERFORMANCE INDEX SCORES

2016 Lobbying Performance



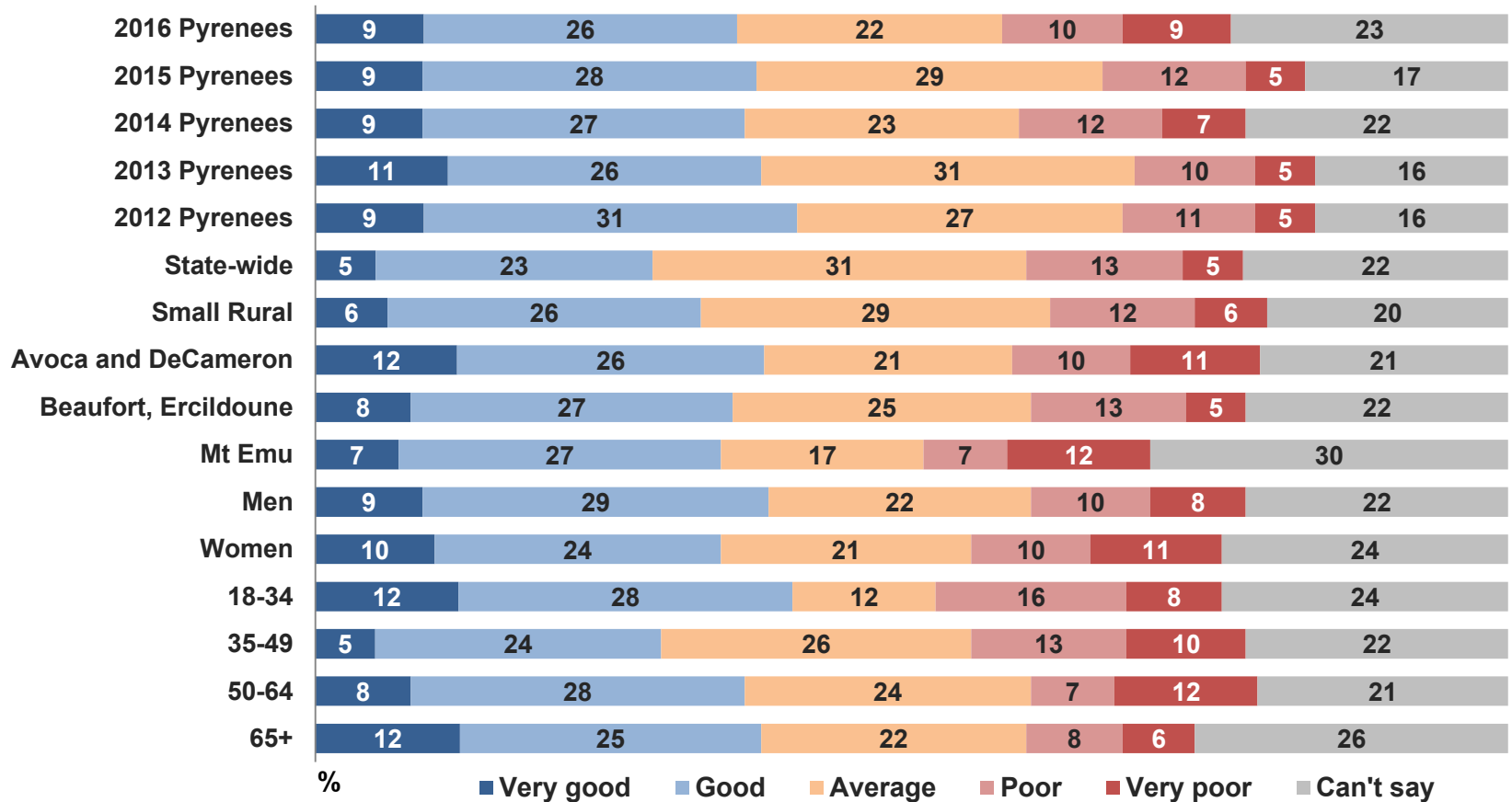
Q2. How has Council performed on 'lobbying on behalf of the community' over the last 12 months?

Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

Note: Please see slide 5 for explanation about significant differences

2016 LOBBYING ON BEHALF OF THE COMMUNITY PERFORMANCE DETAILED PERCENTAGES

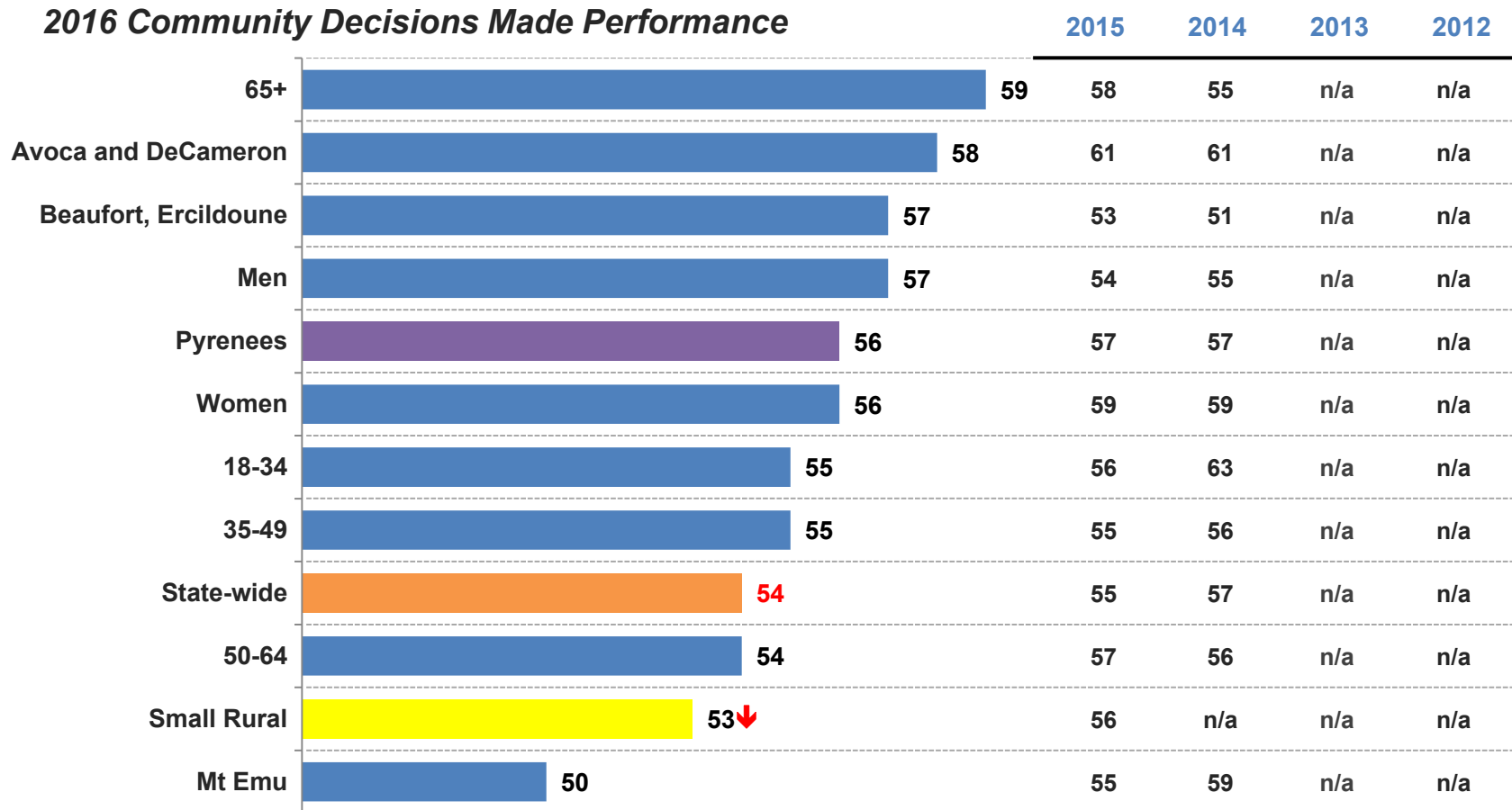
2016 Lobbying Performance



Q2. How has Council performed on 'lobbying on behalf of the community' over the last 12 months?
Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

2016 DECISIONS MADE IN THE INTEREST OF THE COMMUNITY PERFORMANCE INDEX SCORES

2016 Community Decisions Made Performance



Q2. How has Council performed on 'decisions made in the interest of the community' over the last 12 months?

Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

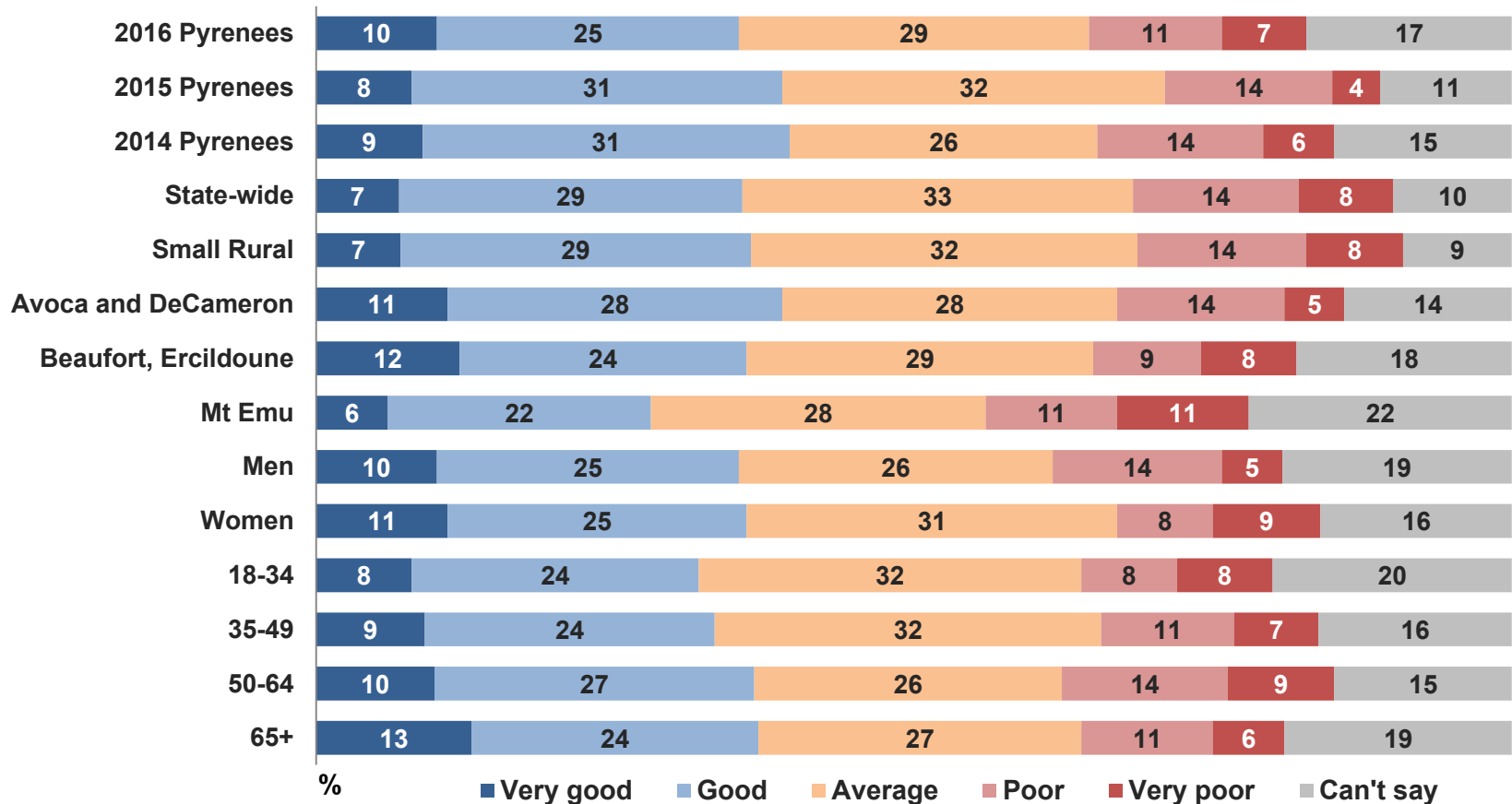
Note: Please see slide 5 for explanation about significant differences



2016 DECISIONS MADE IN THE INTEREST OF THE COMMUNITY

PERFORMANCE DETAILED PERCENTAGES

2016 Community Decisions Made Performance

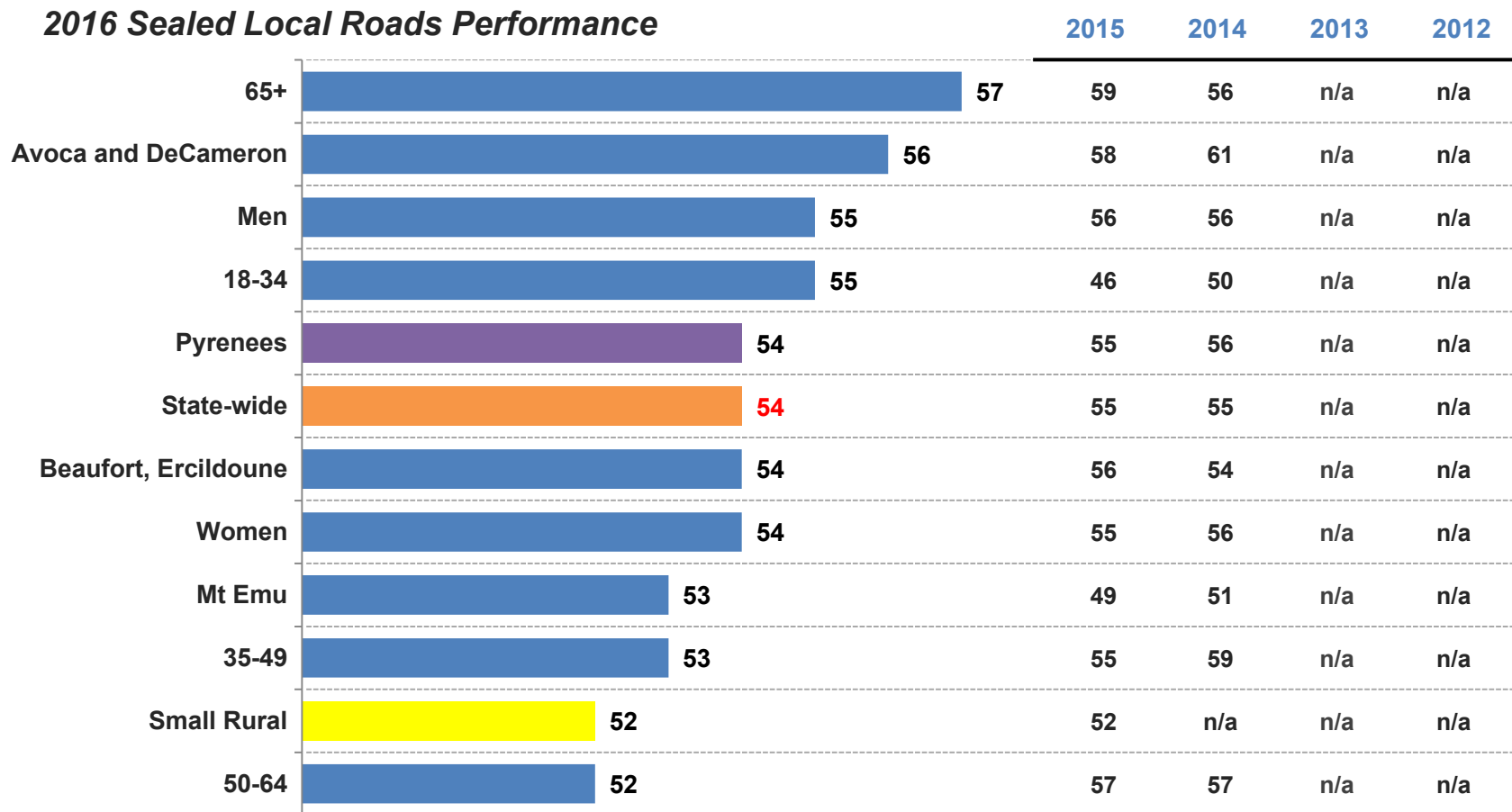


Q2. How has Council performed on 'decisions made in the interest of the community' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17



2016 THE CONDITION OF SEALED LOCAL ROADS IN YOUR AREA PERFORMANCE INDEX SCORES

2016 Sealed Local Roads Performance



Q2. How has Council performed on 'the condition of sealed local roads in your area' over the last 12 months?

Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

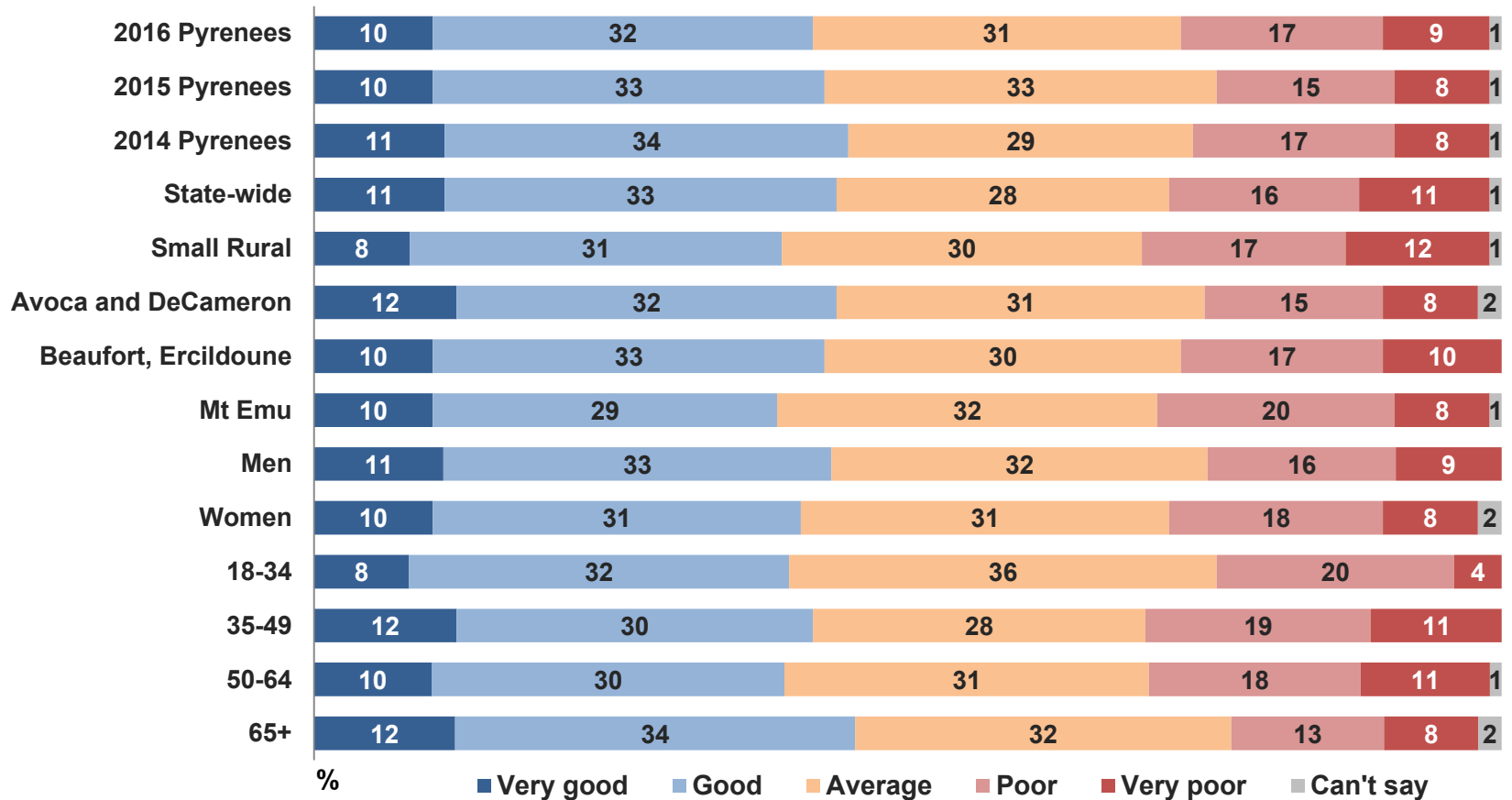
Note: Please see slide 5 for explanation about significant differences



2016 THE CONDITION OF SEALED LOCAL ROADS IN YOUR AREA

PERFORMANCE DETAILED PERCENTAGES

2016 Sealed Local Roads Performance

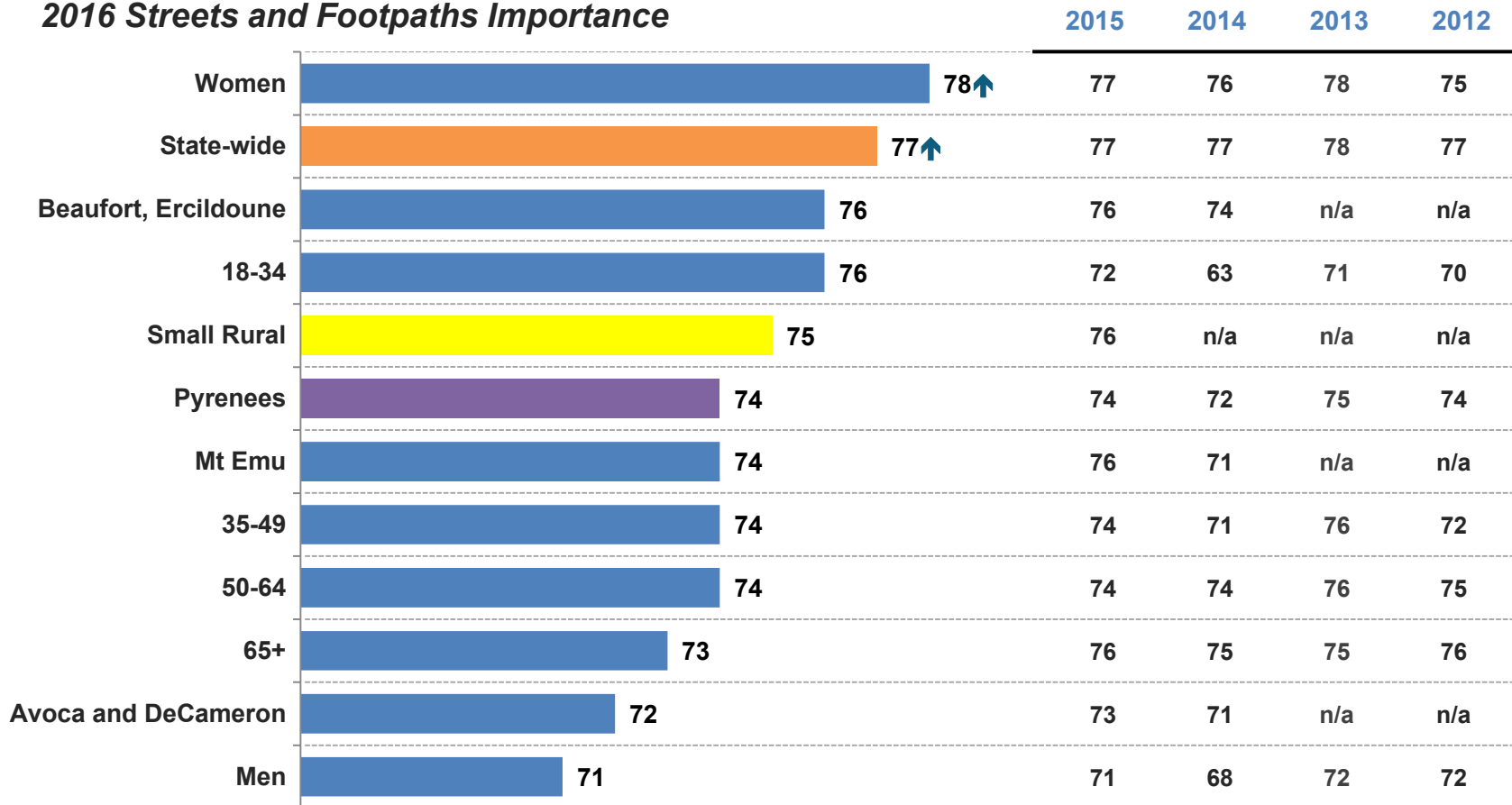


Q2. How has Council performed on 'the condition of sealed local roads in your area' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17



2016 THE CONDITION OF LOCAL STREETS AND FOOTPATHS IN YOUR AREA IMPORTANCE INDEX SCORES

2016 Streets and Footpaths Importance



Q1. Firstly, how important should 'the condition of local streets and footpaths in your area' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 27 Councils asked group: 5

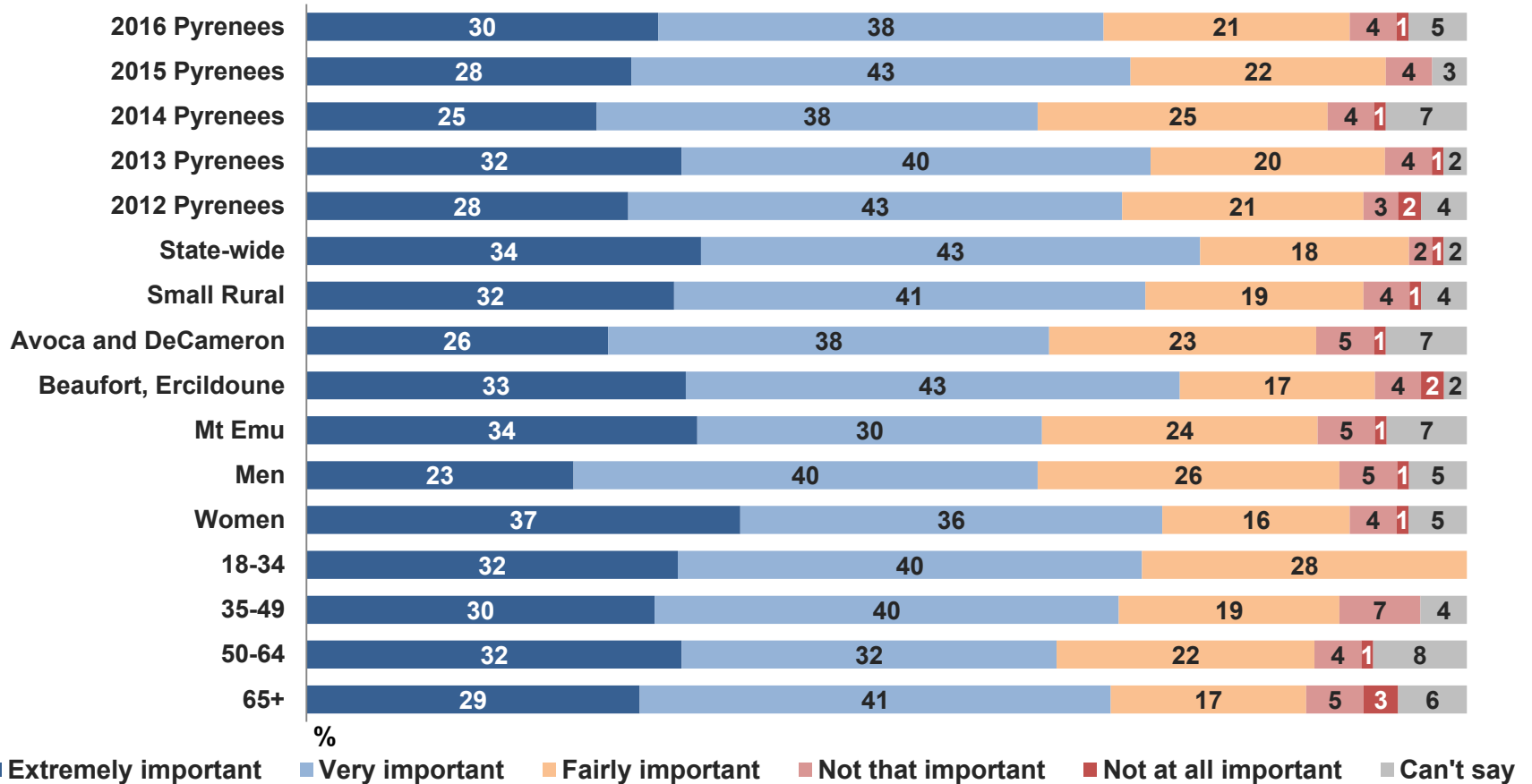
Note: Please see slide 5 for explanation about significant differences



2016 THE CONDITION OF LOCAL STREETS AND FOOTPATHS IN YOUR AREA

IMPORTANCE DETAILED PERCENTAGES

2016 Streets and Footpaths Importance



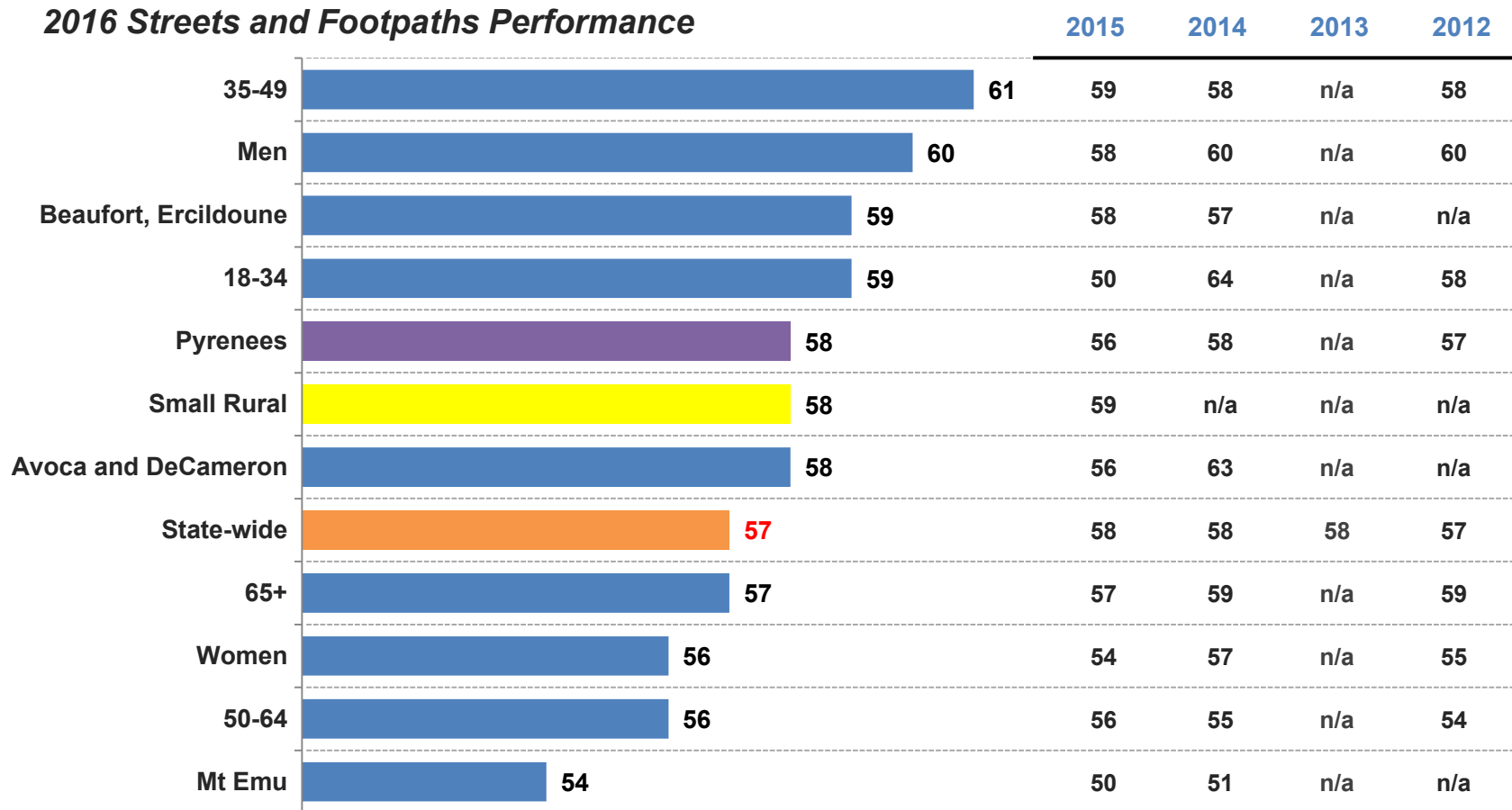
Q1. Firstly, how important should 'the condition of local streets and footpaths in your area' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 27 Councils asked group: 5



2016 THE CONDITION OF LOCAL STREETS AND FOOTPATHS IN YOUR AREA PERFORMANCE INDEX SCORES

2016 Streets and Footpaths Performance



Q2. How has Council performed on 'the condition of local streets and footpaths in your area' over the last 12 months?

Base: All respondents. Councils asked state-wide: 34 Councils asked group: 8

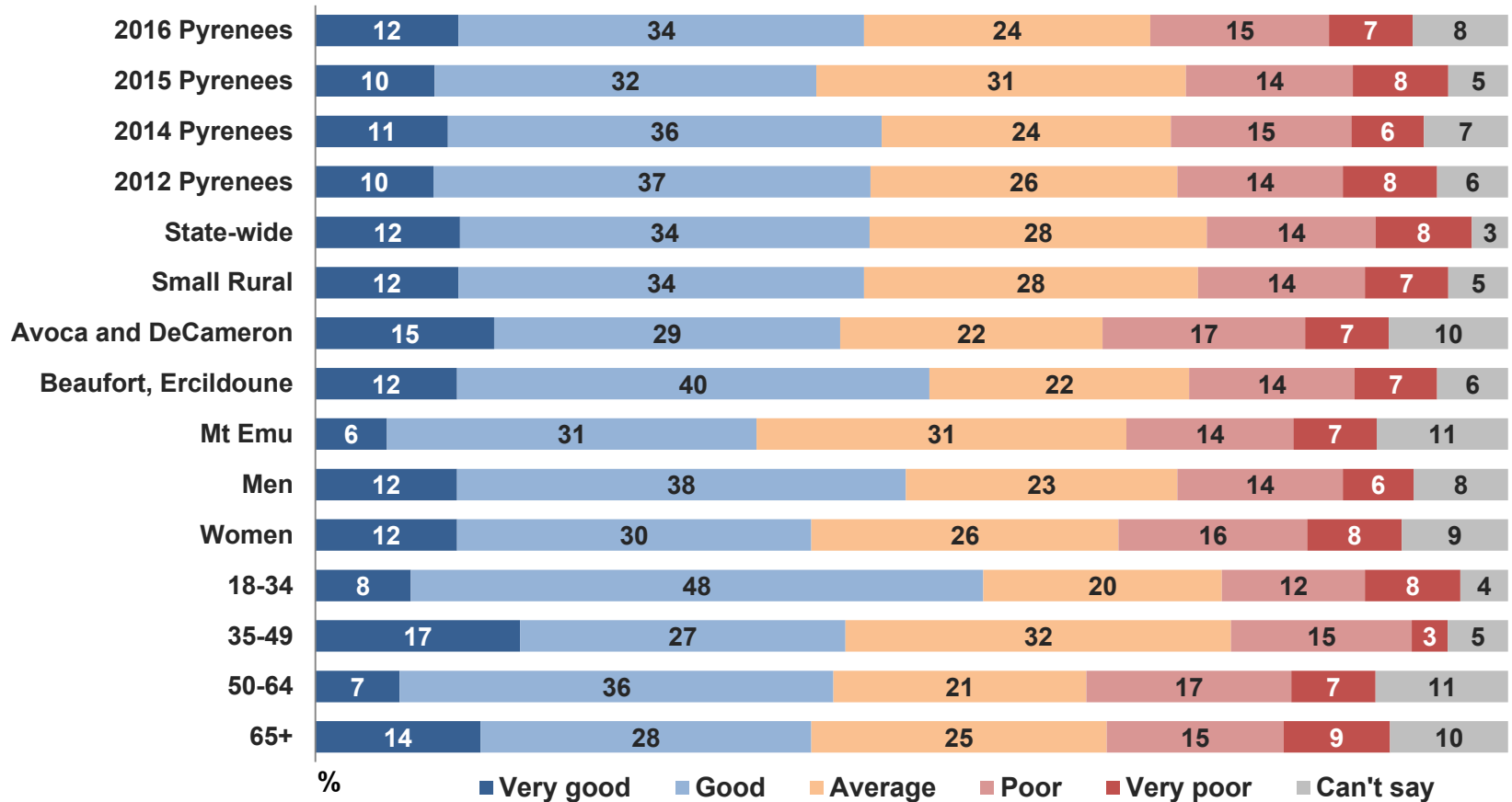
Note: Please see slide 5 for explanation about significant differences



2016 THE CONDITION OF LOCAL STREETS AND FOOTPATHS IN YOUR AREA

PERFORMANCE DETAILED PERCENTAGES

2016 Streets and Footpaths Performance



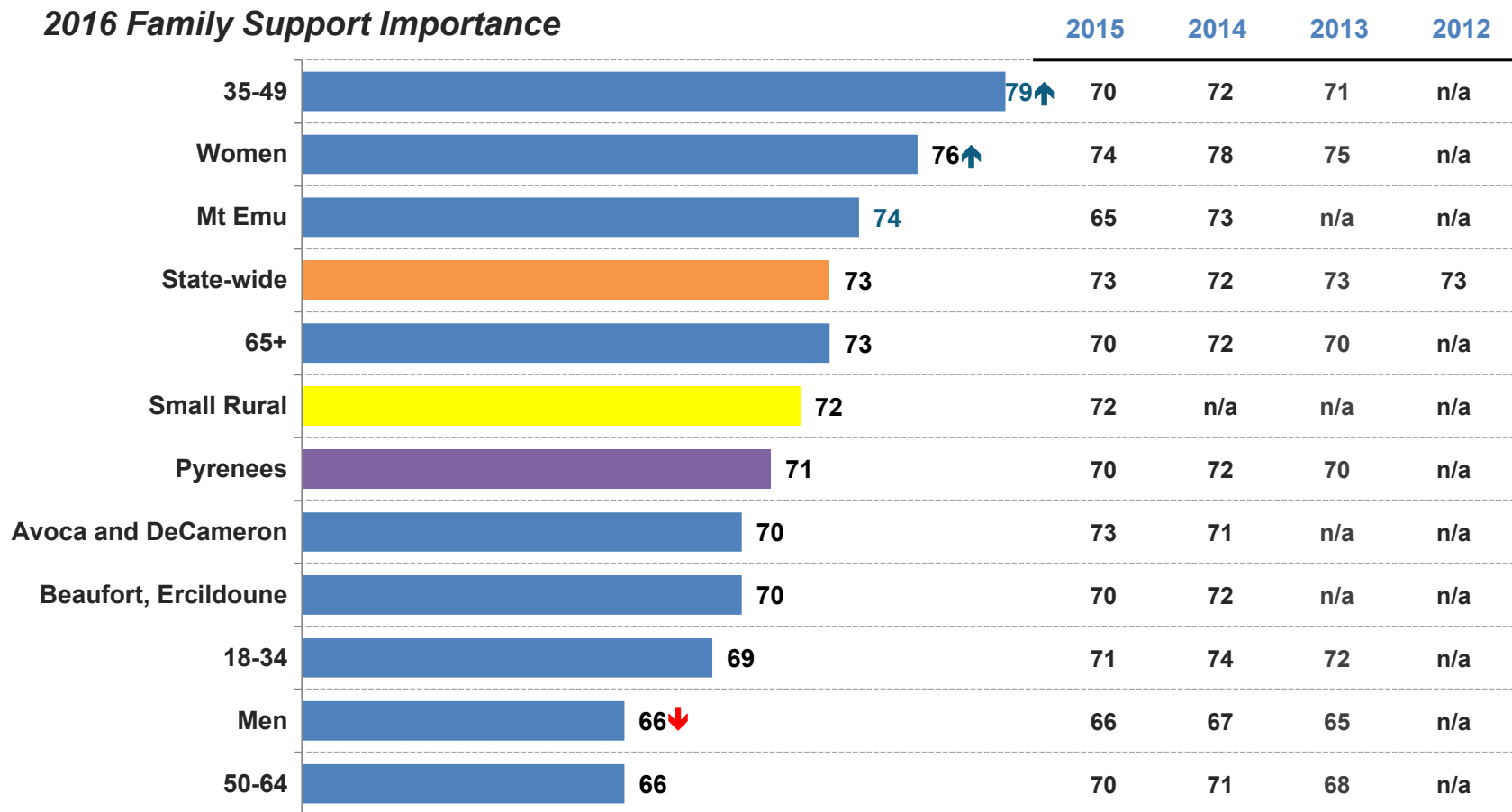
Q2. How has Council performed on 'the condition of local streets and footpaths in your area' over the last 12 months?

Base: All respondents. Councils asked state-wide: 34 Councils asked group: 8



2016 FAMILY SUPPORT SERVICES IMPORTANCE INDEX SCORES

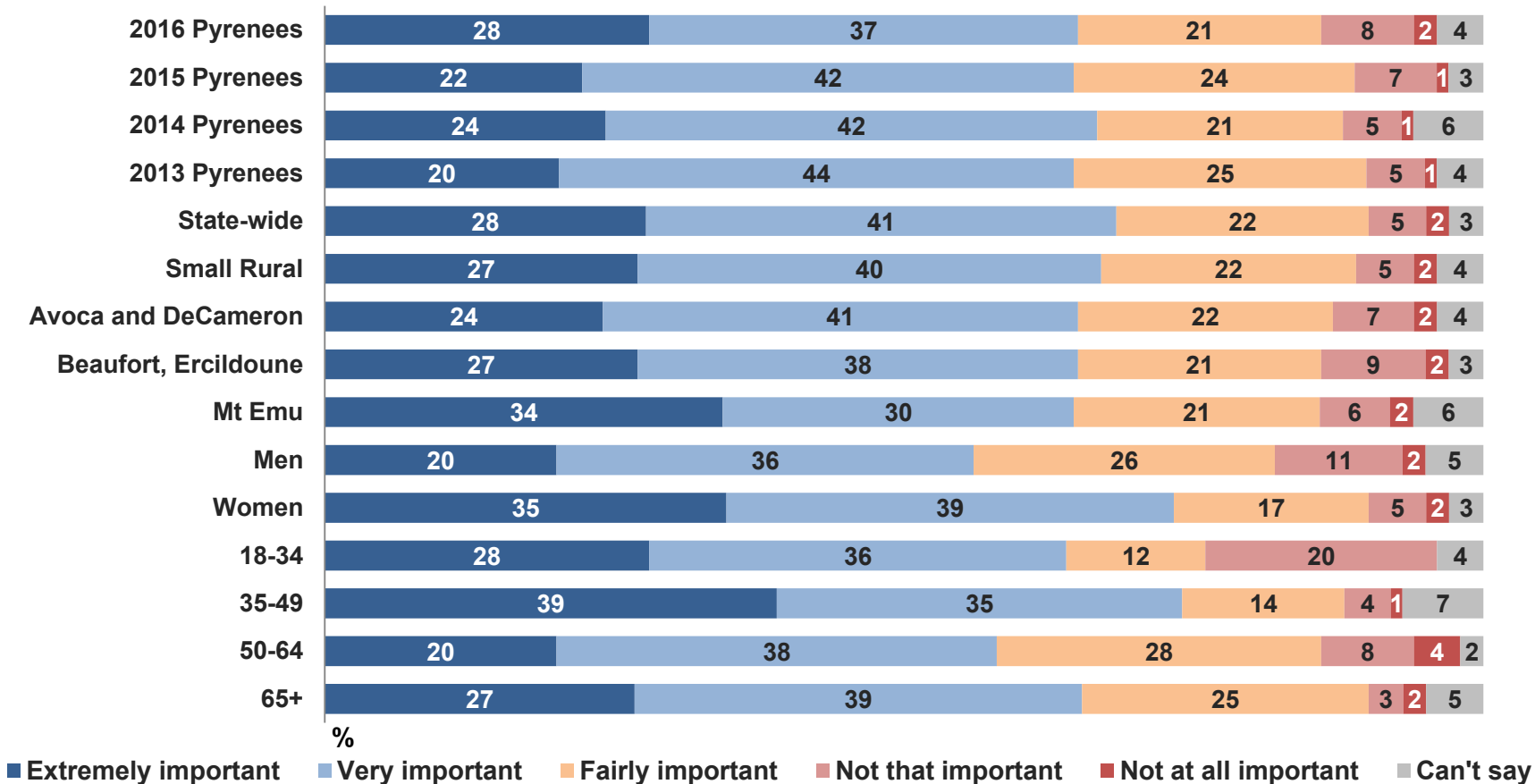
2016 Family Support Importance



Q1. Firstly, how important should 'family support services' be as a responsibility for Council?
 Base: All respondents. Councils asked state-wide: 25 Councils asked group: 4
 Note: Please see slide 5 for explanation about significant differences

2016 FAMILY SUPPORT SERVICES IMPORTANCE DETAILED PERCENTAGES

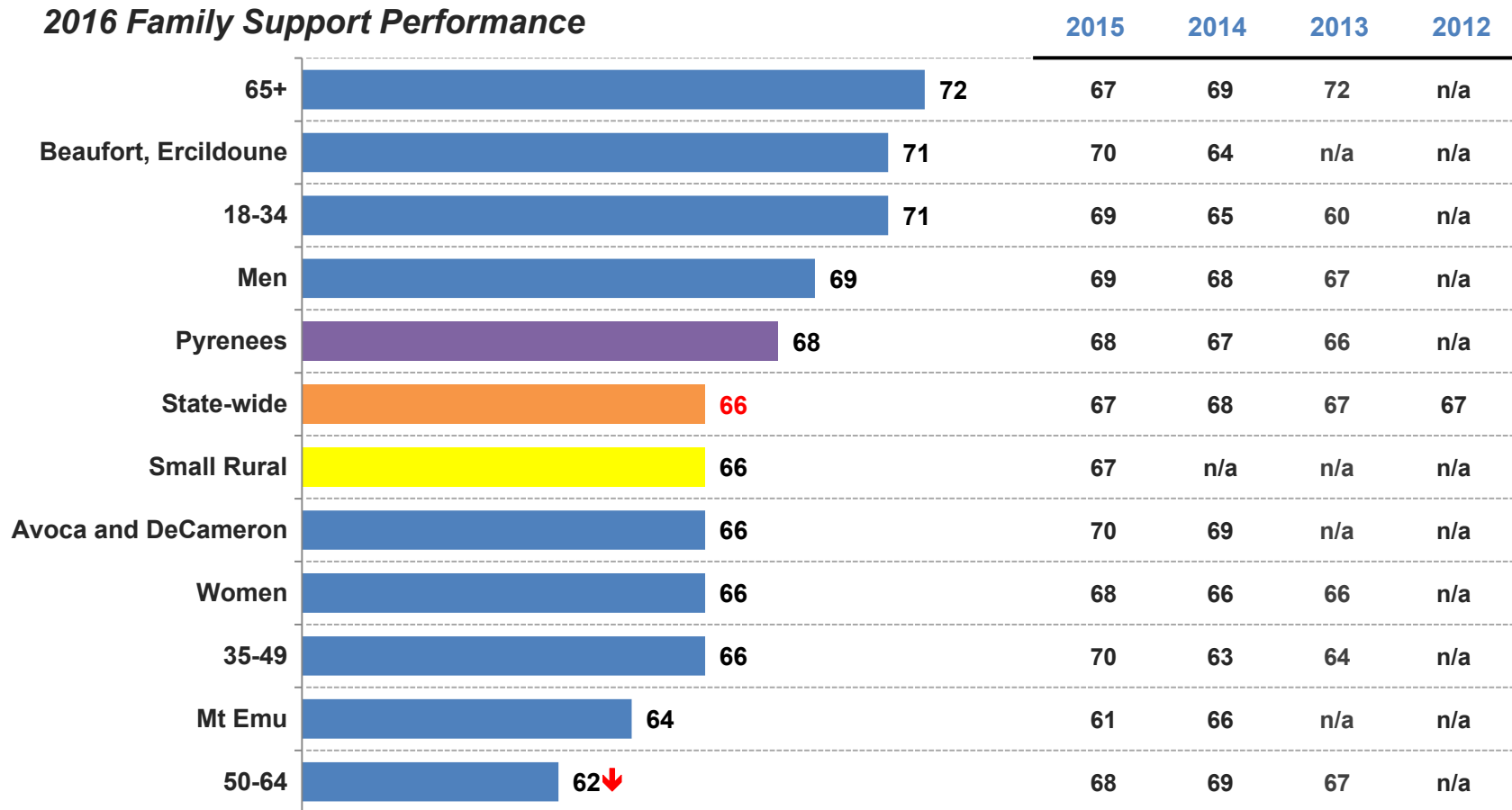
2016 Family Support Importance



Q1. Firstly, how important should 'family support services' be as a responsibility for Council?
Base: All respondents. Councils asked state-wide: 25 Councils asked group: 4

2016 FAMILY SUPPORT SERVICES PERFORMANCE INDEX SCORES

2016 Family Support Performance



Q2. How has Council performed on 'family support services' over the last 12 months?

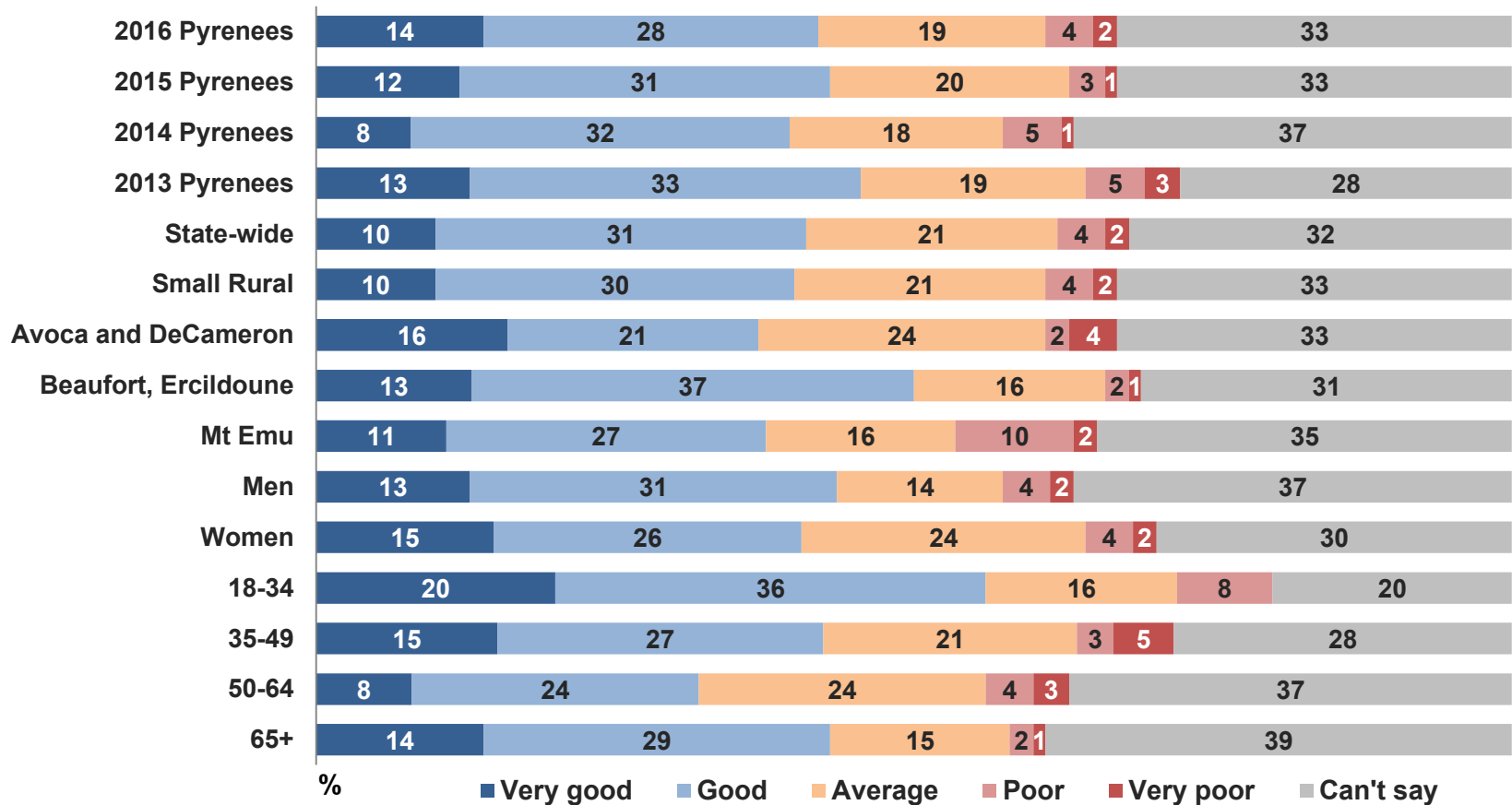
Base: All respondents. Councils asked state-wide: 35 Councils asked group: 7

Note: Please see slide 5 for explanation about significant differences



2016 FAMILY SUPPORT SERVICES PERFORMANCE DETAILED PERCENTAGES

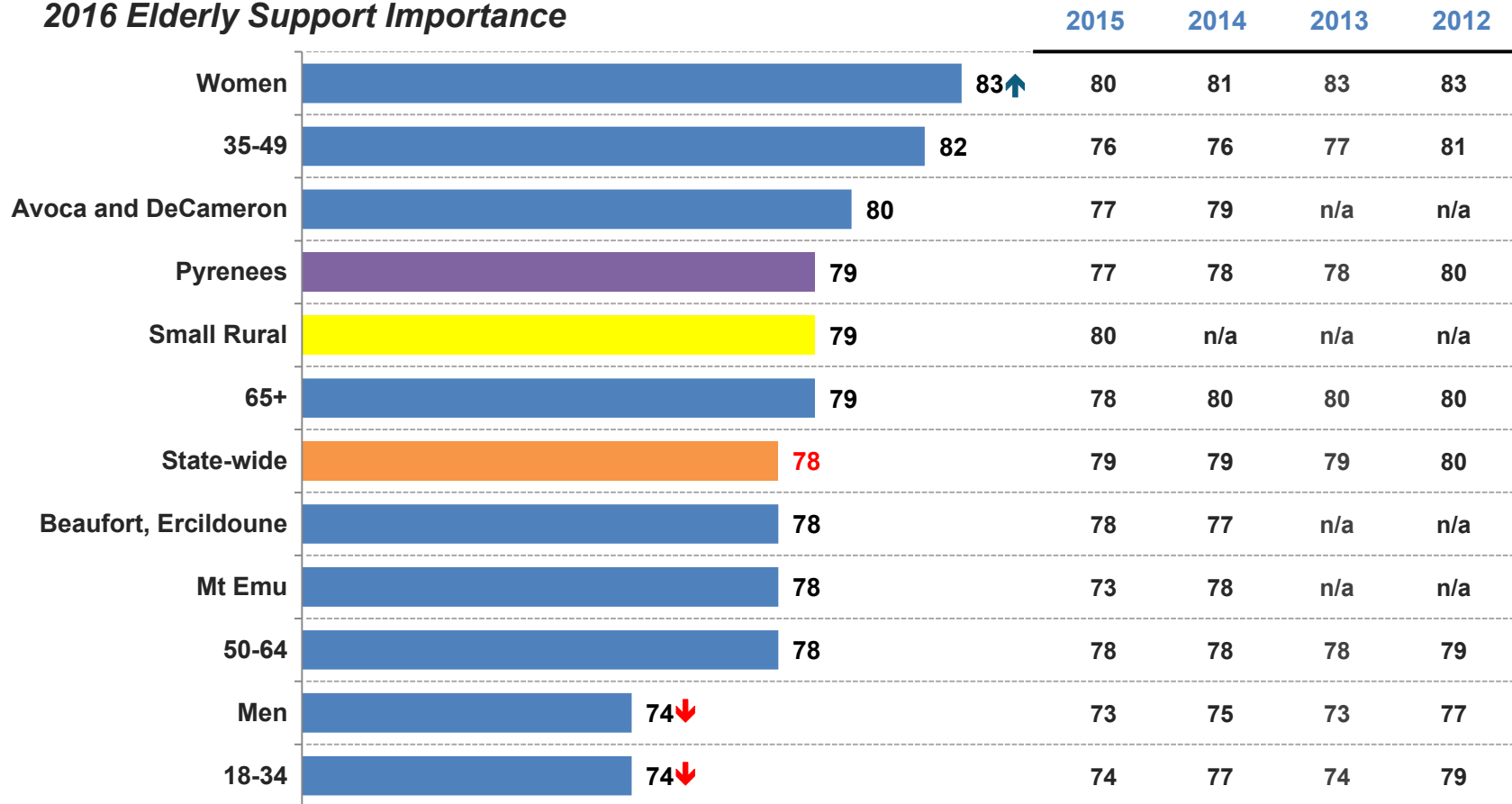
2016 Family Support Performance



Q2. How has Council performed on 'family support services' over the last 12 months?
Base: All respondents. Councils asked state-wide: 35 Councils asked group: 7

2016 ELDERLY SUPPORT SERVICES IMPORTANCE INDEX SCORES

2016 Elderly Support Importance



Q1. Firstly, how important should 'elderly support services' be as a responsibility for Council?

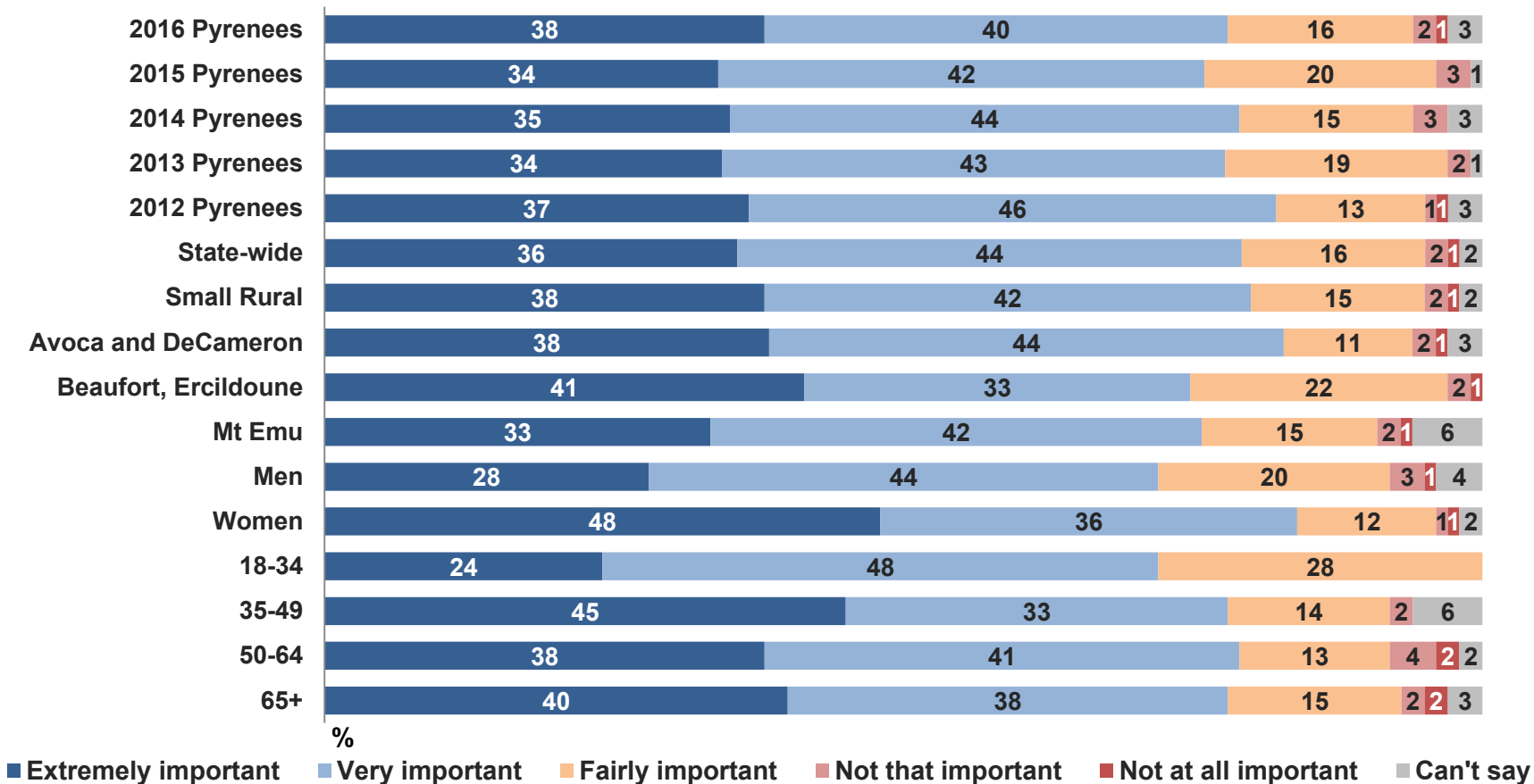
Base: All respondents. Councils asked state-wide: 26 Councils asked group: 5

Note: Please see slide 5 for explanation about significant differences



2016 ELDERLY SUPPORT SERVICES IMPORTANCE DETAILED PERCENTAGES

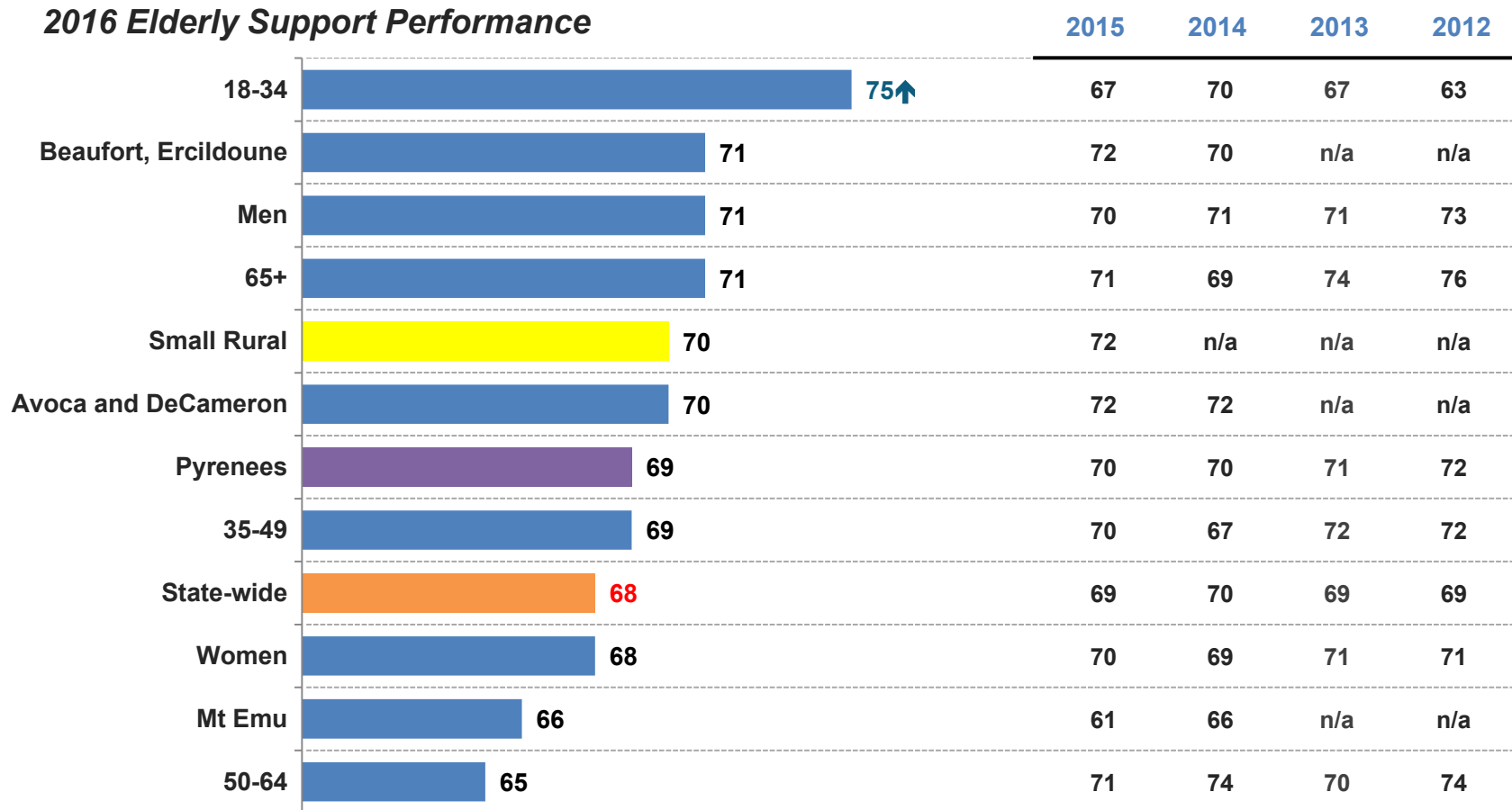
2016 Elderly Support Importance



Q1. Firstly, how important should 'elderly support services' be as a responsibility for Council?
Base: All respondents. Councils asked state-wide: 26 Councils asked group: 5

2016 ELDERLY SUPPORT SERVICES PERFORMANCE INDEX SCORES

2016 Elderly Support Performance



Q2. How has Council performed on 'elderly support services' over the last 12 months?

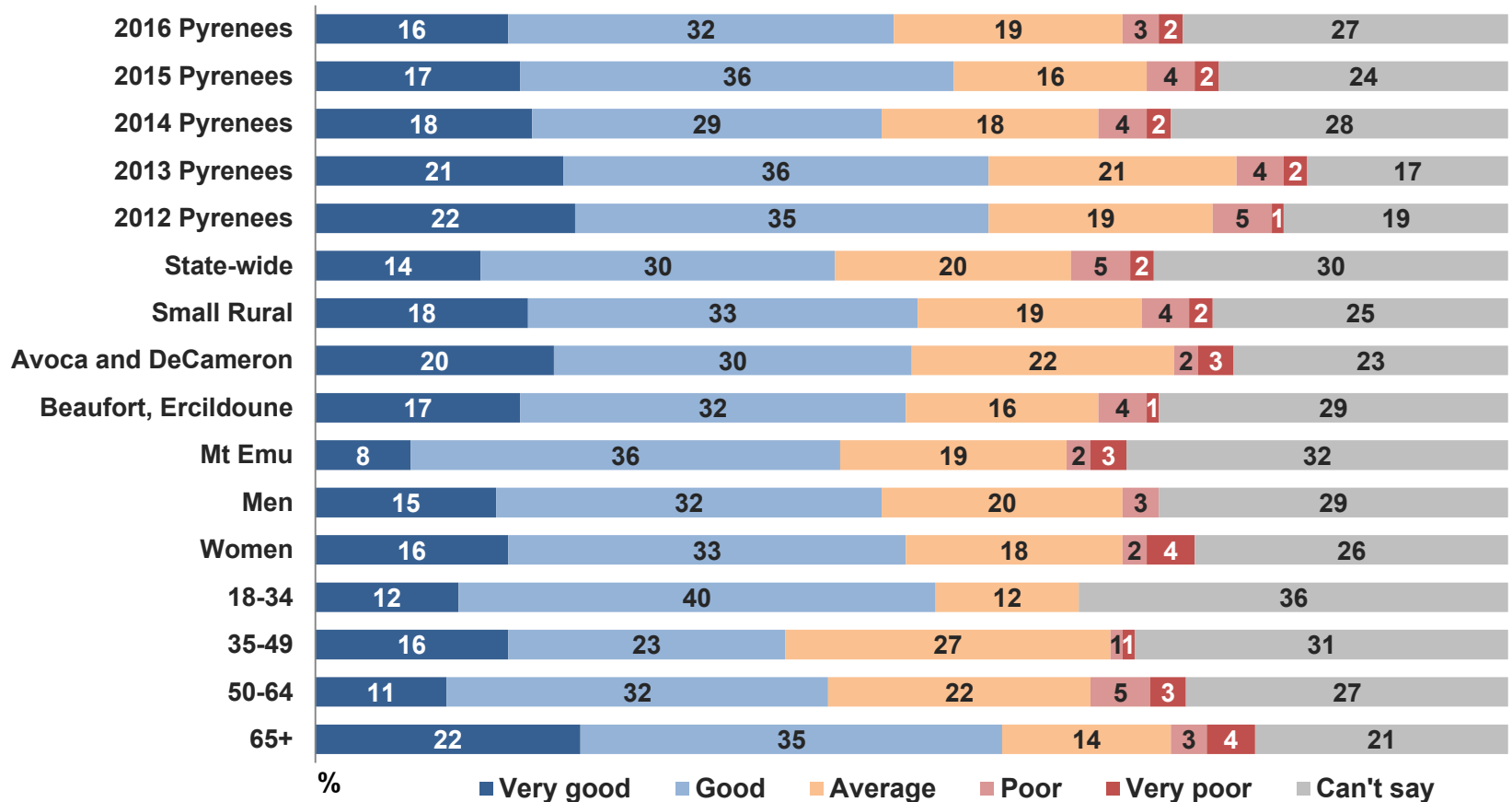
Base: All respondents. Councils asked state-wide: 37 Councils asked group: 9

Note: Please see slide 5 for explanation about significant differences



2016 ELDERLY SUPPORT SERVICES PERFORMANCE DETAILED PERCENTAGES

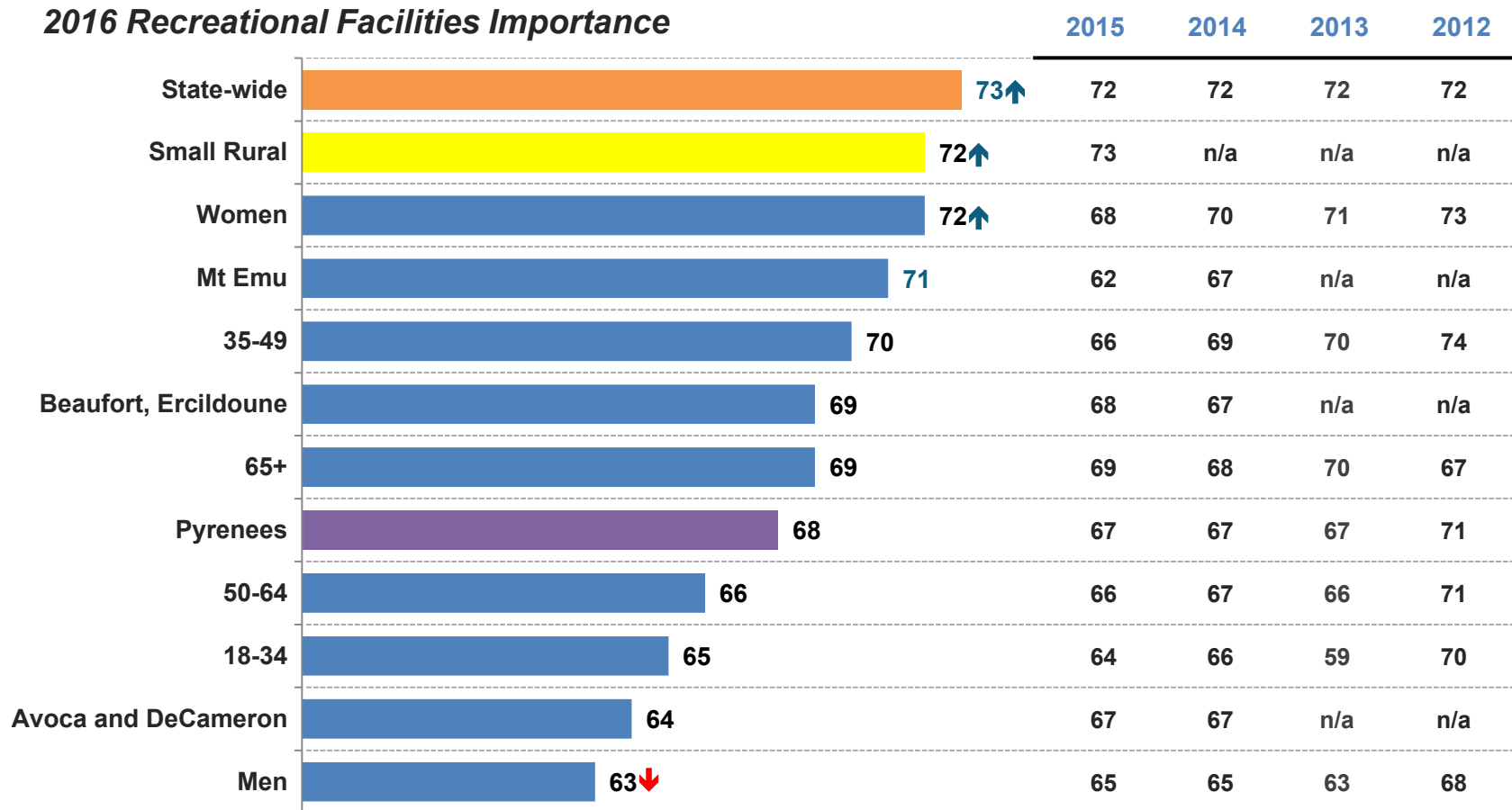
2016 Elderly Support Performance



Q2. How has Council performed on 'elderly support services' over the last 12 months?
Base: All respondents. Councils asked state-wide: 37 Councils asked group: 9

2016 RECREATIONAL FACILITIES IMPORTANCE INDEX SCORES

2016 Recreational Facilities Importance



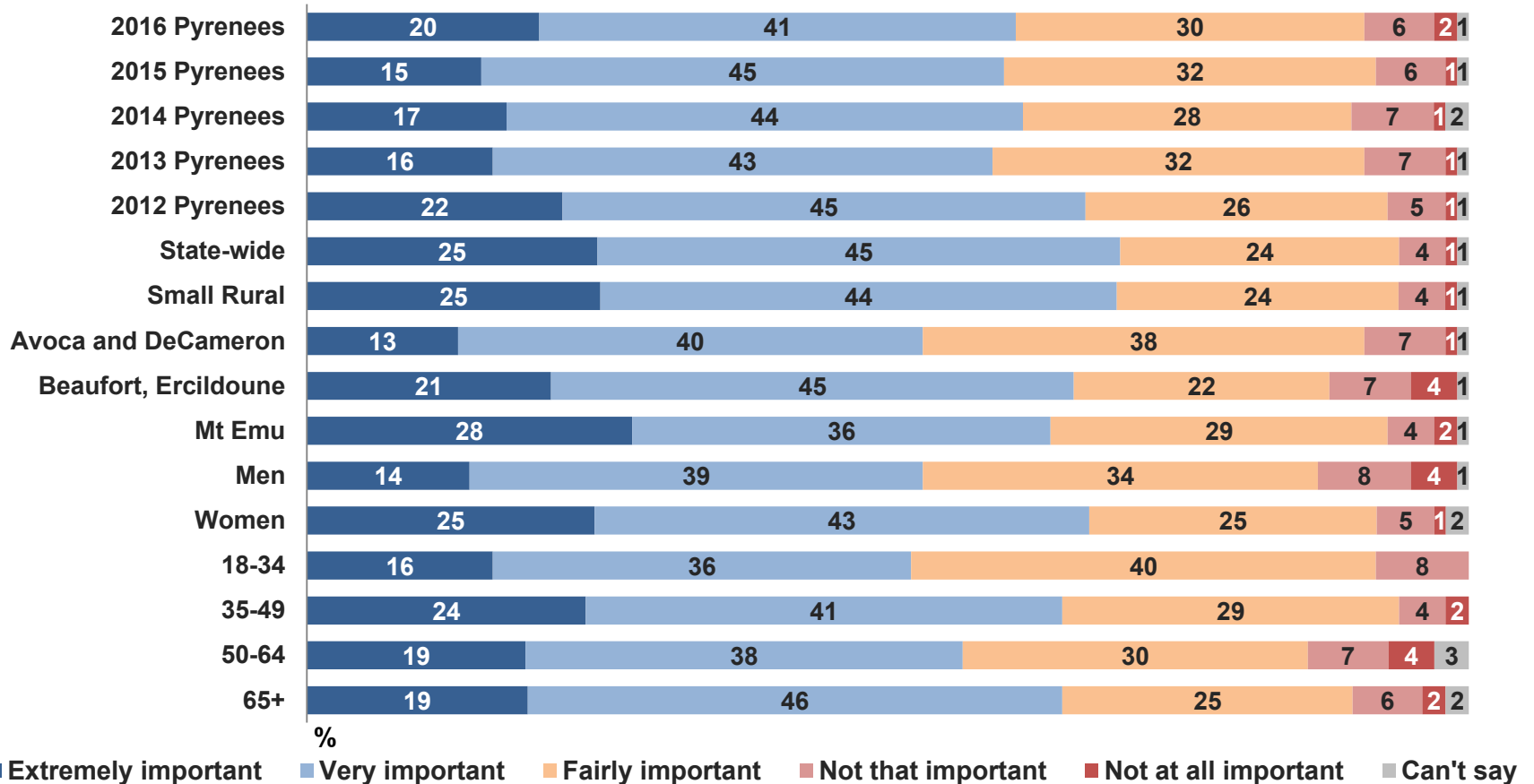
Q1. Firstly, how important should 'recreational facilities' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 29 Councils asked group: 4

Note: Please see slide 5 for explanation about significant differences

2016 RECREATIONAL FACILITIES IMPORTANCE DETAILED PERCENTAGES

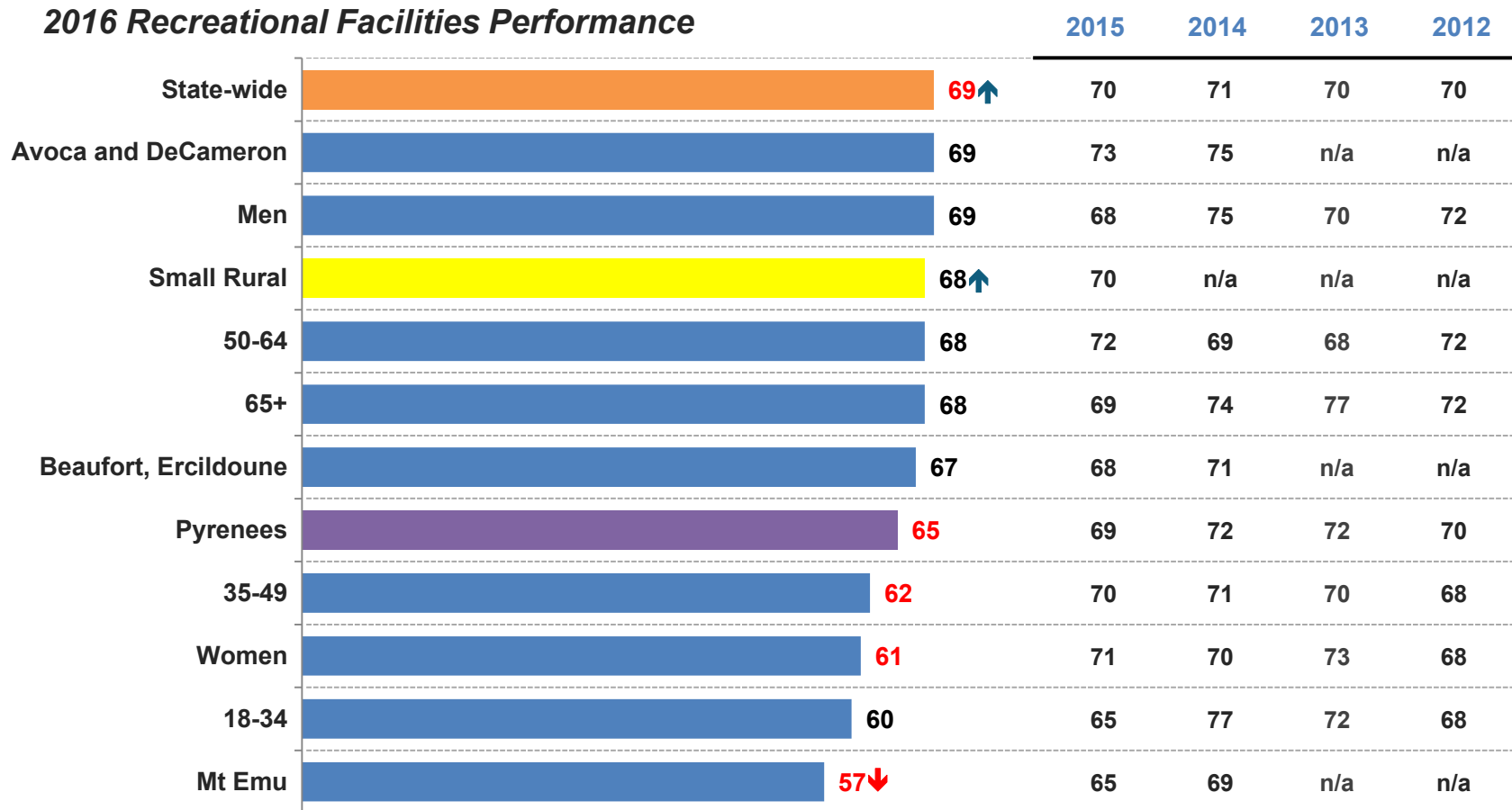
2016 Recreational Facilities Importance



Q1. Firstly, how important should 'recreational facilities' be as a responsibility for Council?
Base: All respondents. Councils asked state-wide: 29 Councils asked group: 4

2016 RECREATIONAL FACILITIES PERFORMANCE INDEX SCORES

2016 Recreational Facilities Performance



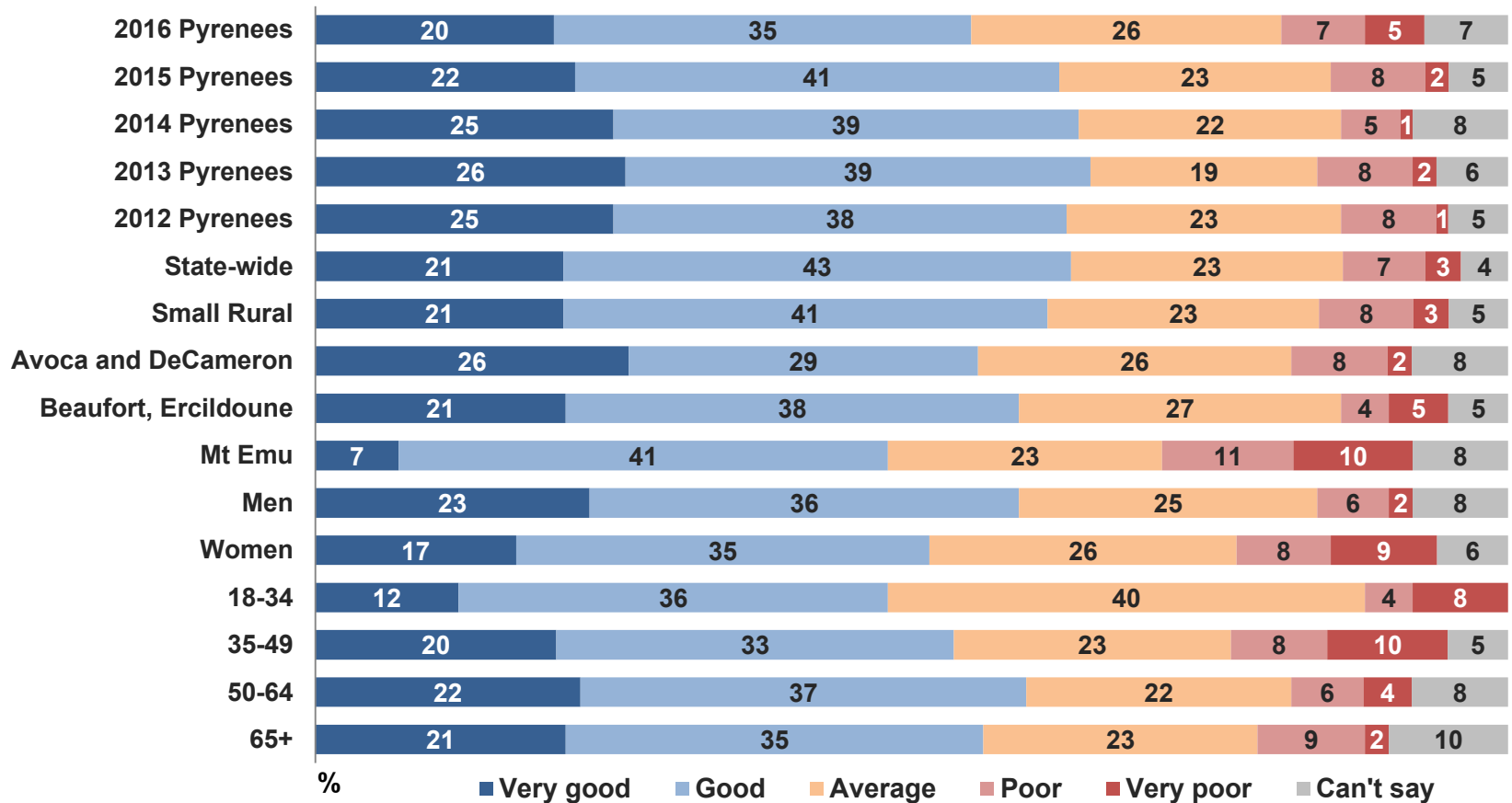
Q2. How has Council performed on 'recreational facilities' over the last 12 months?

Base: All respondents. Councils asked state-wide: 43 Councils asked group: 9

Note: Please see slide 5 for explanation about significant differences

2016 RECREATIONAL FACILITIES PERFORMANCE DETAILED PERCENTAGES

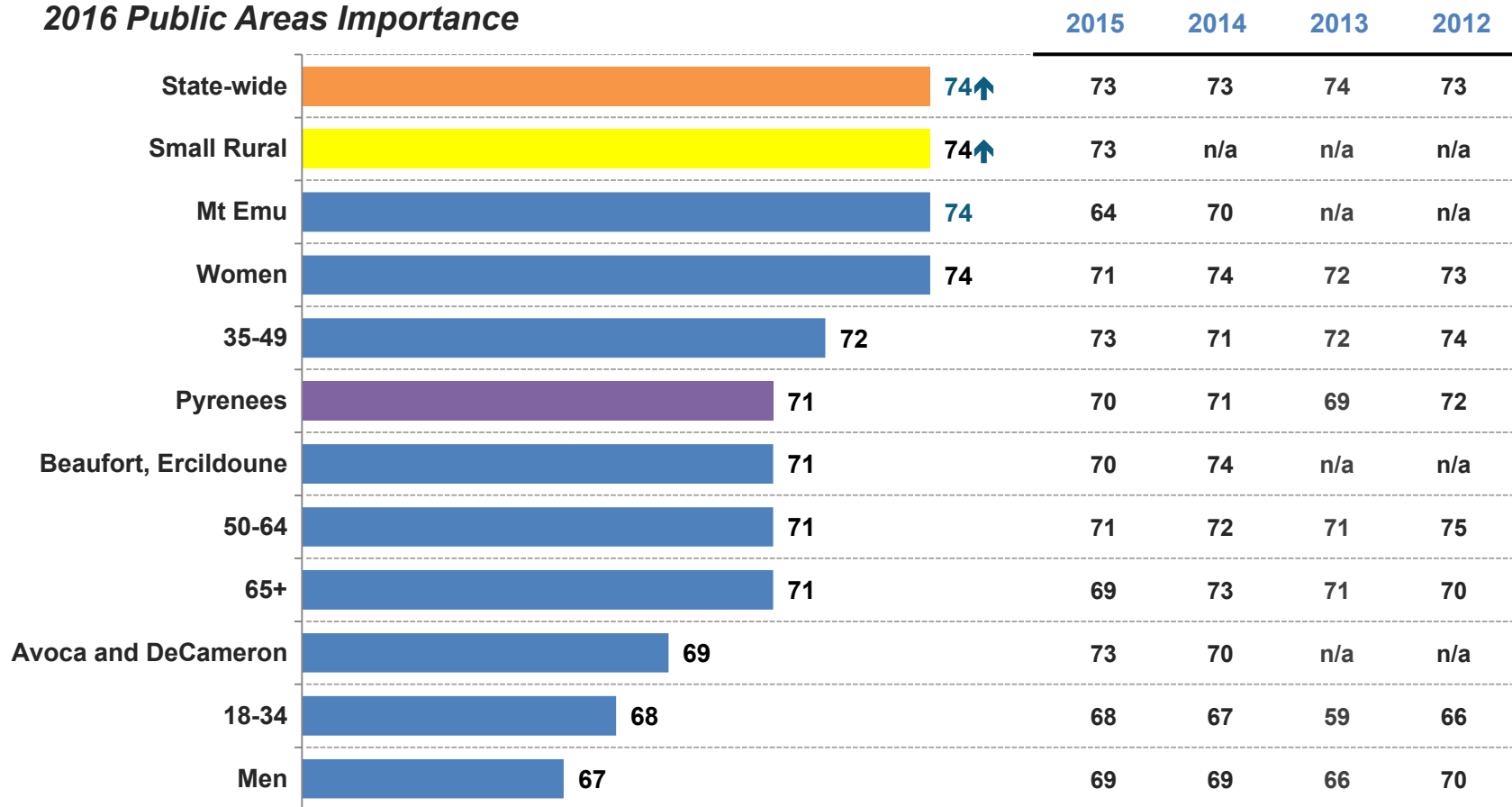
2016 Recreational Facilities Performance



Q2. How has Council performed on 'recreational facilities' over the last 12 months?
Base: All respondents. Councils asked state-wide: 43 Councils asked group: 9

2016 THE APPEARANCE OF PUBLIC AREAS IMPORTANCE INDEX SCORES

2016 Public Areas Importance



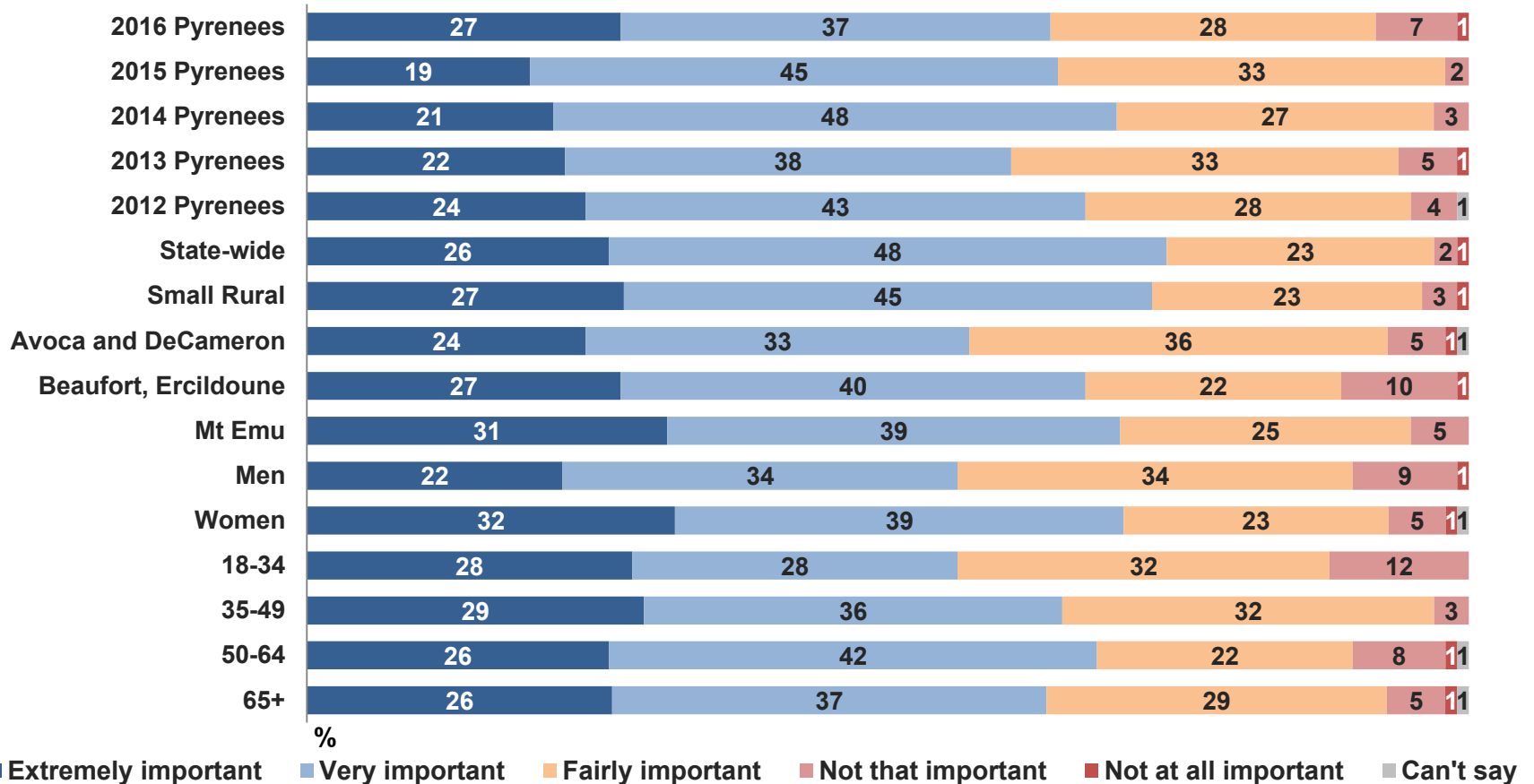
Q1. Firstly, how important should 'the appearance of public areas' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 27 Councils asked group: 4

Note: Please see slide 5 for explanation about significant differences

2016 THE APPEARANCE OF PUBLIC AREAS IMPORTANCE DETAILED PERCENTAGES

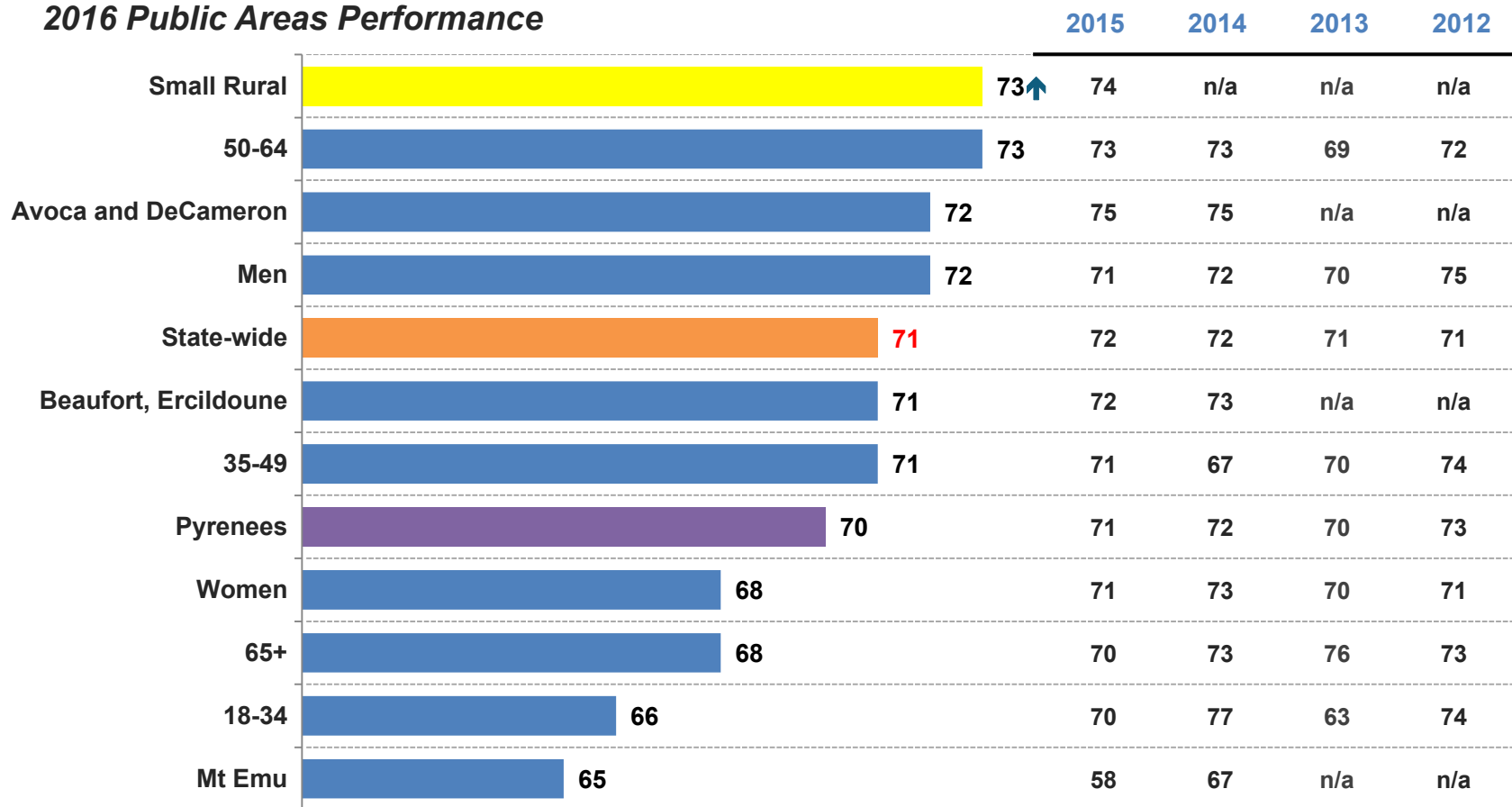
2016 Public Areas Importance



Q1. Firstly, how important should 'the appearance of public areas' be as a responsibility for Council?
Base: All respondents. Councils asked state-wide: 27 Councils asked group: 4

2016 THE APPEARANCE OF PUBLIC AREAS PERFORMANCE INDEX SCORES

2016 Public Areas Performance



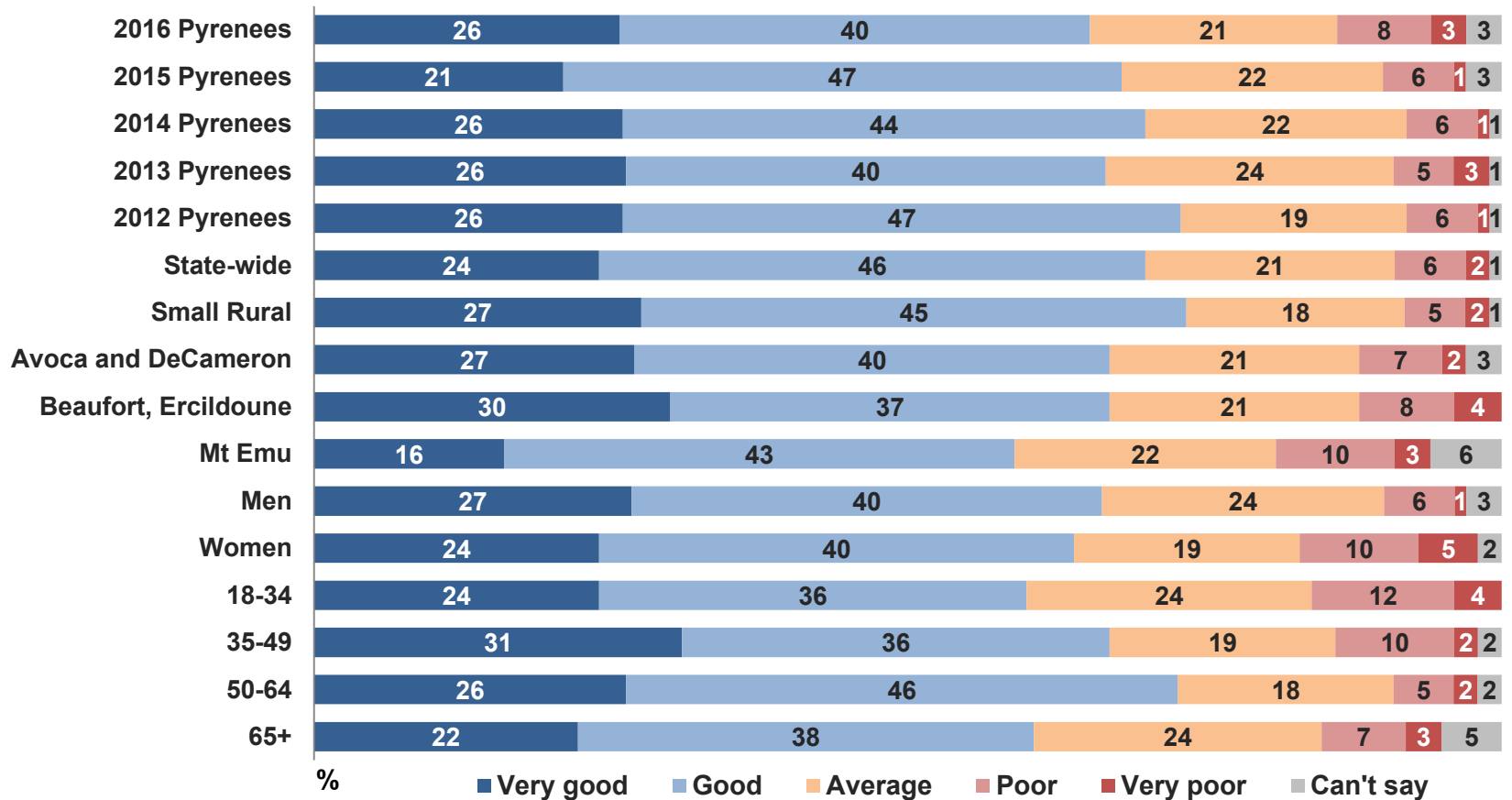
Q2. How has Council performed on 'the appearance of public areas' over the last 12 months?

Base: All respondents. Councils asked state-wide: 37 Councils asked group: 9

Note: Please see slide 5 for explanation about significant differences

2016 THE APPEARANCE OF PUBLIC AREAS PERFORMANCE DETAILED PERCENTAGES

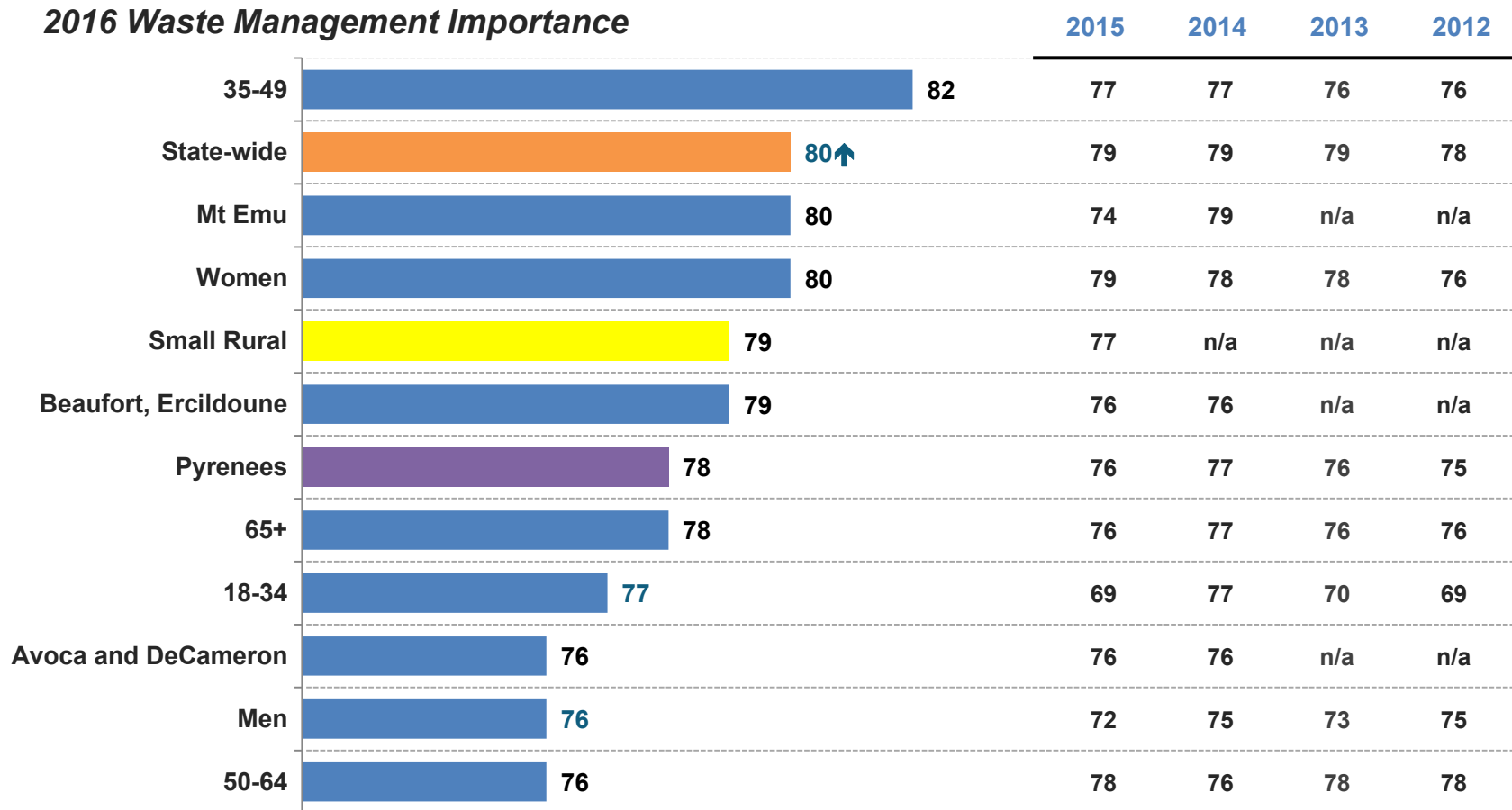
2016 Public Areas Performance



Q2. How has Council performed on 'the appearance of public areas' over the last 12 months?
Base: All respondents. Councils asked state-wide: 37 Councils asked group: 9

2016 WASTE MANAGEMENT IMPORTANCE INDEX SCORES

2016 Waste Management Importance



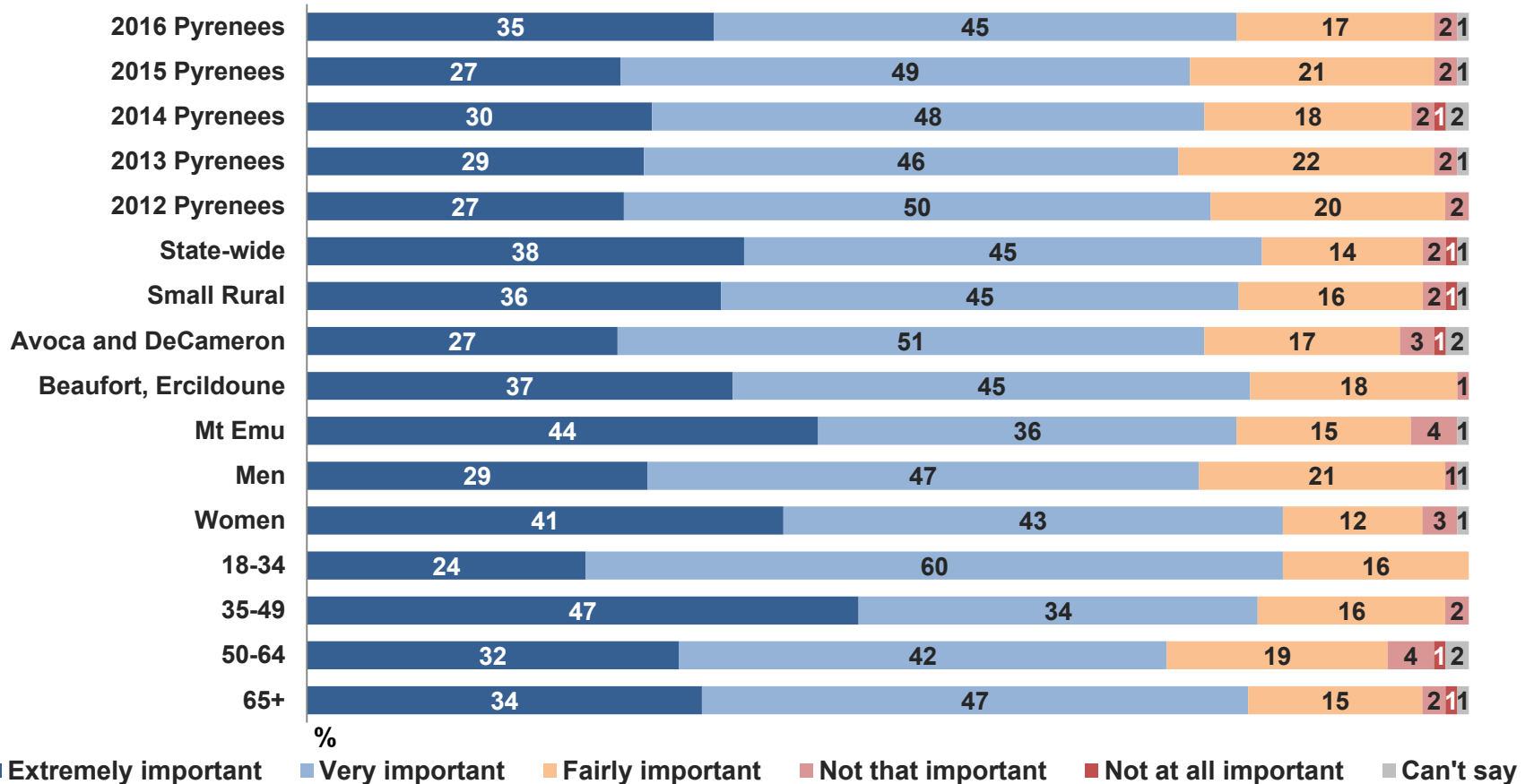
Q1. Firstly, how important should 'waste management' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 31 Councils asked group: 5

Note: Please see slide 5 for explanation about significant differences

2016 WASTE MANAGEMENT IMPORTANCE DETAILED PERCENTAGES

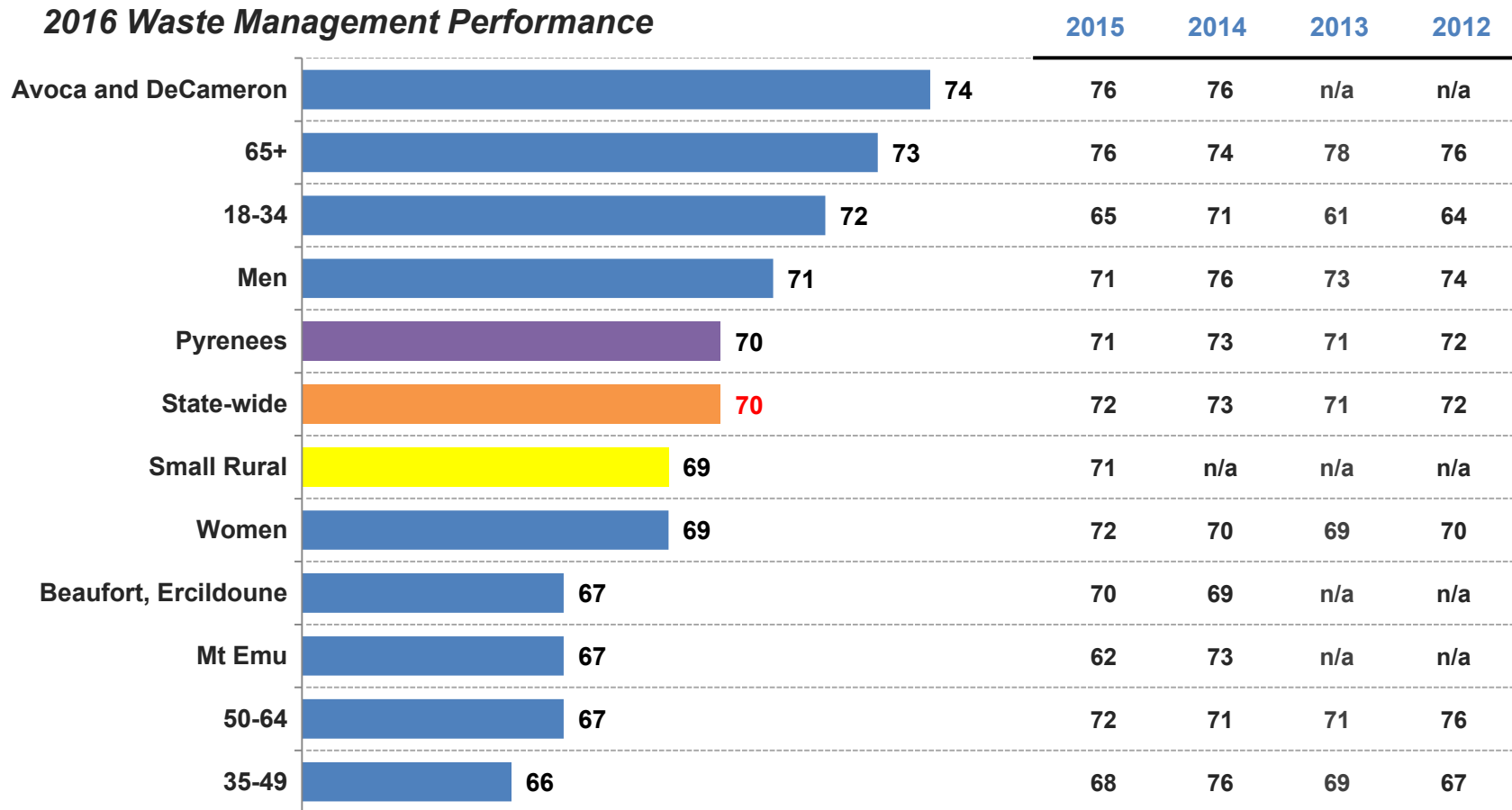
2016 Waste Management Importance



Q1. Firstly, how important should 'waste management' be as a responsibility for Council?
 Base: All respondents. Councils asked state-wide: 31 Councils asked group: 5

2016 WASTE MANAGEMENT PERFORMANCE INDEX SCORES

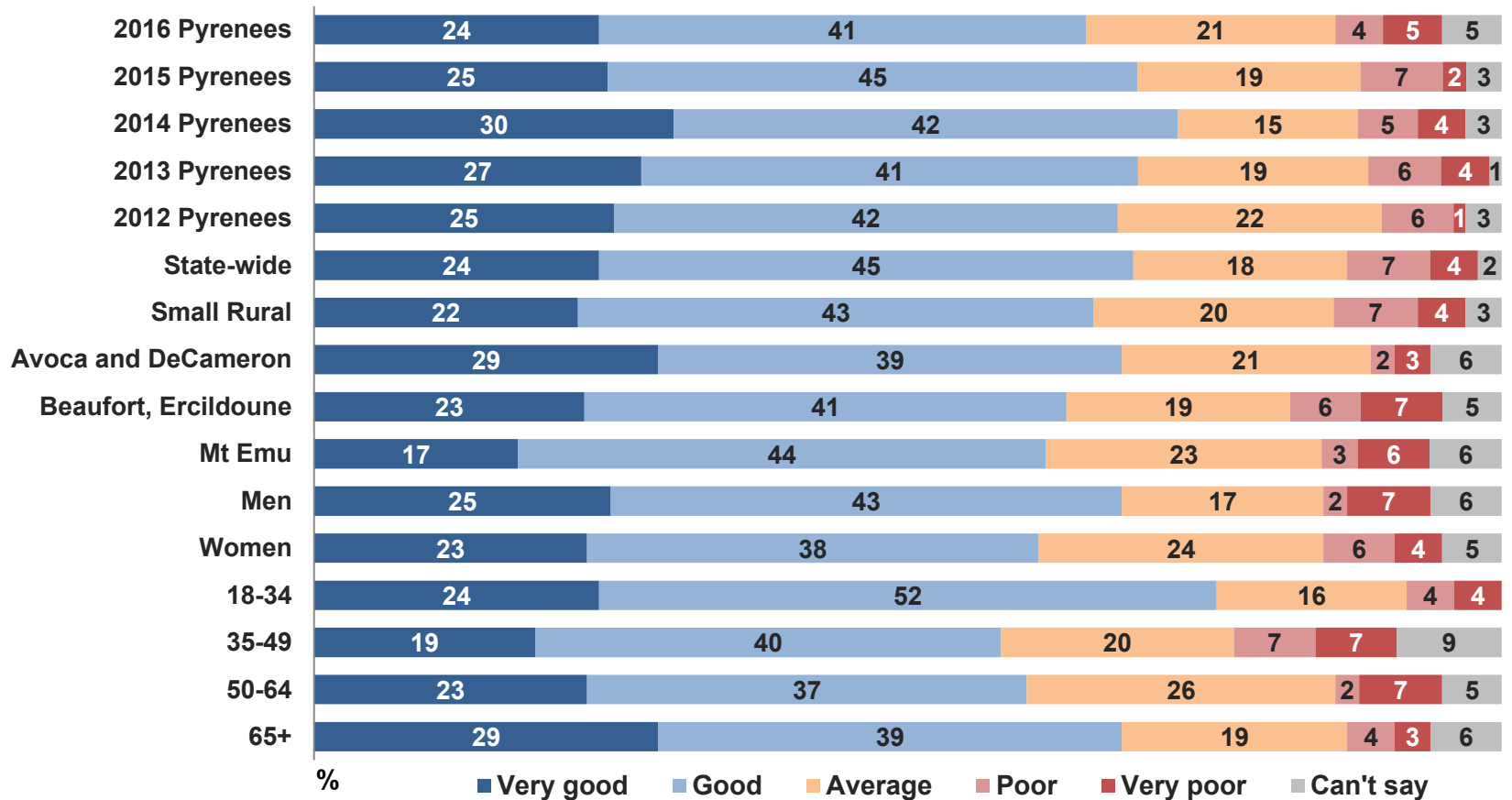
2016 Waste Management Performance



Q2. How has Council performed on 'waste management' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 41 Councils asked group: 9
 Note: Please see slide 5 for explanation about significant differences

2016 WASTE MANAGEMENT PERFORMANCE DETAILED PERCENTAGES

2016 Waste Management Performance

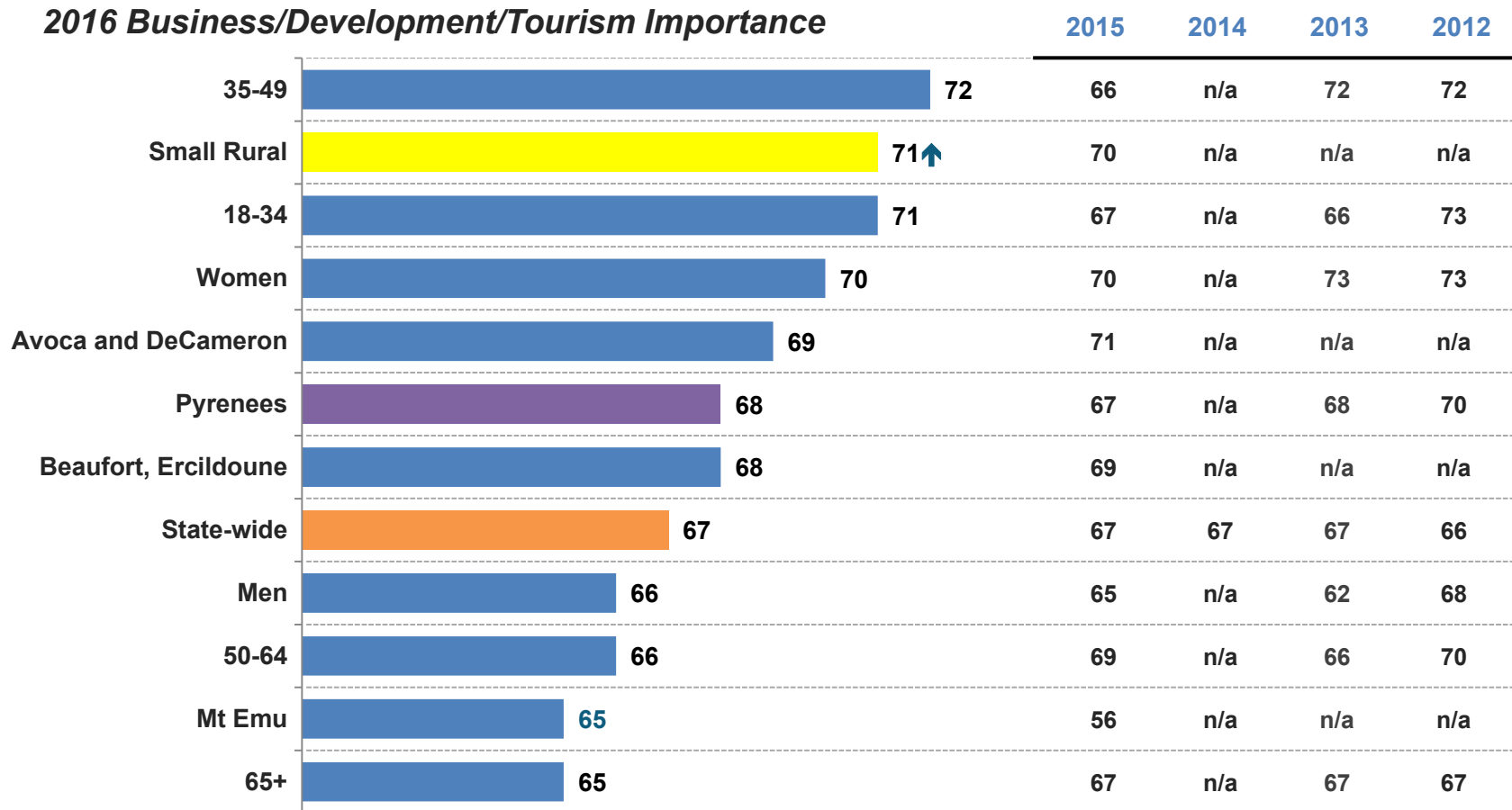


Q2. How has Council performed on 'waste management' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 41 Councils asked group: 9



2016 BUSINESS AND COMMUNITY DEVELOPMENT AND TOURISM IMPORTANCE INDEX SCORES

2016 Business/Development/Tourism Importance



Q1. Firstly, how important should 'business and community development and tourism' be as a responsibility for Council?

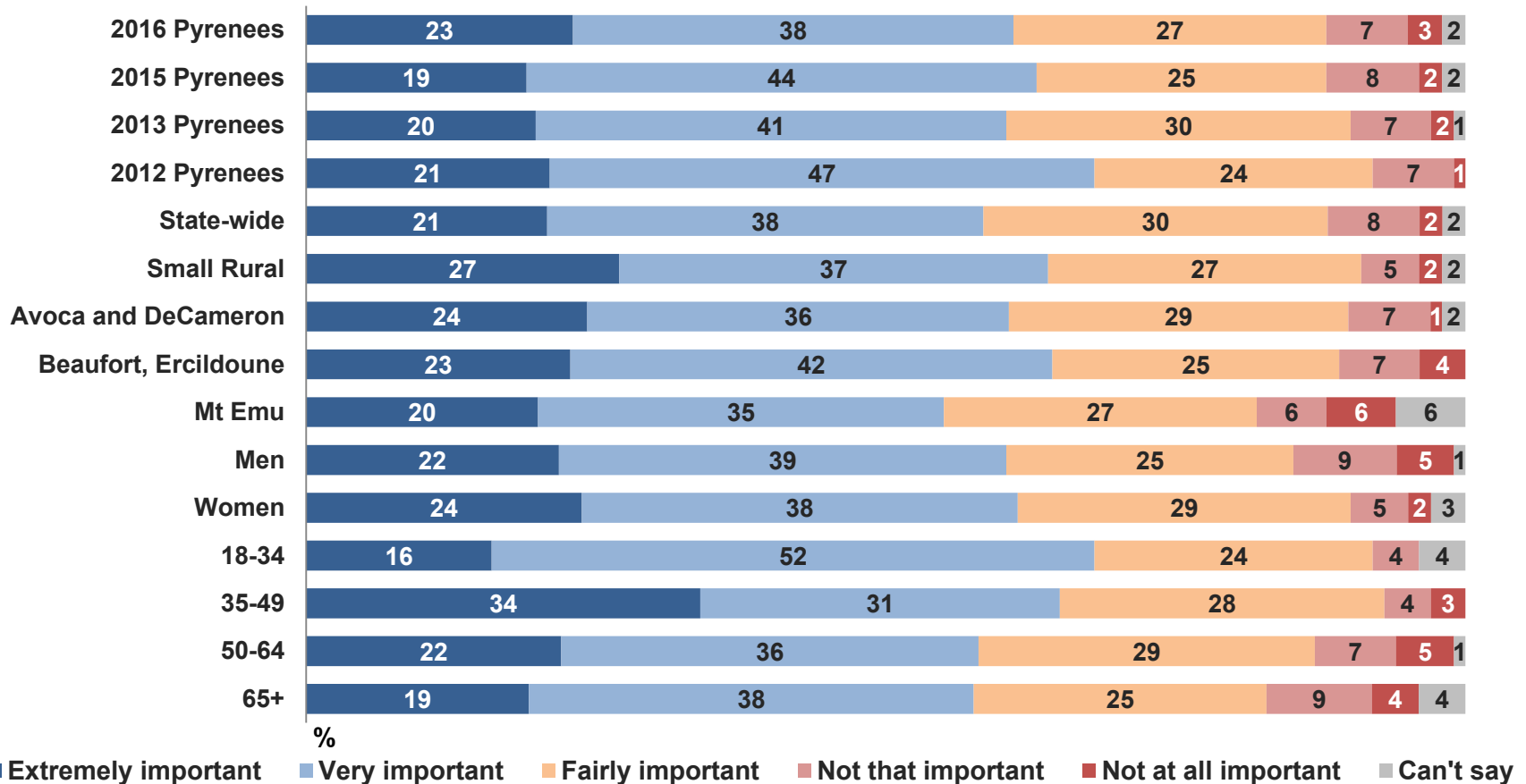
Base: All respondents. Councils asked state-wide: 20 Councils asked group: 4

Note: Please see slide 5 for explanation about significant differences



2016 BUSINESS AND COMMUNITY DEVELOPMENT AND TOURISM IMPORTANCE DETAILED PERCENTAGES

2016 Business/Development/Tourism Importance



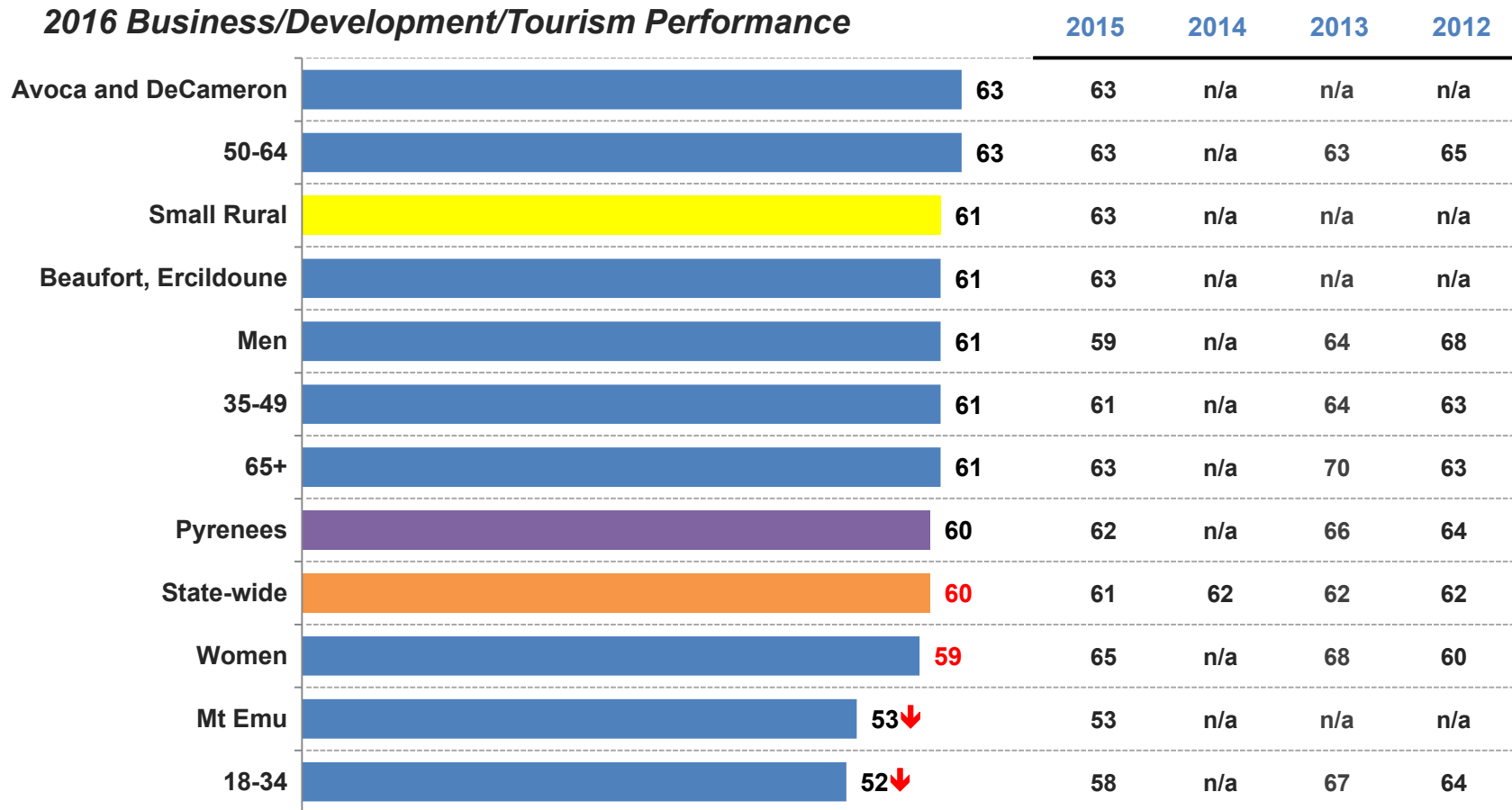
Q1. Firstly, how important should 'business and community development and tourism' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 20 Councils asked group: 4



2016 BUSINESS AND COMMUNITY DEVELOPMENT AND TOURISM PERFORMANCE INDEX SCORES

2016 Business/Development/Tourism Performance



Q2. How has Council performed on 'business and community development and tourism' over the last 12 months?

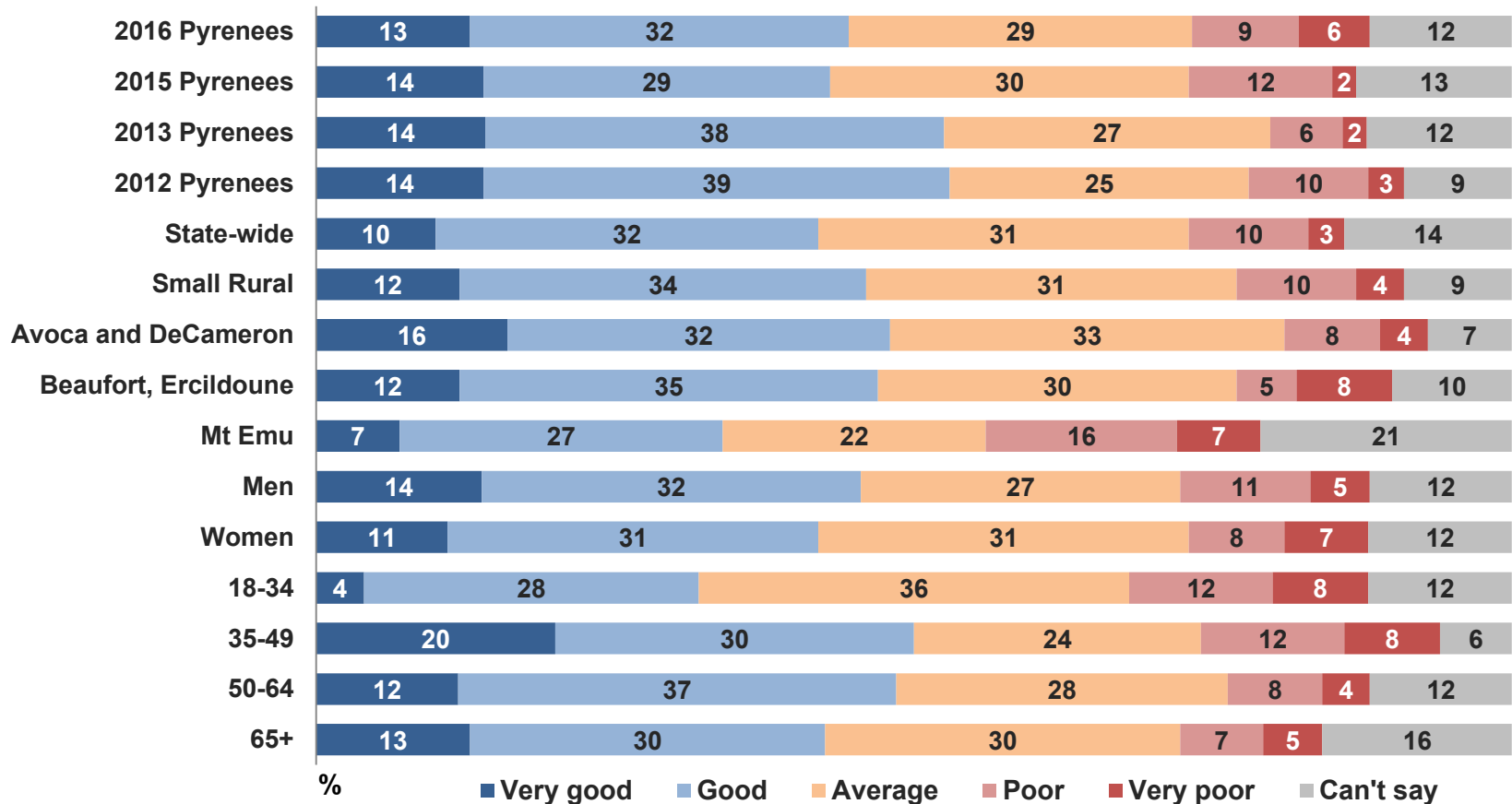
Base: All respondents. Councils asked state-wide: 26 Councils asked group: 6

Note: Please see slide 5 for explanation about significant differences



2016 BUSINESS AND COMMUNITY DEVELOPMENT AND TOURISM PERFORMANCE DETAILED PERCENTAGES

2016 Business/Development/Tourism Performance



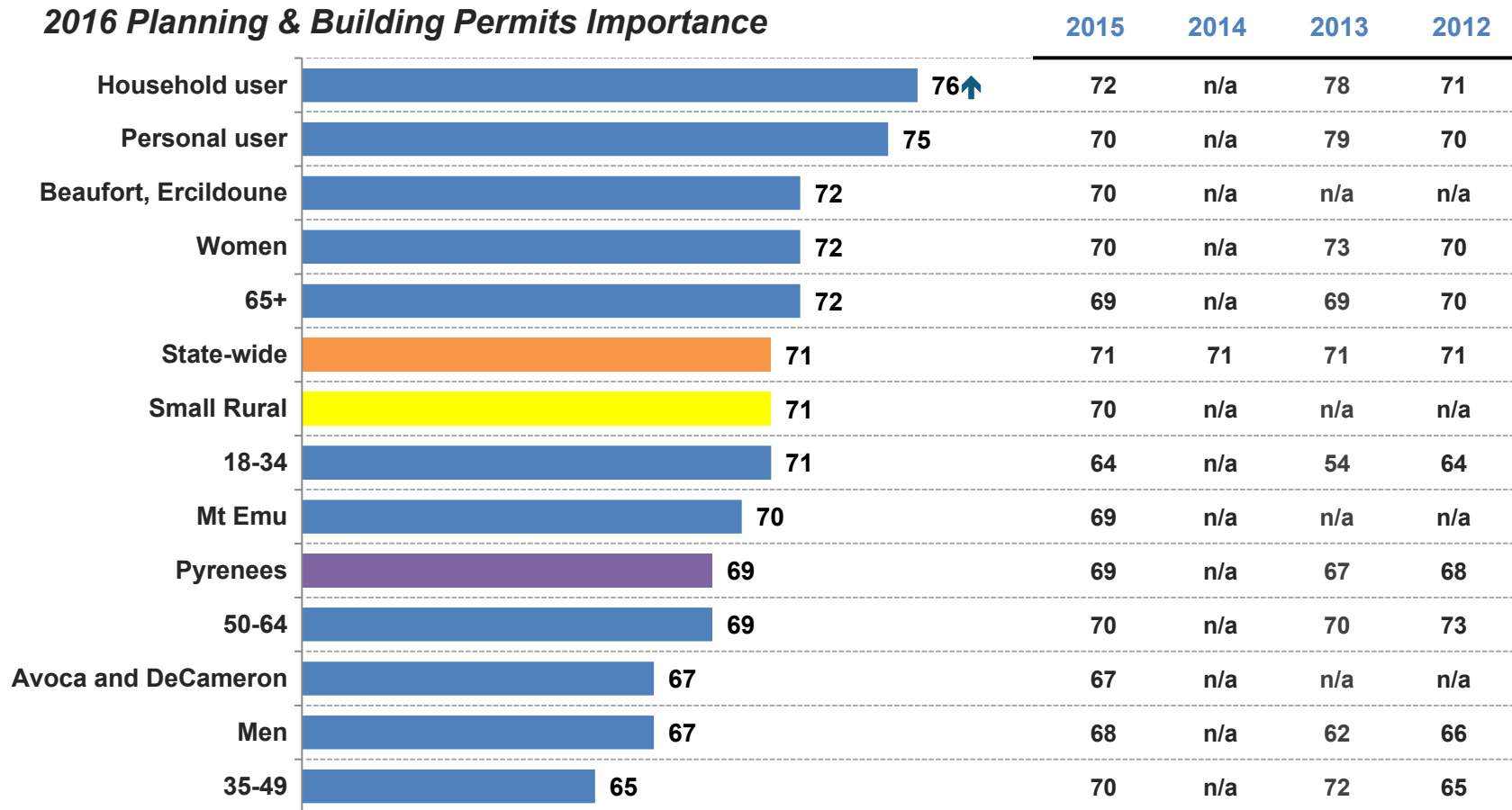
Q2. How has Council performed on 'business and community development and tourism' over the last 12 months?

Base: All respondents. Councils asked state-wide: 26 Councils asked group: 6



2016 PLANNING AND BUILDING PERMITS IMPORTANCE INDEX SCORES

2016 Planning & Building Permits Importance



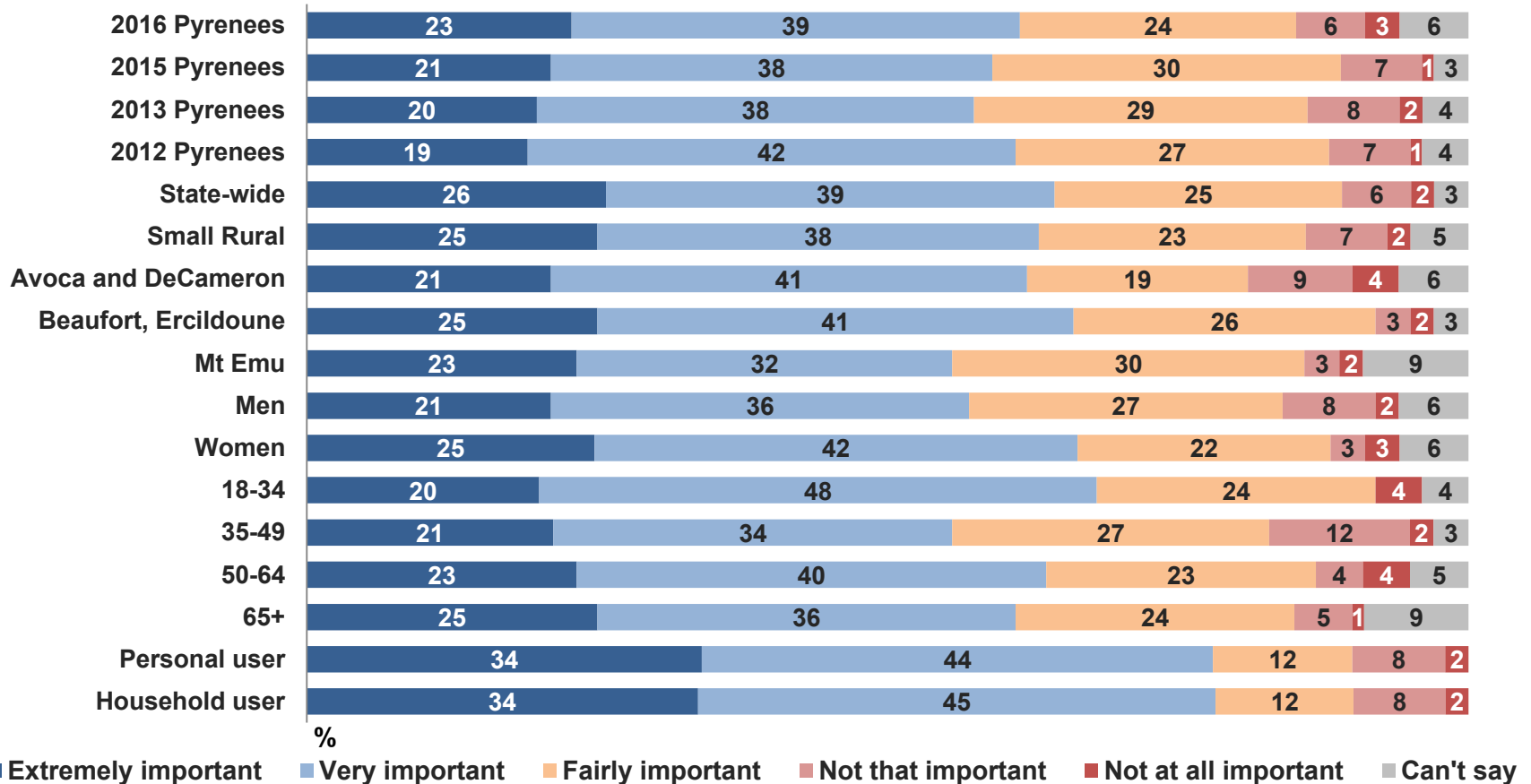
Q1. Firstly, how important should 'planning and building permits' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 19 Councils asked group: 4

Note: Please see slide 5 for explanation about significant differences

2016 PLANNING AND BUILDING PERMITS IMPORTANCE DETAILED PERCENTAGES

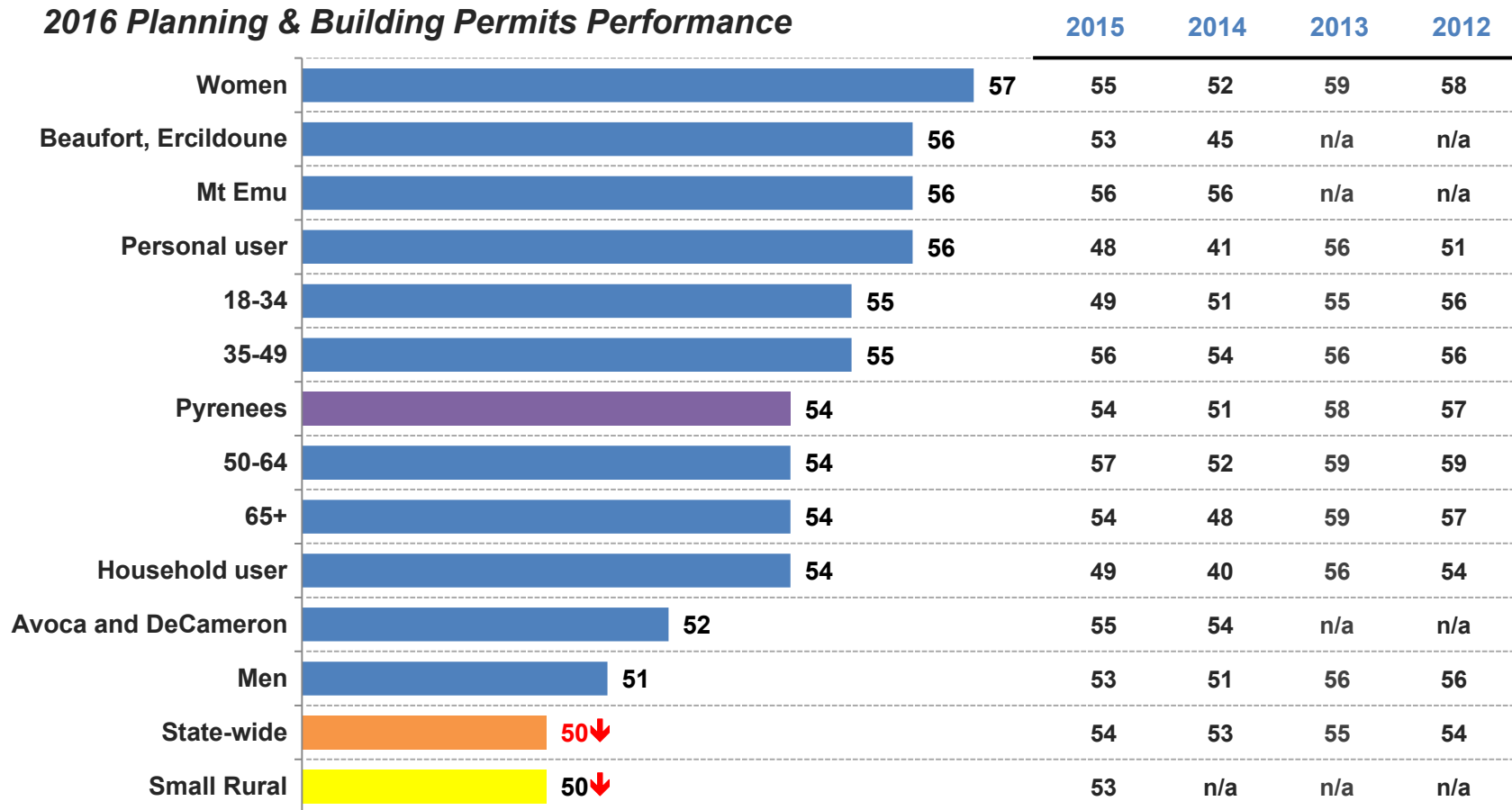
2016 Planning & Building Permits Importance



Q1. Firstly, how important should 'planning and building permits' be as a responsibility for Council?
Base: All respondents. Councils asked state-wide: 19 Councils asked group: 4

2016 PLANNING AND BUILDING PERMITS PERFORMANCE INDEX SCORES

2016 Planning & Building Permits Performance



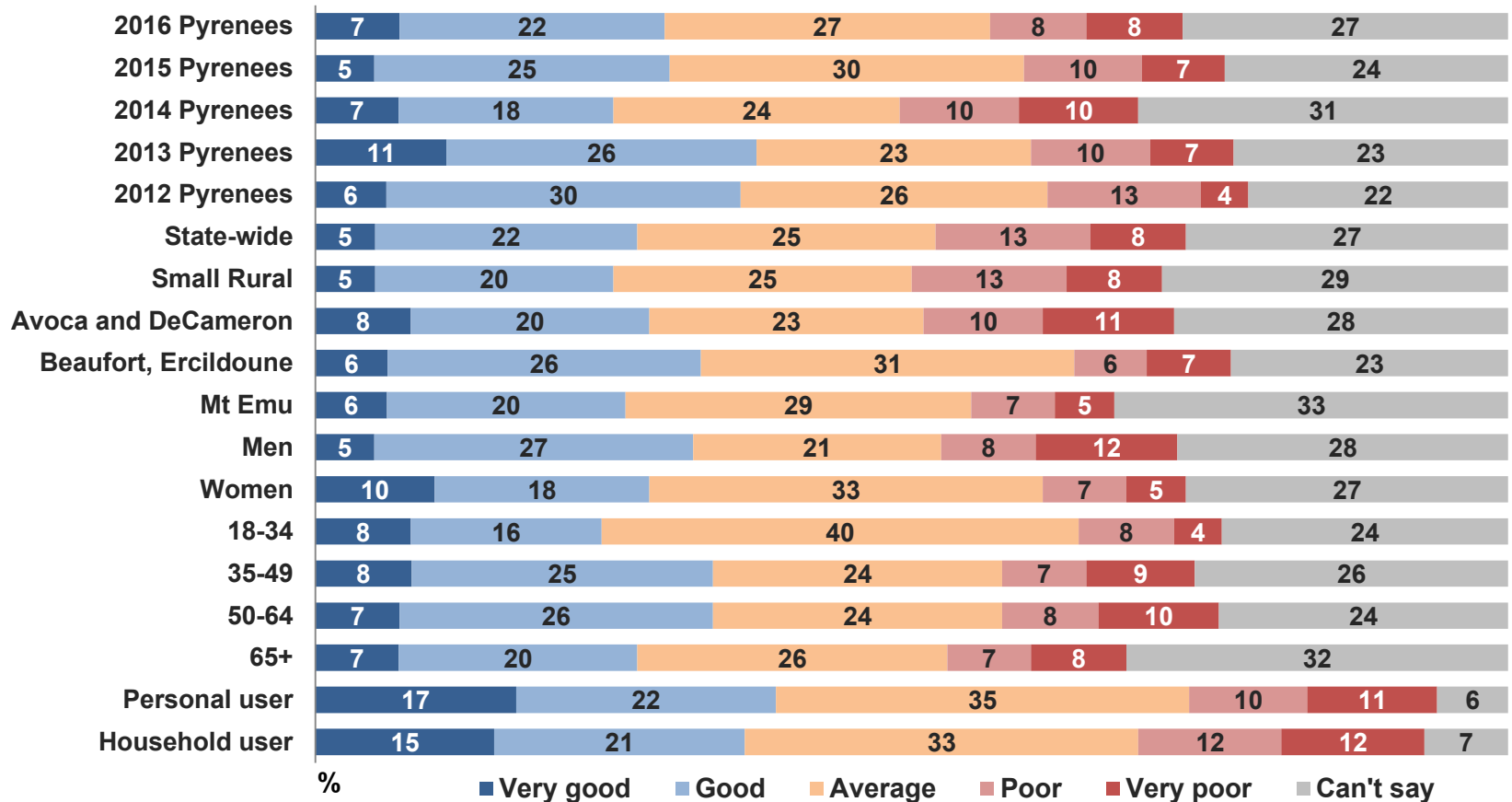
Q2. How has Council performed on 'planning and building permits' over the last 12 months?

Base: All respondents. Councils asked state-wide: 25 Councils asked group: 6

Note: Please see slide 5 for explanation about significant differences

2016 PLANNING AND BUILDING PERMITS PERFORMANCE DETAILED PERCENTAGES

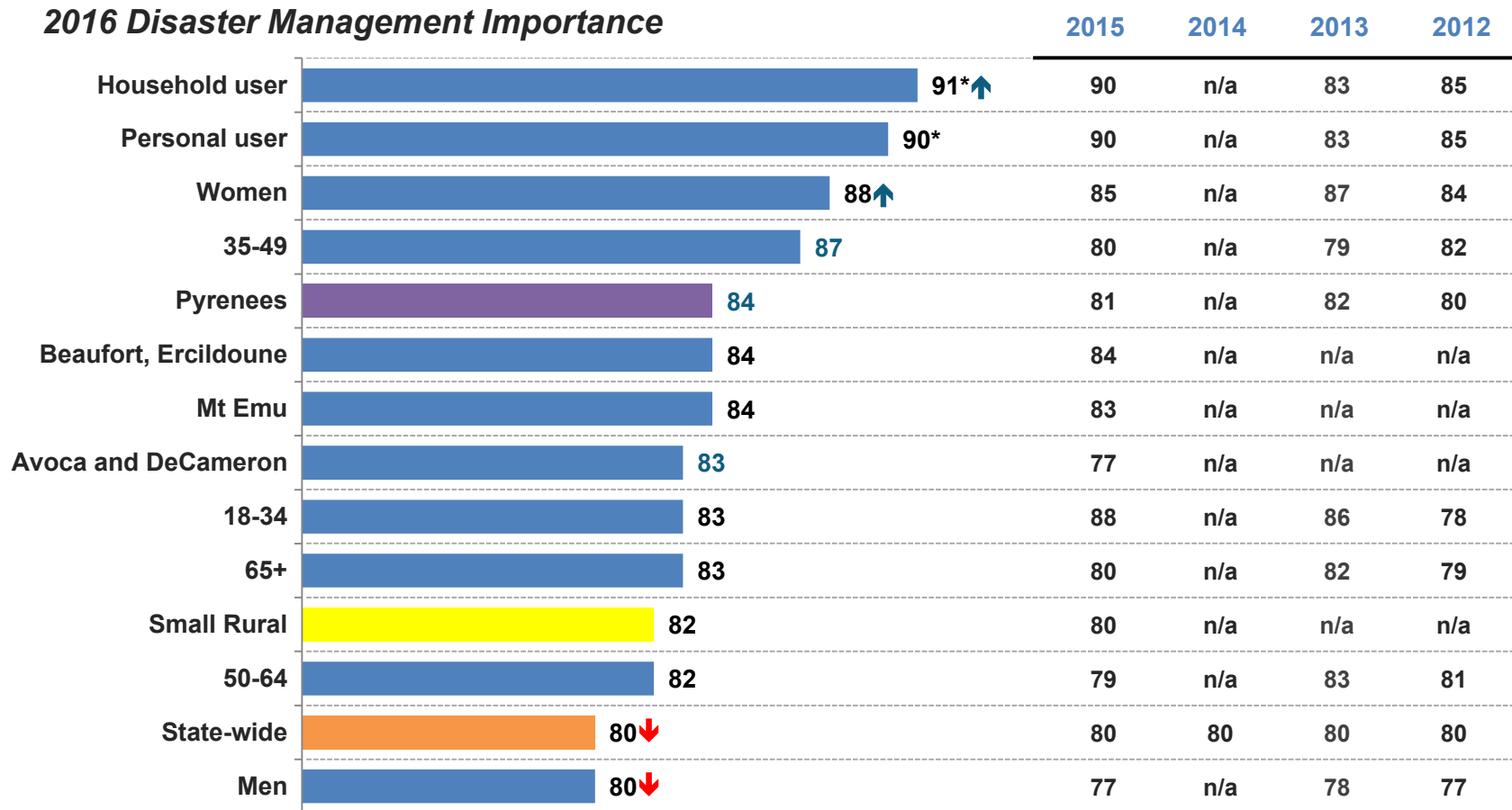
2016 Planning & Building Permits Performance



Q2. How has Council performed on 'planning and building permits' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 25 Councils asked group: 6

2016 EMERGENCY AND DISASTER MANAGEMENT IMPORTANCE INDEX SCORES

2016 Disaster Management Importance



Q1. Firstly, how important should 'emergency and disaster management' be as a responsibility for Council?

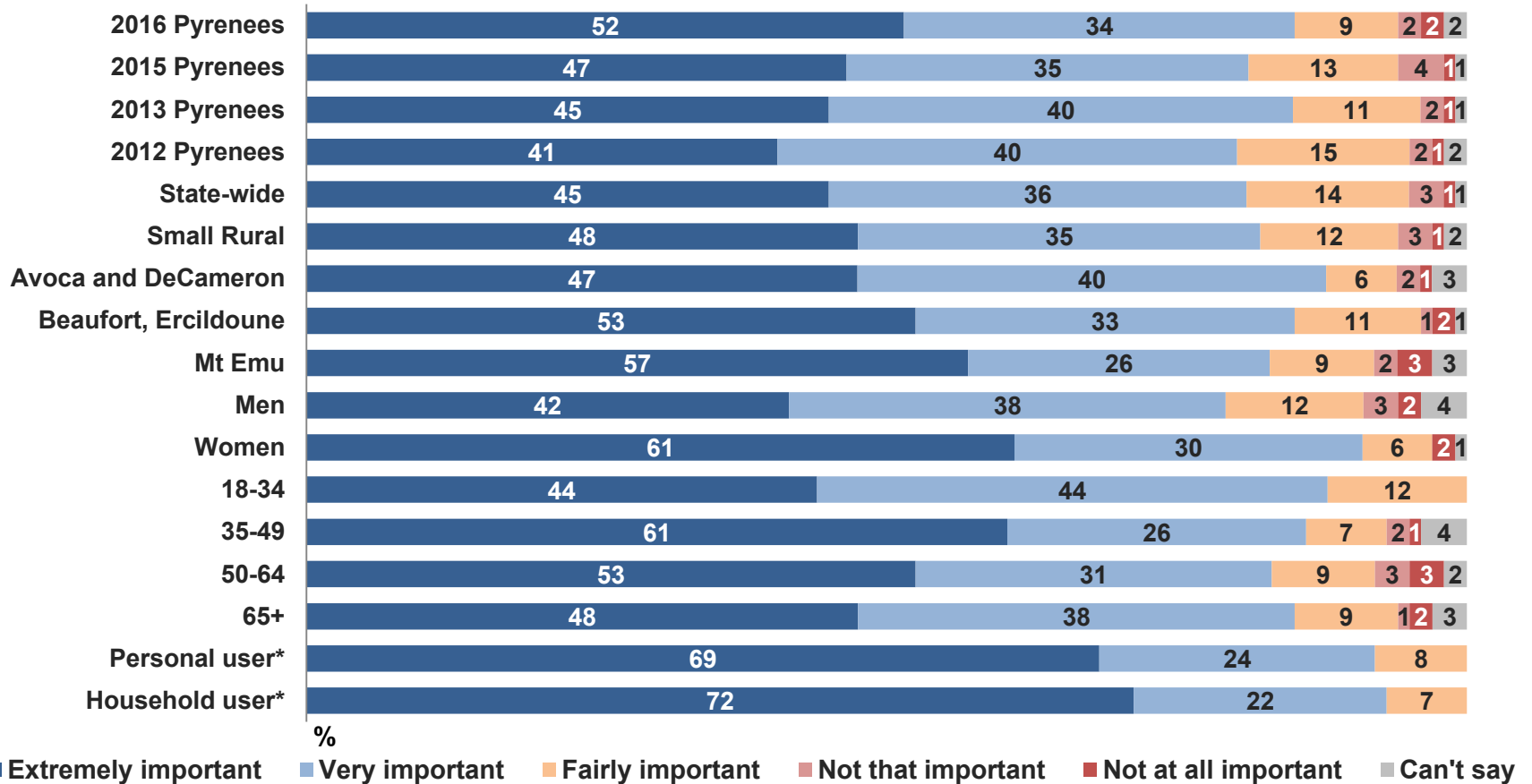
Base: All respondents. Councils asked state-wide: 17 Councils asked group: 3

Note: Please see slide 5 for explanation about significant differences

*Caution: small sample size < n=30

2016 EMERGENCY AND DISASTER MANAGEMENT IMPORTANCE DETAILED PERCENTAGES

2016 Disaster Management Importance



Q1. Firstly, how important should 'emergency and disaster management' be as a responsibility for Council?

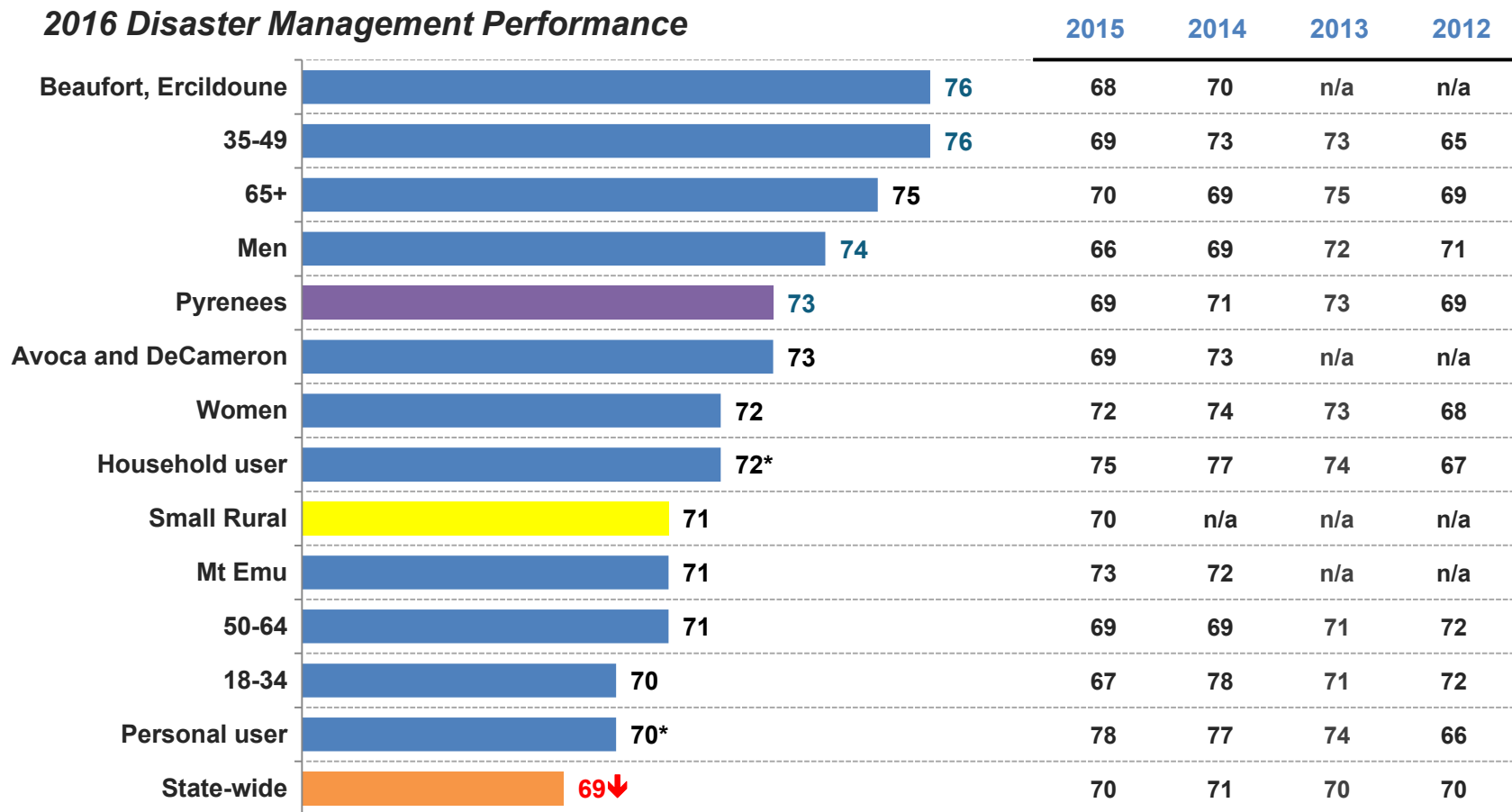
Base: All respondents. Councils asked state-wide: 17 Councils asked group: 3

*Caution: small sample size < n=30



2016 EMERGENCY AND DISASTER MANAGEMENT PERFORMANCE INDEX SCORES

2016 Disaster Management Performance



Q2. How has Council performed on 'emergency and disaster management' over the last 12 months?

Base: All respondents. Councils asked state-wide: 23 Councils asked group: 5

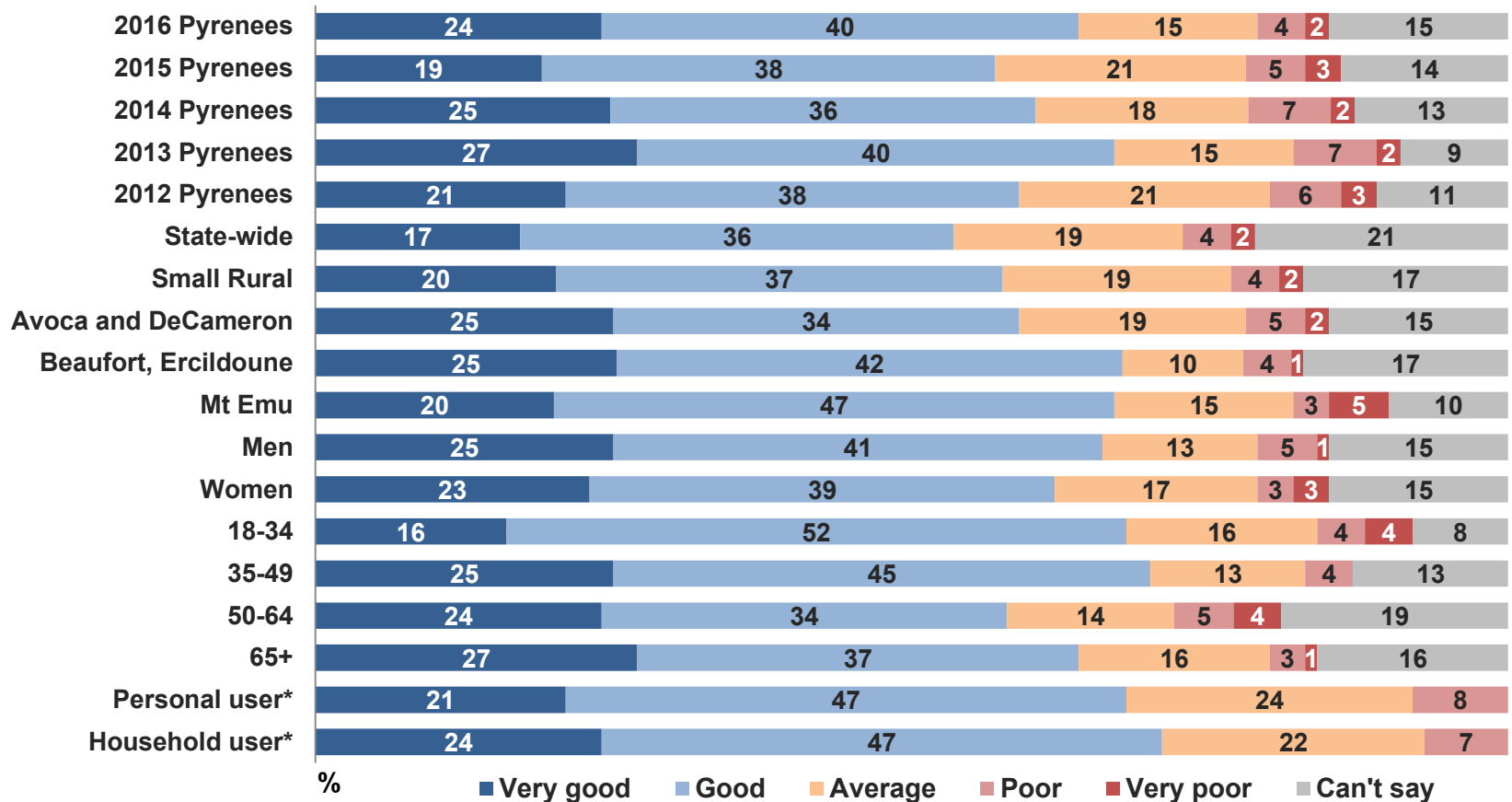
Note: Please see slide 5 for explanation about significant differences

*Caution: small sample size < n=30



2016 EMERGENCY AND DISASTER MANAGEMENT PERFORMANCE DETAILED PERCENTAGES

2016 Disaster Management Performance



Q2. How has Council performed on 'emergency and disaster management' over the last 12 months?

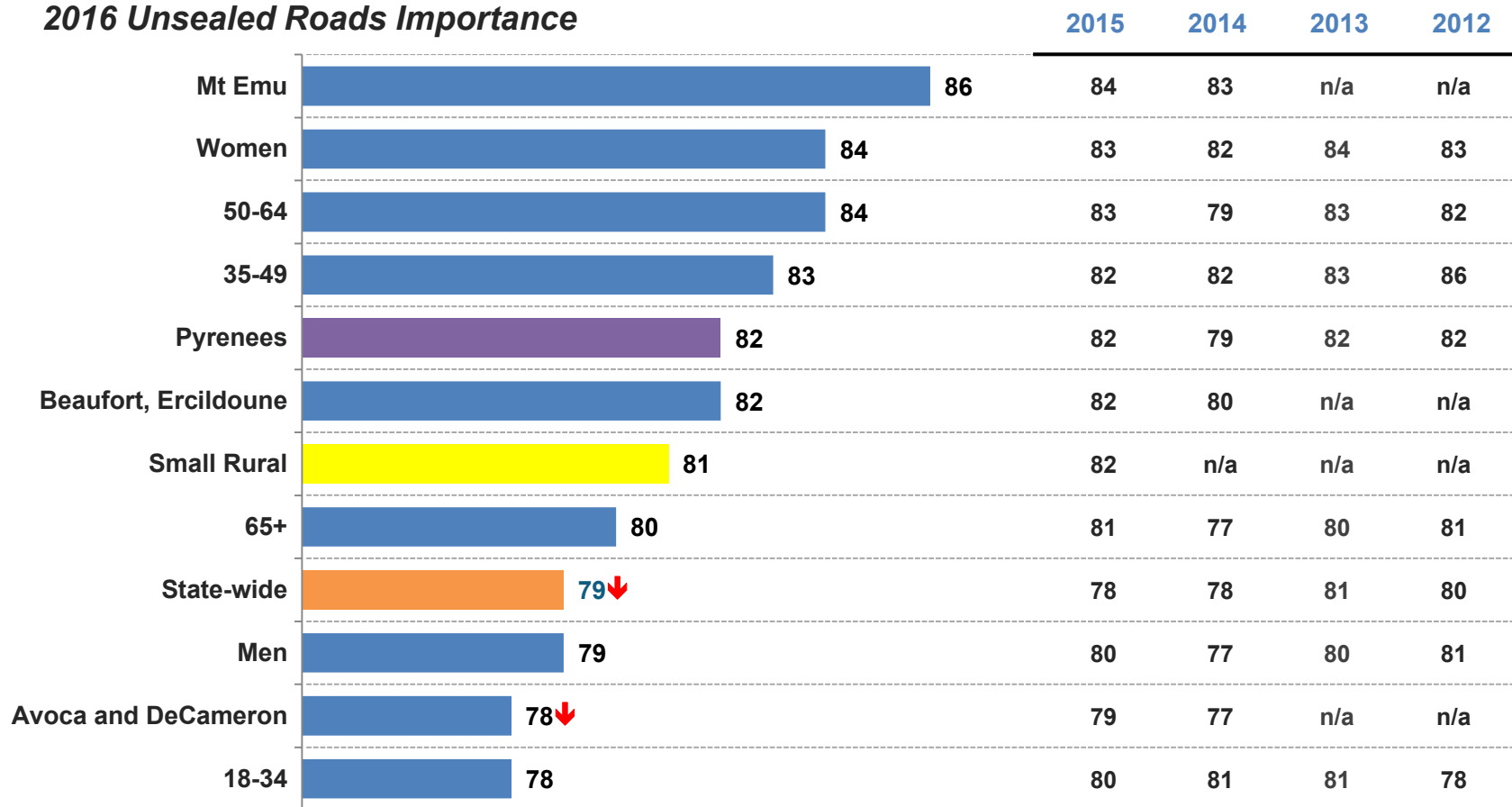
Base: All respondents. Councils asked state-wide: 23 Councils asked group: 5

*Caution: small sample size < n=30



2016 MAINTENANCE OF UNSEALED ROADS IN YOUR AREA IMPORTANCE INDEX SCORES

2016 Unsealed Roads Importance



Q1. Firstly, how important should 'maintenance of unsealed roads in your area' be as a responsibility for Council?

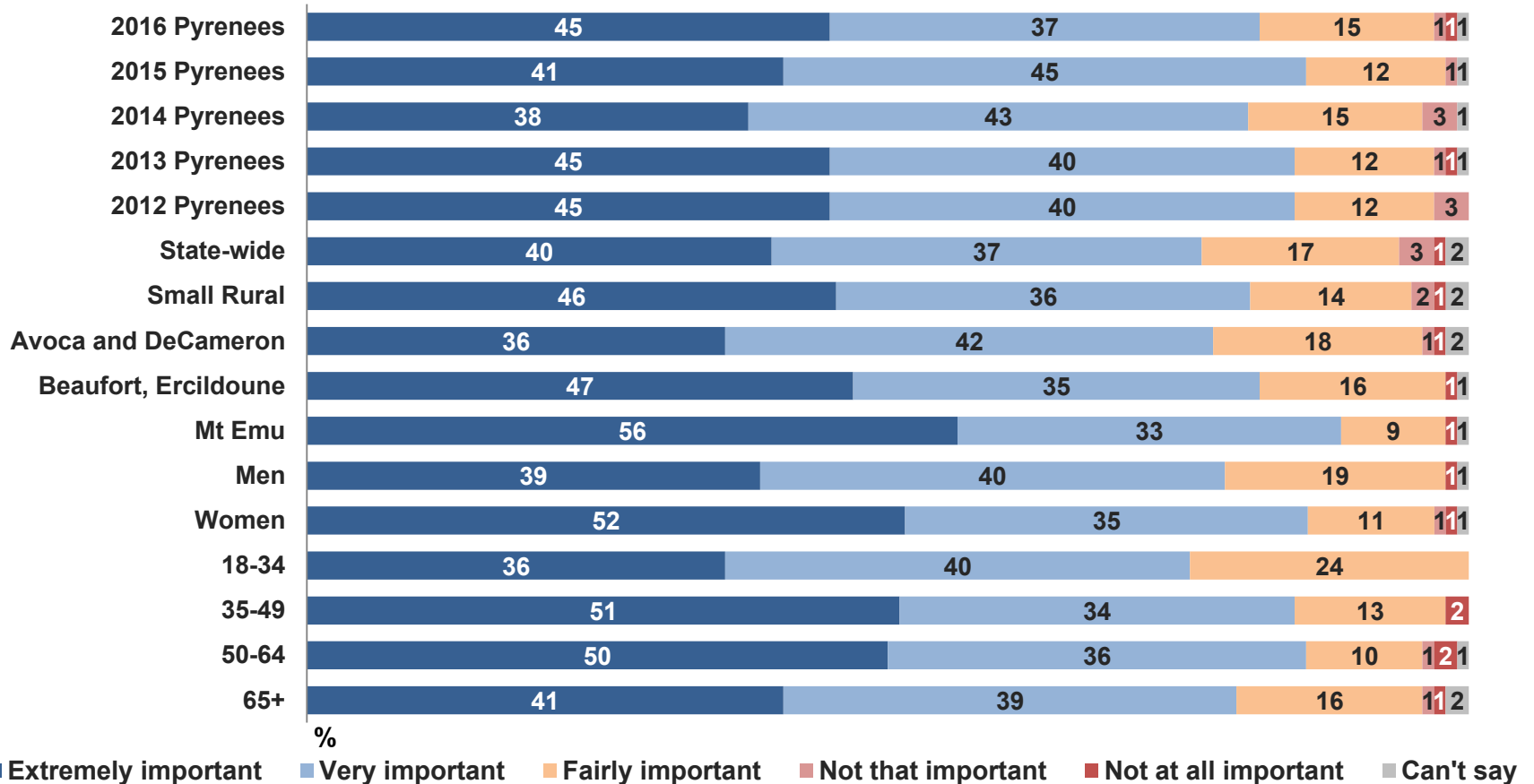
Base: All respondents. Councils asked state-wide: 14 Councils asked group: 4

Note: Please see slide 5 for explanation about significant differences

2016 MAINTENANCE OF UNSEALED ROADS IN YOUR AREA

IMPORTANCE DETAILED PERCENTAGES

2016 Unsealed Roads Importance



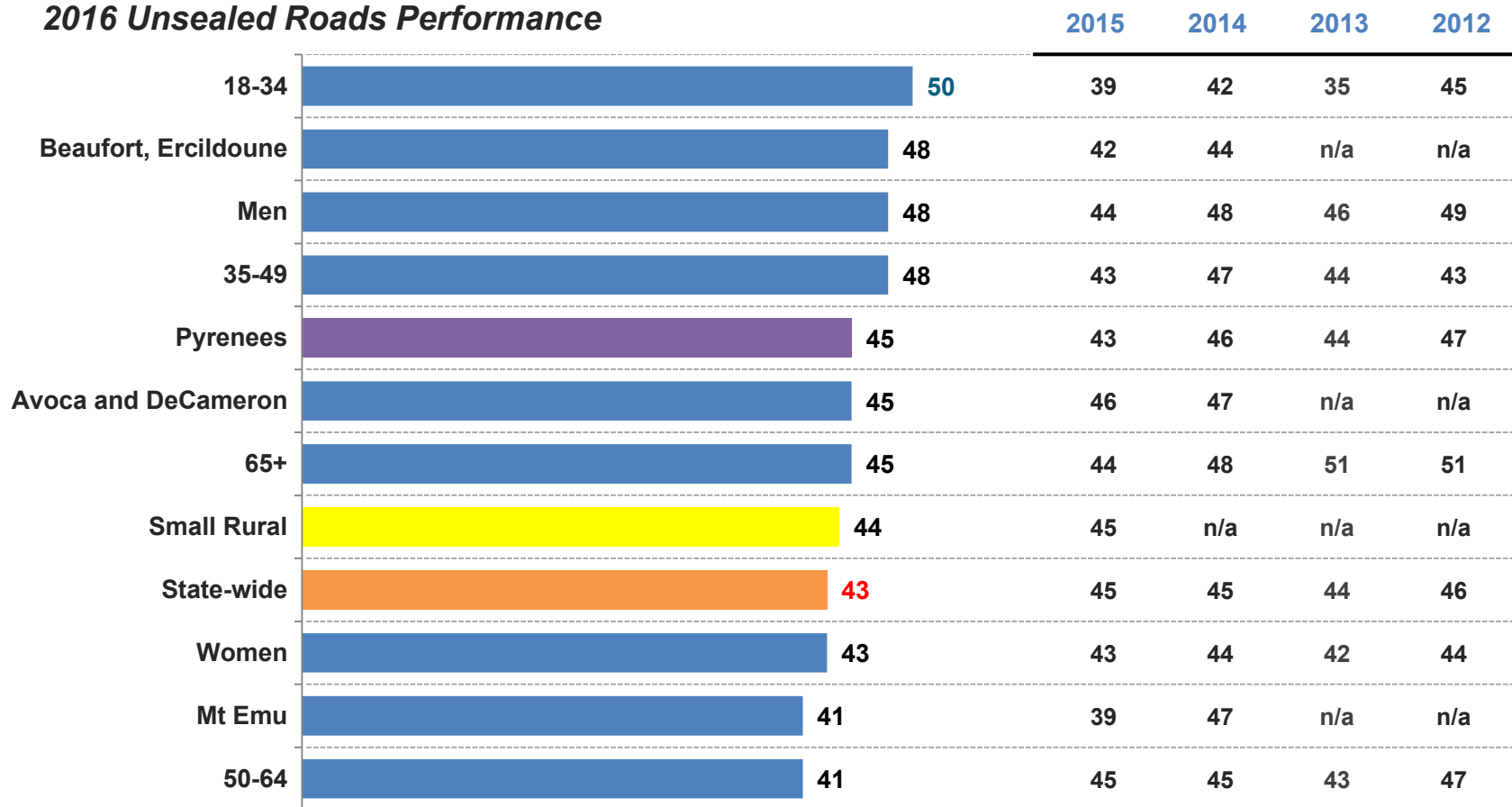
Q1. Firstly, how important should 'maintenance of unsealed roads in your area' be as a responsibility for Council?

Base: All respondents. Councils asked state-wide: 14 Councils asked group: 4



2016 MAINTENANCE OF UNSEALED ROADS IN YOUR AREA PERFORMANCE INDEX SCORES

2016 Unsealed Roads Performance



Q2. How has Council performed on 'maintenance of unsealed roads in your area' over the last 12 months?

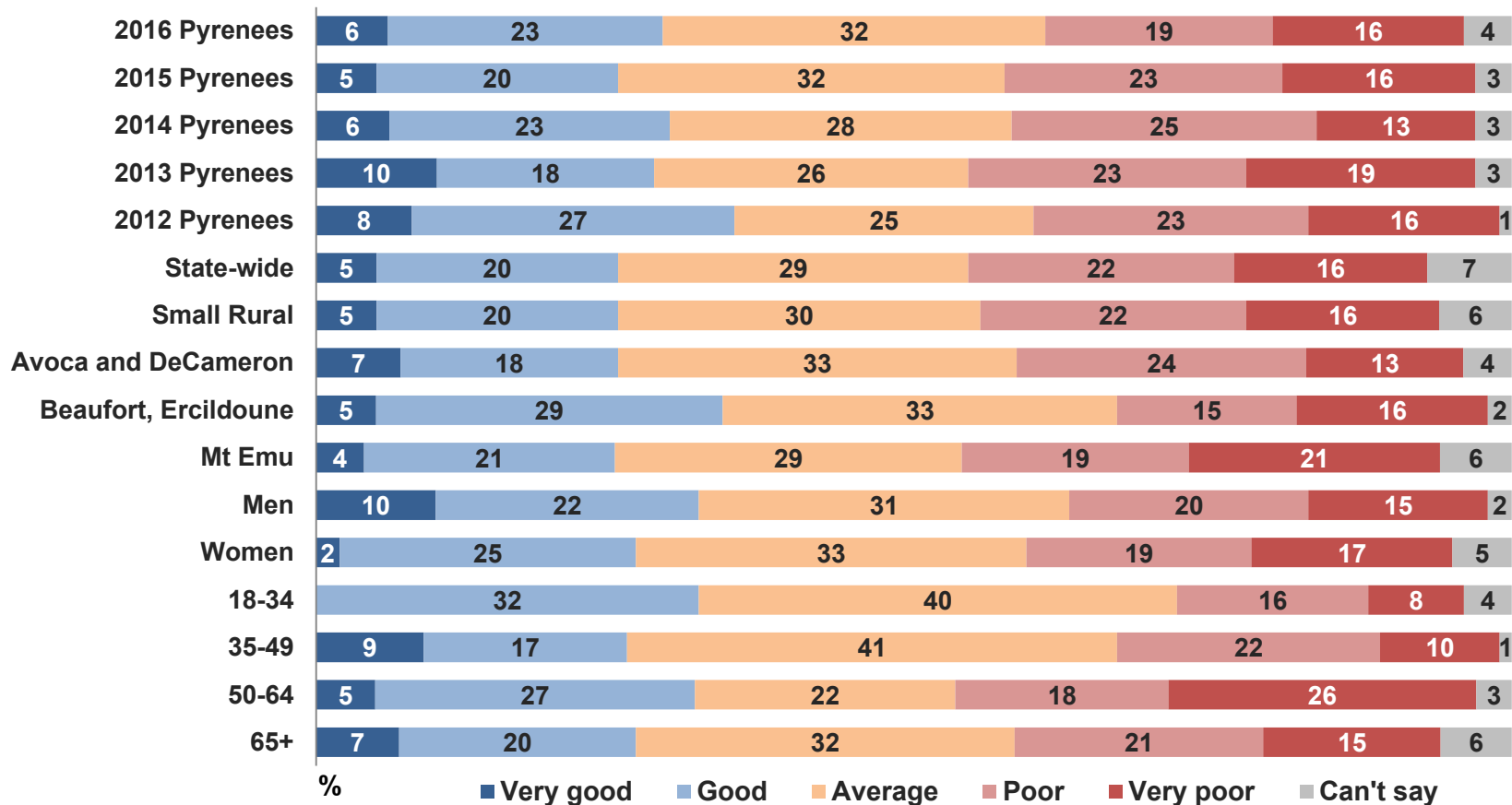
Base: All respondents. Councils asked state-wide: 17 Councils asked group: 6

Note: Please see slide 5 for explanation about significant differences

2016 MAINTENANCE OF UNSEALED ROADS IN YOUR AREA

PERFORMANCE DETAILED PERCENTAGES

2016 Unsealed Roads Performance



Q2. How has Council performed on 'maintenance of unsealed roads in your area' over the last 12 months?
 Base: All respondents. Councils asked state-wide: 17 Councils asked group: 6

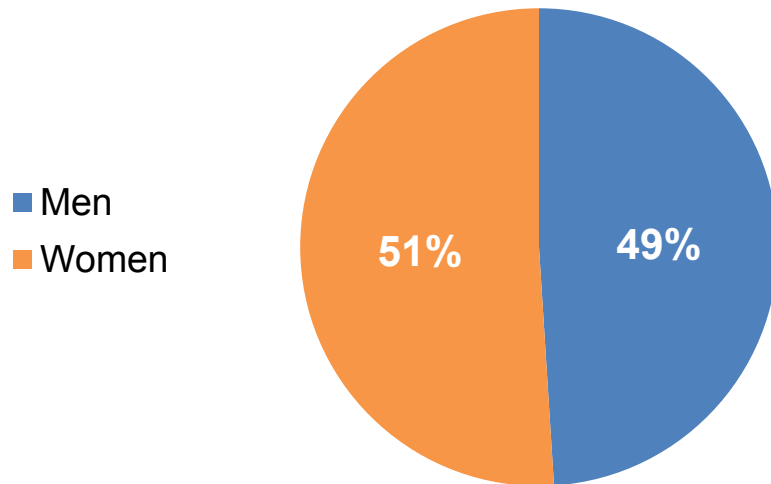


A satellite night-time map of South America, showing the continent illuminated by city lights and a dense network of roads. The lights are concentrated in major urban centers and along coastal areas. The surrounding oceans are dark, and the text 'DETAILED DEMOGRAPHICS' is overlaid in white on the left side of the continent.

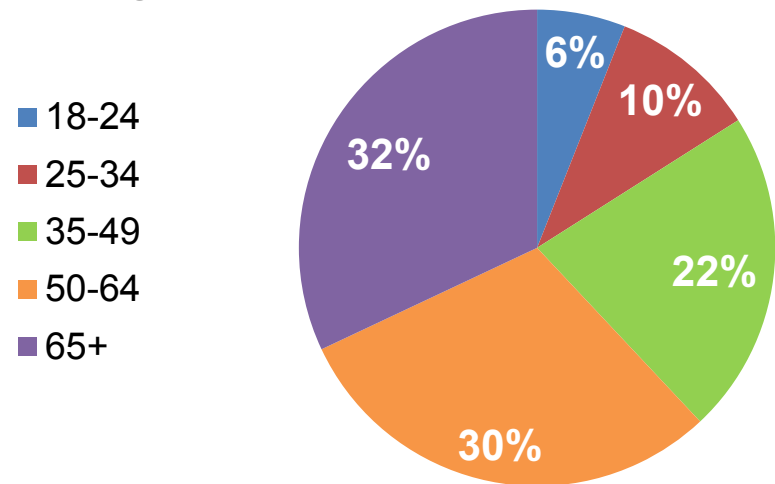
DETAILED DEMOGRAPHICS

2016 GENDER AND AGE PROFILE

Gender



Age

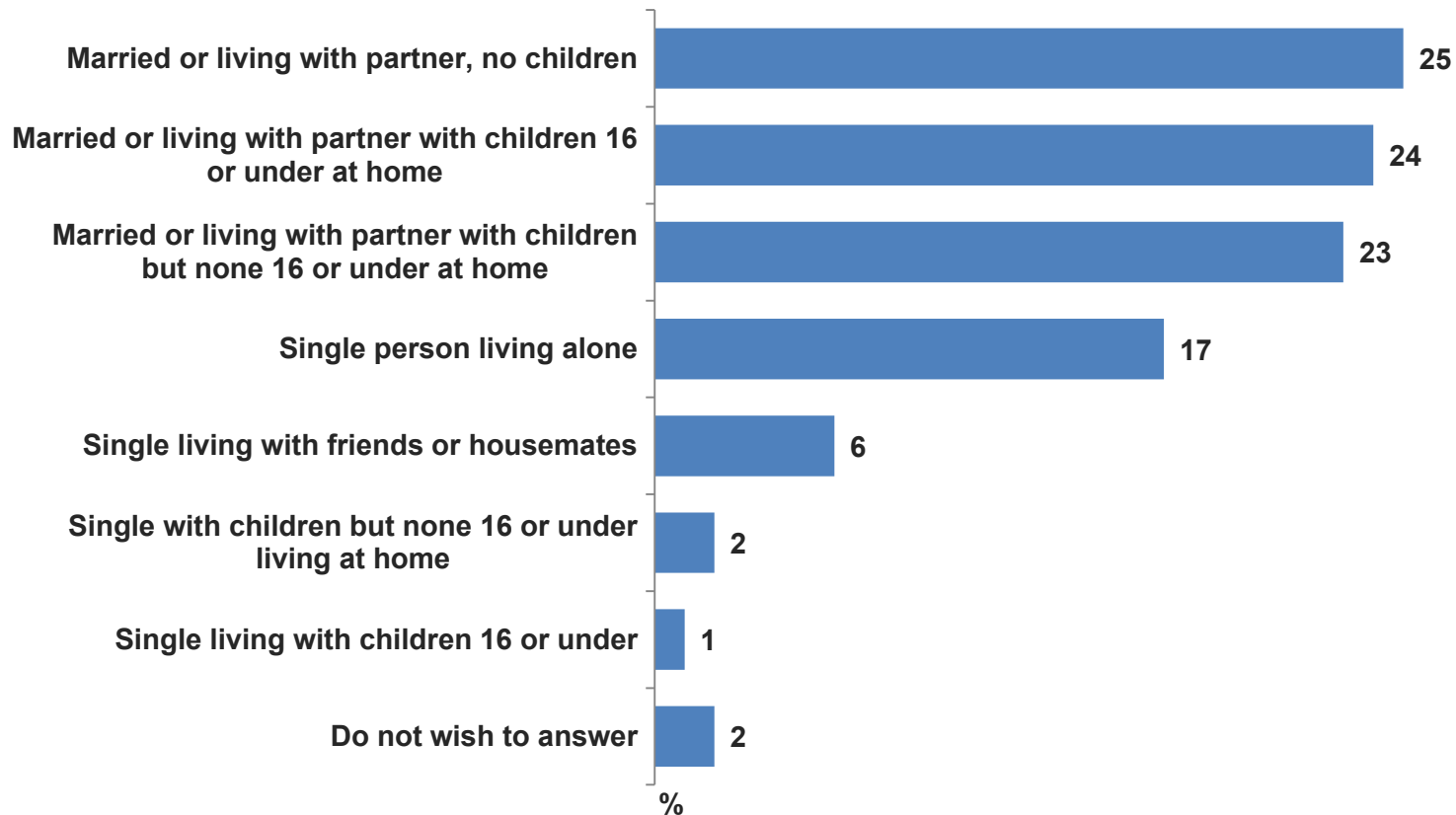


Please note that for the reason of simplifying reporting, interlocking age and gender reporting has not been included in this report. Interlocking age and gender analysis is still available in the dashboard and data tables provided alongside this report.

S3. [Record gender] / S4. To which of the following age groups do you belong?
 Base: All respondents. Councils asked state-wide: 69 Councils asked group: 17

2016 HOUSEHOLD STRUCTURE

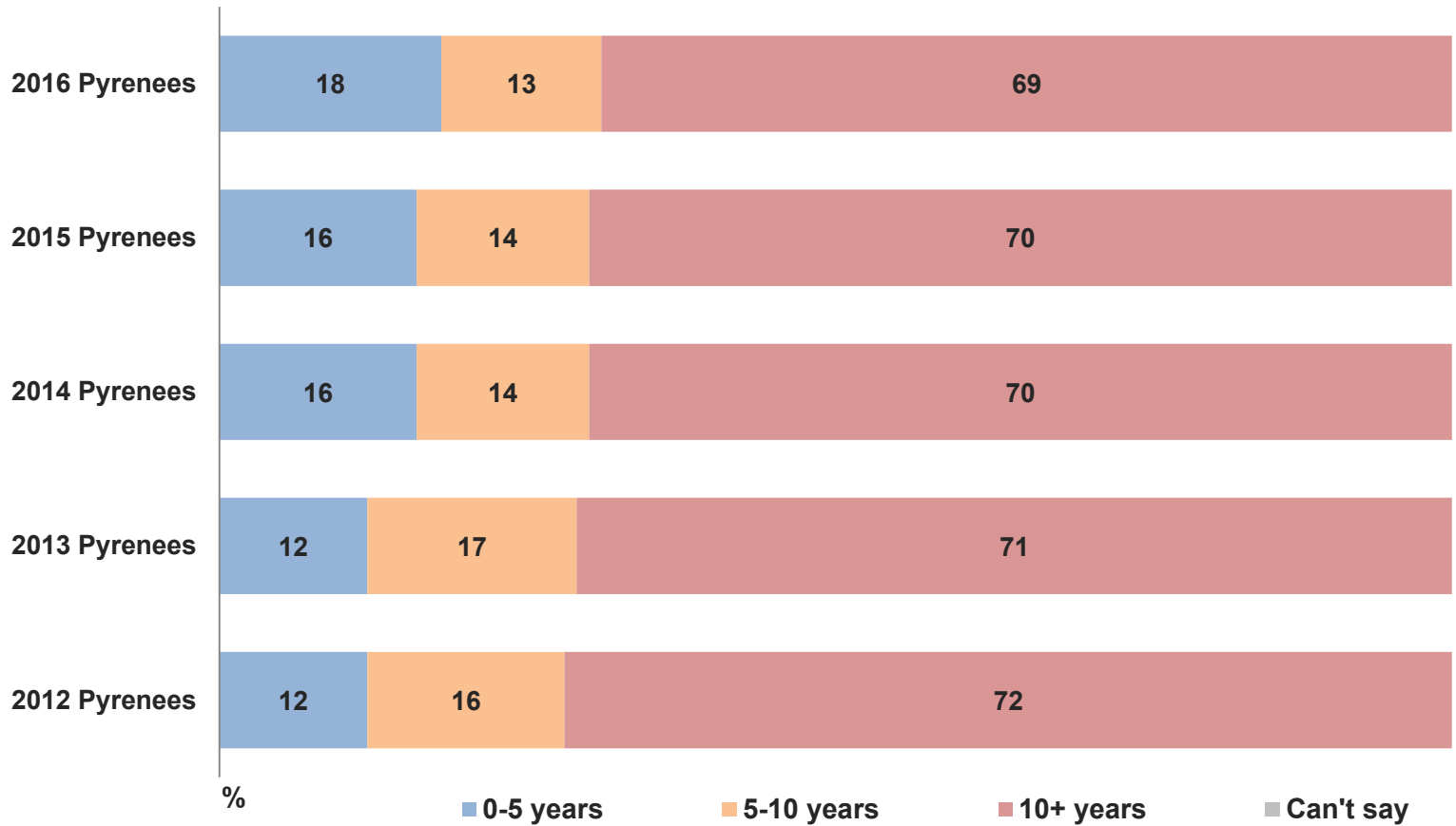
2016 Household Structure



S6. Which of the following BEST describes your household?
 Base: All respondents. Councils asked state-wide: 12 Councils asked group: 2

2016 YEARS LIVED IN AREA

2016 Years Lived in Area

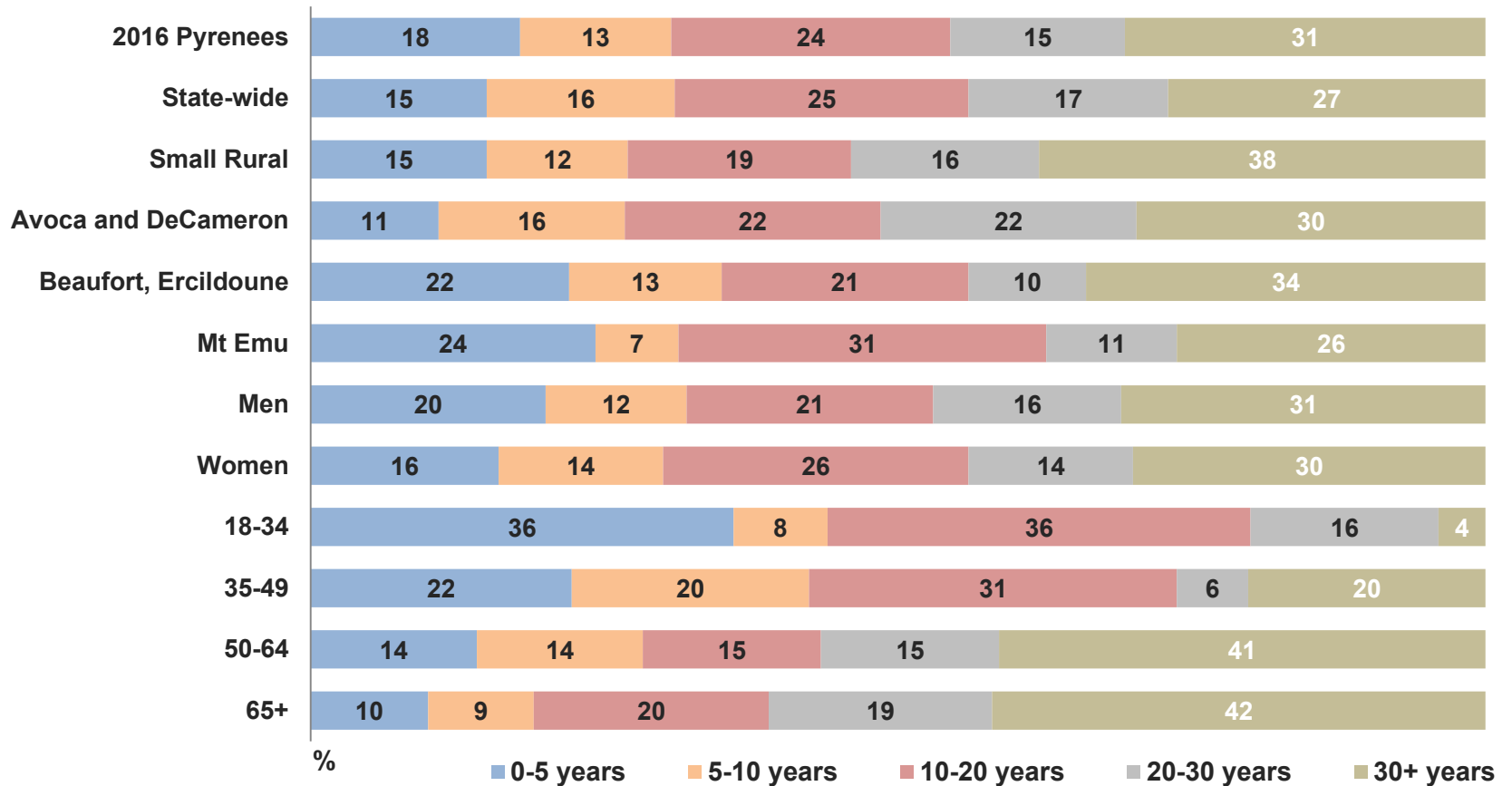


S5. How long have you lived in this area?/How long have you owned a property in this area?
 Base: All respondents. Councils asked state-wide: 18 Councils asked group: 3



2016 YEARS LIVED IN AREA

2016 Years Lived in Area



S5. How long have you lived in this area?/How long have you owned a property in this area?

Base: All respondents. Councils asked state-wide: 18 Councils asked group: 3

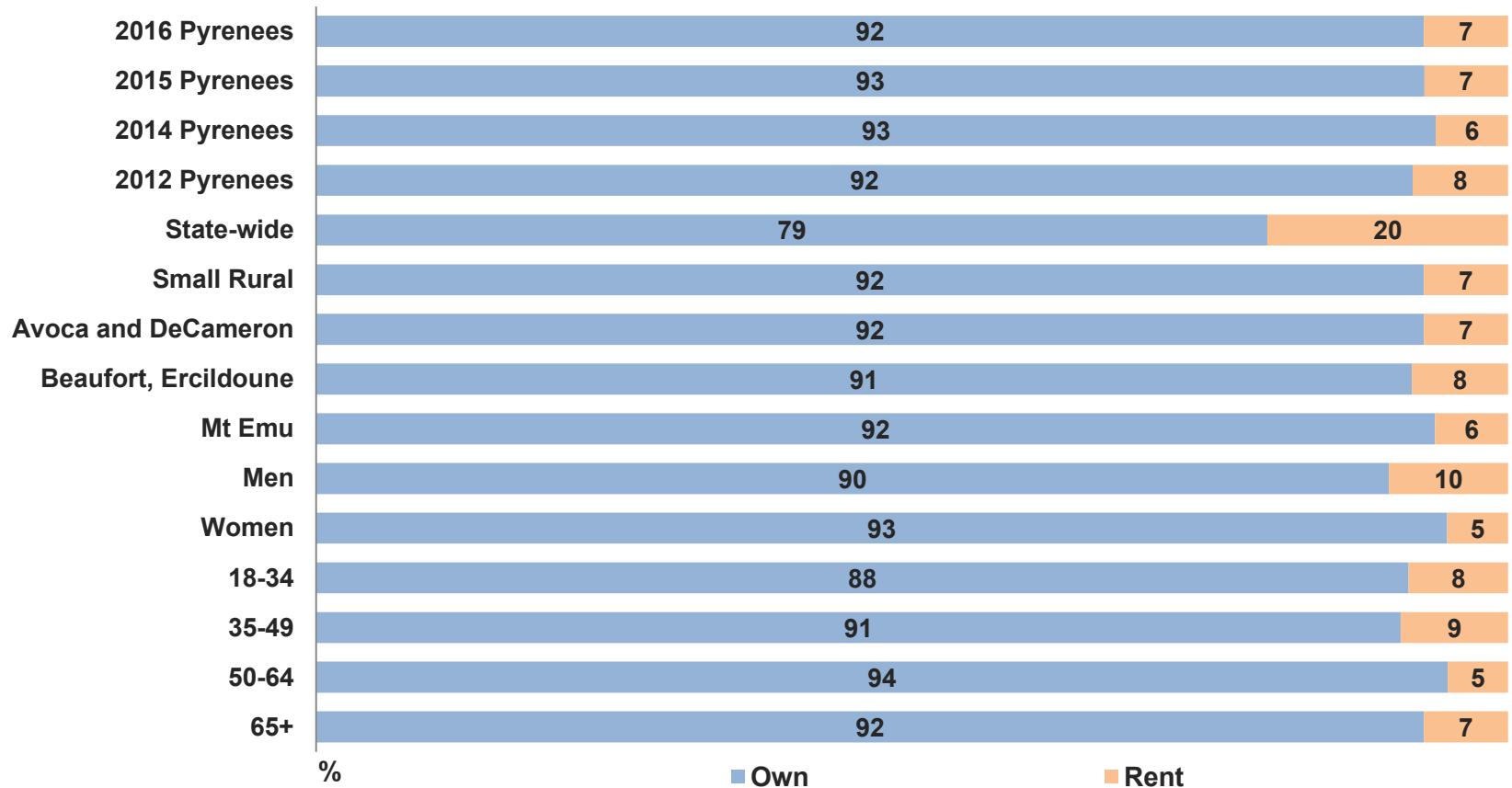
Note: For 2016, the code frame expanded out “10+ years”, to include “10-20 years”, “20-30 years” and “30+ years”.

As such, this chart presents this year’s data only.



2016 HOME OWNERSHIP

2016 Own or Rent



Q9. Thinking of the property you live in, do you or other members of your household own this property, or is it a rental property?

Base: All respondents. Councils asked state-wide: 4 Councils asked group: 1





**APPENDIX A:
DETAILED SURVEY TABULATIONS**

AVAILABLE IN SUPPLIED EXCEL FILE

A satellite night view of the United States, showing the continental United States and Alaska. The landmasses are illuminated by city lights, creating a glowing network of points and lines against the dark background of the oceans. The text is overlaid on the left side of the image.

**APPENDIX B:
FURTHER PROJECT INFORMATION**

APPENDIX B: BACKGROUND AND OBJECTIVES

The survey was revised in 2012. As a result:

- The survey is now conducted as a representative random probability survey of residents aged 18 years or over in local councils, whereas previously it was conducted as a ‘head of household’ survey.
- As part of the change to a representative resident survey, results are now weighted post survey to the known population distribution of Pyrenees Shire Council according to the most recently available Australian Bureau of Statistics population estimates, whereas the results were previously not weighted.
- The service responsibility area performance measures have changed significantly and the rating scale used to assess performance has also changed.

As such, the results of the 2012 State-wide Local Government Community Satisfaction Survey should be considered as a benchmark. Please note that comparisons should not be made with the State-wide Local Government Community Satisfaction Survey results from 2011 and prior due to the methodological and sampling changes. **Comparisons in the period 2012-2016 have been made throughout this report as appropriate.**

APPENDIX B:

MARGINS OF ERROR

The sample size for the 2016 State-wide Local Government Community Satisfaction Survey for Pyrenees Shire Council was n=402. Unless otherwise noted, this is the total sample base for all reported charts and tables.

The maximum margin of error on a sample of approximately n=402 interviews is +/-4.7% at the 95% confidence level for results around 50%. Margins of error will be larger for any sub-samples. As an example, a result of 50% can be read confidently as falling midway in the range 45.3% - 54.7%.

Maximum margins of error are listed in the table below, based on a population of 6,000 people aged 18 years or over for Pyrenees Shire Council, according to ABS estimates.

Demographic	Actual survey sample size	Weighted base	Maximum margin of error at 95% confidence interval
Pyrenees Shire Council	402	400	+/-4.7
Men	167	196	+/-7.5
Women	235	204	+/-6.3
Avoca and DeCameron	162	154	+/-7.6
Beaufort, Ercildoune	147	151	+/-8.0
Mt Emu	93	96	+/-10.1
18-34 years	25	65	+/-20.0
35-49 years	71	86	+/-11.6
50-64 years	147	121	+/-8.0
65+ years	159	127	+/-7.7

APPENDIX B:

ANALYSIS AND REPORTING

All participating councils are listed in the state-wide report published on the DELWP website. In 2016, 69 of the 79 Councils throughout Victoria participated in this survey. For consistency of analysis and reporting across all projects, Local Government Victoria has aligned its presentation of data to use standard council groupings. Accordingly, the council reports for the community satisfaction survey provide analysis using these standard council groupings. Please note that councils participating across 2012-2016 vary slightly.

Council Groups

Pyrenees Shire Council is classified as a Small Rural council according to the following classification list:

- Metropolitan, Interface, Regional Centres, Large Rural & Small Rural

Councils participating in the Small Rural group are: Alpine, Ararat, Benalla, Buloke, Central Goldfields, Gannawarra, Hepburn, Hindmarsh, Indigo, Loddon, Mansfield, Murrindindi, Pyrenees, Queenscliffe, Towong, West Wimmera and Yarriambiack.

Wherever appropriate, results for Pyrenees Shire Council for this 2016 State-wide Local Government Community Satisfaction Survey have been compared against other participating councils in the Small Rural group and on a state-wide basis. Please note that council groupings changed for 2015, and as such comparisons to council group results before that time can not be made within the reported charts.

APPENDIX B:

ANALYSIS AND REPORTING

Index Scores

Many questions ask respondents to rate council performance on a five-point scale, for example, from ‘very good’ to ‘very poor’, with ‘can’t say’ also a possible response category. To facilitate ease of reporting and comparison of results over time, starting from the 2012 benchmark survey and measured against the state-wide result and the council group, an ‘Index Score’ has been calculated for such measures.

The Index Score is calculated and represented as a score out of 100 (on a 0 to 100 scale), with ‘can’t say’ responses excluded from the analysis. The ‘% RESULT’ for each scale category is multiplied by the ‘INDEX FACTOR’. This produces an ‘INDEX VALUE’ for each category, which are then summed to produce the ‘INDEX SCORE’, equating to ‘60’ in the following example.

SCALE CATEGORIES	% RESULT	INDEX FACTOR	INDEX VALUE
Very good	9%	100	9
Good	40%	75	30
Average	37%	50	19
Poor	9%	25	2
Very poor	4%	0	0
Can’t say	1%	--	INDEX SCORE 60

APPENDIX B: ANALYSIS AND REPORTING

Similarly, an Index Score has been calculated for the Core question ‘Performance direction in the last 12 months’, based on the following scale for each performance measure category, with ‘Can’t say’ responses excluded from the calculation.

SCALE CATEGORIES	% RESULT	INDEX FACTOR	INDEX VALUE
Improved	36%	100	36
Stayed the same	40%	50	20
Deteriorated	23%	0	0
Can't say	1%	--	INDEX SCORE 56

APPENDIX B:

INDEX SCORE SIGNIFICANT DIFFERENCE CALCULATION

The test applied to the Indexes was an Independent Mean Test, as follows:

$$Z \text{ Score} = (\$1 - \$2) / \text{Sqrt} ((\$3^2 / \$5) + (\$4^2 / \$6))$$

Where:

- \$1 = Index Score 1
- \$2 = Index Score 2
- \$3 = unweighted sample count 1
- \$4 = unweighted sample count 2
- \$5 = standard deviation 1
- \$6 = standard deviation 2

All figures can be sourced from the detailed cross tabulations.

The test was applied at the 95% confidence interval, so if the Z Score was greater than +/- 1.954 the scores are significantly different.

APPENDIX B:

ANALYSIS AND REPORTING

Core, Optional and Tailored Questions

Over and above necessary geographic and demographic questions required to ensure sample representativeness, a base set of questions for the 2016 State-wide Local Government Community Satisfaction Survey was designated as 'Core' and therefore compulsory inclusions for all participating Councils.

These core questions comprised:

- Overall performance last 12 months (Overall performance)
- Lobbying on behalf of community (Advocacy)
- Community consultation and engagement (Consultation)
- Decisions made in the interest of the community (Making community decisions)
- Condition of sealed local roads (Sealed local roads)
- Contact in last 12 months (Contact)
- Rating of contact (Customer service)
- Overall council direction last 12 months (Council direction)

Reporting of results for these core questions can always be compared against other participating councils in the council group and against all participating councils state-wide. Alternatively, some questions in the 2016 State-wide Local Government Community Satisfaction Survey were optional. Councils also had the ability to ask tailored questions specific only to their council.

APPENDIX B: ANALYSIS AND REPORTING

Reporting

Every council that participated in the 2016 State-wide Local Government Community Satisfaction Survey receives a customised report. In addition, the state government is supplied with a state-wide summary report of the aggregate results of 'Core' and 'Optional' questions asked across all council areas surveyed.

Tailored questions commissioned by individual councils are reported only to the commissioning council and not otherwise shared unless by express written approval of the commissioning council.

The overall State-wide Local Government Community Satisfaction Report is available at <http://www.delwp.vic.gov.au/local-government/strengthening-councils/council-community-satisfaction-survey>.

APPENDIX B:

GLOSSARY OF TERMS

Core questions: Compulsory inclusion questions for all councils participating in the CSS.

CSS: 2016 Victorian Local Government Community Satisfaction Survey.

Council group: One of five classified groups, comprising: metropolitan, interface, regional centres, large rural and small rural.

Council group average: The average result for all participating councils in the council group.

Highest / lowest: The result described is the highest or lowest result across a particular demographic sub-group e.g. men, for the specific question being reported. Reference to the result for a demographic sub-group being the highest or lowest does not imply that it is significantly higher or lower, unless this is specifically mentioned.

Index score: A score calculated and represented as a score out of 100 (on a 0 to 100 scale). This score is sometimes reported as a figure in brackets next to the category being described, e.g. men 50+ (60).

Optional questions: Questions which councils had an option to include or not.

Percentages: Also referred to as ‘detailed results’, meaning the proportion of responses, expressed as a percentage.

Sample: The number of completed interviews, e.g. for a council or within a demographic sub-group.

Significantly higher / lower: The result described is significantly higher or lower than the comparison result based on a statistical significance test at the 95% confidence limit. If the result referenced is statistically higher or lower then this will be specifically mentioned, however not all significantly higher or lower results are referenced in summary reporting.

State-wide average: The average result for all participating councils in the State.

Tailored questions: Individual questions tailored by and only reported to the commissioning council.

Weighting: Weighting factors are applied to the sample for each council based on available age and gender proportions from ABS census information to ensure reported results are proportionate to the actual population of the council, rather than the achieved survey sample.

PYRENEES
— S H I R E —



Pyrenees Shire Council

Gravel Roads Strategy

(Adopted by Council 21st February 2017)

Pyrenees Shire Council
5 Lawrence St, Beaufort, Victoria
(03) 5349 1100
pyrenees@pyrenees.vic.gov.au
www.pyrenees.vic.gov.au

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Purpose

The purpose of this strategy is to provide a strategic direction on how to deliver gravel road maintenance and renewal that goes towards meeting community expectations. This strategy is to cover a 4 year period from 2016/17 to 2019/2020 financial years.

Introduction

In September 2016 Council undertook wide ranging consultation with ratepayers in the Pyrenees Shire. The consultation included multiple community meetings, online surveys and direct mail.

The consultation found the following:

- There is a high level of dissatisfaction (77%) with the current level of gravel road maintenance in the Pyrenees Shire.
- Two thirds of respondents did not agree with the current approach that Council has whereby it grades higher use roads more frequently and lower use roads less frequently.
- Many respondents have stated that all roads should be graded at least once per year, some have advocated for gravel roads to become sealed roads.
- Four out of five respondents believe Council is not spending enough money on maintaining and renewing gravel roads.
- 59% of respondents believe that Council should grade roads all year round (including during drier months) in order to improve response times to customer requests.
- 74% of respondents are not willing to pay more in rates to help cover the additional costs.
- That the existing classification of some gravel roads does not reflect the use.
- There were concerns expressed regarding the limited amount of drainage and vegetation maintenance works.

Background

Council's road network consists of sealed and gravel roads as well as drainage infrastructure and roadside vegetation as can be seen on the following table.

Asset	Length/Quantity
Sealed Road - Seal	723 km
Unsealed Roads	1,292 km
Fire Tracks	61 km
Formed Only Roads	21 km
Bridges	159
Major Culverts	136
Minor Culverts	4000+
Roadside Vegetation	4100 km

Council's current financial commitments relating to gravel road infrastructure are listed below:

Asset Task	Maintenance/Capital	Current \$	Quantity	Rate
Road Grade	Maintenance	\$880,000	1,300km	\$670/km
Roadside Drainage	Maintenance	\$168,000		
Roadside Management including tree and vegetation management	Maintenance	\$395,000		
Gravel Resheet	Capital	\$600,000	26km	\$23,000/km

Road Categorisation

Council prioritises its roads based on their purpose which also reflects traffic volumes. This categorisation is referred to as Council's road hierarchy. Within the road hierarchy, gravel roads fall within the following four categories:

- Gravel Collector Roads
- Gravel Local Access 1 Roads
- Gravel Local Access 2 Roads
- Fire Access Tracks and formed only roads

The below table outlines the roads classifications and current maintenance levels:

Class	Gravel KM	Current Maintenance Level	Typical Resheet Frequency
Link	0km	All link roads within Pyrenees Shire are sealed	
Collector	365km	2 grades / year	10-15 years
Local Access 1	373km	1 grade / year	20-25 years
Local Access 2	493km	Less than annually (approx. 1 grade/3 years)	50+ years
Fire Access	61km	Rarely graded	Nil

Some of the features of each gravel road class are listed below:

Gravel Collector Roads

- Carry moderate volumes of traffic.
- Provide access by connecting local areas to link and arterial roads.
- Provide connections between the various collector roads.

Gravel Local Access 1 Roads

- Provide access to properties.
- Cater for relatively short distance travel to higher level roads.
- Typically serve 3 or more dwellings.

Gravel Local Access 2 Roads

- Provide access to private properties.
- Have less traffic than Local Access 1 gravel roads.
- Typically serve three dwellings or fewer.
- Cater for relatively short distance travel to higher level roads.

Fire Access Tracks

- Typically dry weather access only.
- Only maintained by Council where Council has agreed to do so as a community emergency service.

Current Maintenance and Renewal Practices

Grading

Pyrenees Shire Council has utilised natural moisture conditions to undertake grading operations. This means that a water truck is not required to be part of the grading maintenance team, therefore creating a more efficient grading methodology. This methodology is dependent upon regular rainfall at certain periods of the year. If the conditions are too dry, grading creates dust and undue wear on grading equipment. Very dry conditions result in the inability to grade a gravel road. Too much moisture in the pavement can result the inability to create a reasonable road formation.

Typically the grading program in Pyrenees Shire runs for approximately six months from autumn through to spring. There are often periods during this time when grading cannot be undertaken due to very wet conditions.

Resources

Council currently has four grading crews which comprise of a grader and a roller. Two crews are based in Beaufort and two crews are based in Avoca. With all crews operating, Council can grade approximately 20 kilometres of road in a day. However, roadside vegetation, drainage and topography can limit the amount of progress.

When the grading crews are not undertaking maintenance works they are utilised in gravel road renewal programs (road resheeting) and road construction, typically during dryer months.

Drainage

Current drainage maintenance practice is to undertake table drain maintenance as part of the programed grading program. This however only tackles one side of the table drains and often results in an excess of soil and gravel material being windrowed on the inside of the table drain. Full reinstatement of table drains and removal of windrows usually only occurs as part of the capital gravel resheeting program. This currently equates to an average of 26 kilometres per year. At this rate any section of gravel road requiring drainage rehabilitation would occur once every 50 years. As this strategy proposes an increase in the kilometres of resheeting will go some way to increasing the frequency of drainage rehabilitation works. However, additional funds would be beneficial to undertake additional drainage rehabilitation not associated with the resheeting program. Current maintenance level is constrained by limited budgets.

Vegetation

Roadside vegetation management is also currently linked to the gravel resheeting program. However, some of the funds are spent on a needs basis where roadside vegetation is creating issues separate to the pavement issues. The current roadside vegetation management program includes slashing and spraying of grasses and saplings. Part of the program also includes tree trimming. Roadside vegetation works are currently prioritised in accordance with the road hierarchy and where the greatest need is assessed.

The largest issue that is encountered is the response to tree saplings being responded to in a timely manner. Current funding limits our ability to respond to vegetation needs and does not enable all roads to have saplings removed prior to them growing into trees.

Financial Considerations and Strategic Response

The table below details gravel road maintenance tasks and how much council currently budgets for each task. It also provides information about the current capability and cost based on the yearly budget. In order to respond to community expectation and the Moloney Asset Management System, this strategy proposes an aspirational increase of expenditure on gravel road resheeting utilising high quality material.

Task	Current Length/year	Average Cost/km	Current Budget (annual)	Proposed	Additional Funding Required (annually)
Grading	1300km	\$670	\$888,000	1596km	\$198,320
Resheeting	26km	\$23,000	\$600,000	29km @ \$27,250/km	\$190,250
Rural Drainage			\$168,000	Double	\$168,000
Roadside Slashing & Tree Maintenance			\$395,000	50%	\$200,000

Grading

If current **grading maintenance** levels were retained on collector and local access 1 roads and a service level increase to an annual grade was provided to local access 2 roads, there would need to be an additional 296km of grading per year. This equates to a shortfall in the current budget of approximately \$200,000 per year. It is suggested that Council look to extend its expenditure on road graders by this amount to enable additional grading to occur.

It is also proposed that ongoing training be provided to operators to ensure grading techniques used have regard to industry standards, recognising the range of constraints and demands on the network.

Resheeting

Moloney's Asset Management December 2015 report had a predicted renewal demand for gravel roads over the next four years of \$675,000 (average demand over 4 years). This creates a current shortfall in renewal of \$75,000 for the 2016/17 year based on current levels of service. However, this needs to be compared with the Long Term Financial Plan capital allowance and needs to factor projected inflation over the period.

The community have also clearly requested that a **better quality material** should be used more widely across the shire. A better quality material has the benefit of providing a longer lasting quality road surface allowing for improved vehicle ride, better binding qualities, longevity and a reduction in maintenance demand.

Council has been trialling the use of specifically created gravel mixes to respond to previously used poor materials to construct gravel pavements. The quarries where a better quality material is being sourced include Skipton quarry, Carisbrook quarry and Lamplough quarry. These trials have resulted in a better quality material that has properties to create resilient infrastructure. This has been most notable in storm and flood affected areas where the higher quality material has been retained and the poorer quality material has washed away. However, the cost to cart this material is increased

compared to locally sourced poorer quality natural gravels. **In order to deliver a higher quality material to a broader area, the average cost per kilometre of gravel resheet will increase by approximately \$4,250/km to \$27,250/km.**

Moloney's 2015 asset report requires an **increase of 3km to a total 29km of gravel resheeting per year** to meet the renewal demand based on the average life of unsealed road pavements. Unsealed road pavements have an expected life of 42.9 years on average in Pyrenees Shire.

The above factors relating to gravel road resheeting are detailed in the table below:

Year	LTFP Resheet Budget	Average Renewal Demand Indexed for inflation (2.5%) at Current Level of Service	Projected Budget Required to meet community expectations Indexed for Inflation (2.5%)	Shortfall required to meet community expectations compared to LTFP
2016/17	\$600,000	\$675,000	\$790,250	\$190,250
2017/18	\$680,000	\$691,875	\$810,006	\$130,006
2018/19	\$800,000	\$709,172	\$830,256	\$30,256
2019/20	\$797,000	\$726,901	\$851,013	\$54,013
Average annual shortfall in funding for resheeting				\$101,131

All of these factors combined require an increase in resheeting funding of \$190,250 in the first year. This is reduced to an average funding shortfall of \$101,131/year for the 4 year period when compared to LTFP budget allowances.

Sealing Gravel Roads

A number of respondents suggested that Council should consider sealing of some gravel roads in order to assist with gravel road maintenance. Council has been undertaking a methodology of utilising a sealing treatment method known as GATT seals to improve the amenity by sealing high traffic gravel roads in urban areas to reduce dust and reduce pavement maintenance. Although the use of GATT seals has been limited this would be an appropriate program to expand.

Restricting Access to Some Roads

Council has power to restrict access to roads for example to vehicles over 20 tonne. This practice is used by Council on some roads to protect pavements and to reduce maintenance on roads where alternative access is available for heavy vehicles, and to prevent lower classification roads as being used for 'short cuts'. While enforceability of these restrictions is generally outside Council's resources and powers, the practice is considered a useful tool and some expansion of the use of load restriction on gravel roads has merit.

Funding Options

There is a limited range of funding options available to Council to meet the identified needs for improved gravel road maintenance. These include:

Funding option	Community Impact	Extent to which option is sustainable	Ability for Council to implement / achieve
Redistribution of Council expenditure from other service areas	High negative impact	Low	Somewhat difficult
Application for a higher rate cap	Medium negative impact	Low	Achievable
Borrowings	High negative impact	Low	Achievable
Higher level of State and Federal funding (untied)	High positive impact	High	Very difficult
Special charge schemes to levy beneficiaries of specific projects	Medium negative impact	Medium	Somewhat difficult

In the absence of additional State and Federal funding the most achievable funding option for Council, which has the least impact on the community, is a higher rate cap within the community's capacity to pay.

Having regard for the above, it is suggested that Council apply for a higher rate cap rate rise to address the renewal demand shortfall in gravel road re-sheets.

Recommendations

The following recommendations are put forward for Council consideration:

1. a) That Council pursue an application for a higher rate cap for four years to fund the shortfall in gravel road renewal (resheeting).

b) That Council allocate an additional \$101,131 per year for gravel road resheeting for the next four years to allow for an additional 3km's per year of resheeting utilising resilient pavement material.
2. That Council commit to using quality gravel road pavement materials that have properties that will reduce the maintenance demand and create resilience to natural disasters.
3. That Council continue to budget for the use of GATT seals as a response to amenity and maintenance issues related to gravel roads in urban areas.
4. That Council seeks funding for an additional \$198,320 to undertake an additional 296km of road grading per year to grade collector roads twice yearly and all local access roads yearly.
5. That Council seeks \$168,000 of funding to double the current maintenance output for roadside drainage annually.
6. That Council seeks \$200,000 of funding to increase by 50% of the current maintenance output for vegetation control to address roadside vegetation issues.
7. That Council commit to reviewing the gravel road hierarchy as part of Council's road management plan review to reflect how community use the road network and to reflect the changing status of road importance.
8. That Council continue to use its power to restrict access to heavy vehicles on certain roads where alternative access is available so as to protect roads from damage and;
9. That Council continue to provide training to grader operators to ensure grading techniques continue to have regard to industry practices, recognising the range of constraints and demands on the networks.