

MOUNT ALEXANDER SHIRE COUNCIL

BUDGET 2017/2018



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Mayor's introduction

The Councillors and I are pleased to release the adopted Budget 2017/2018 to the community following receiving comments and public submissions. This budget is the first of our newly elected Councillors and also the first year of our new Council Plan 2017-2021. Councils newly announced vision is:

Mount Alexander:

Innovative, Creative, Connected.

Councils vision focuses of the following three pillars:

Our People

Our Place

Our Economy

The Council Plan 2017-2021 sets out our vision for the full term of the Council. As this is the first year of the current council term, the focus will be on completion of a number of prior commitments and planning for the future.

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

As Councillors, it is our role to listen to community sentiment and understand your priorities. Since the election in late 2016 and during our Council Plan community consultation, we have consistently heard that council's services are extremely valued by the community, but that council also needs to be financially responsible. In response, Council continues its organisation-wide review of all services delivered to ensure they meet community needs and are delivered as efficiently and effectively as possible. Council will continue to focus on identifying sustainable cost savings that will enable it to deliver high quality, responsive and accessible services to the community while increasing our advocacy efforts to ensure we receive our fair share of government funding.

The proposed budget proposes a rate increase of 2.0%. This is in line with the new Fair Go Rates System (FGRS) which has capped rate increases by Victorian councils to 2.0%. Council has not applied to the Essential Services Commission for a rate cap variation. Instead, council's operations and special projects has been reprioritised to enable a reduction in the rate increase from the previously planned 2.8% to the 2.0% increase proposed in this budget.

The increase of 2.5%-3.6% for waste charges reflects the rising costs of waste management and the cost of rehabilitating current cells in the landfill, while acknowledging the cost to individual ratepayers. Cell rehabilitation works at the Castlemaine Landfill will continue in 2017/2018 and council will develop a business model for the design and construction of a transfer station (\$50,000).

In this budget we have allocated funding of \$12.68 million (including carry-forward projects) for the capital works program. Highlights of the capital program include:

- * Stages 1 and 2 at the Wesley Hill Recreation Reserve (\$3.15 million, with \$1.9 million government grant funding)
- * Roads (\$2.80 million) – including pavement rehabilitation of sections of Golden Point Road, Forest Street and Bowden Street, and Mclvor Road (Roads to Recovery projects), the annual gravel road resheeting and local road resealing programs
- * Bridges (\$1.17 million) - bridge renewal program comprising construction of bridges on Bubbs Lane and Old Drummond Road, as well as investigation and designs for bridge works across the shire
- * Footpaths (\$881,000) - Construction and rehabilitation of new footpaths (\$340,000), school and kindergarten safety works (\$211,000), as well as rehabilitation and resilience works to walking and cycling trails (\$330,000).

Council's focus for the next year is to continue to deliver on the projects and services that make our shire innovative, creative and connected. The proposed budget includes a number of new and continuing initiatives including:

- * Implementation of an Urban Waterways Management Plan for maintenance and improvement activities along urban waterways within Castlemaine, Campbells Creek and Chewton (\$50,000)
- * Investing in a modern, integrated software platform that will allow council to more efficiently deliver all core functions and take advantage of new technologies to deliver improved services (\$717,000)
- * Continue the framework for the growth of Harcourt
- * Support projects that acknowledge, enhance and protect our local indigenous culture, both past and present (\$15,000)
- * Fund a position for Heritage and Urban Design
- * Increase maintenance allowances for our Footpaths and Trails (\$80,000)
- * Develop a Conservation Management Plan for the Castlemaine Botanical Gardens (\$25,000).

The second year of operations under the Fair Go Rates System coincides with changes to our rating strategy which was adopted in 2016. This means that while council proposes a rate increase that is in line with the 2.0% rate increase, the actual rate increase for each ratepayer varies as council reduces the municipal charge from \$188 to \$96 and increases the discount provided to property owners that apply for and are granted the land management rate (the discount increases from 10% to 20%). Council receives no additional revenue as a result of the changes to the rating strategy, the result is simply a redistribution of rates payable between all properties.

The proposed budget was updated after receiving public submissions and making amendments including increasing funding available to create a street tree program from \$20,000 to \$40,000. Also, during the submission period Council received advice that half of the 2017/2018 Federal Government Financial Assistance Grants (\$2.3 million) would be paid early, in June 2016. As such the forecast and budgets have been updated to reflect known changes.

The budget was developed through a rigorous process of consultation and review and council endorses it as financially responsible. I encourage you to read the remainder of this document, in conjunction with our Council Plan 2017-2021.

Cr Sharon Telford
Mayor

Executive Summary

Council has prepared a Budget for 2017/2018 which is aligned to the vision in the Council Plan 2017/2021. It seeks to maintain and improve services and infrastructure as well as deliver projects and services that are valued by our community, and to do this within the rate increase of 2% mandated by the State Government.

This Budget projects a surplus of \$1.74 million for 2017/2018, however it should be noted that the adjusted underlying result is a deficit of \$516,000 after adjusting for capital grants, contributions and timing of Financial Assistance Grants (refer Sections 5 and 10.1). This budget has a net cash reduction of \$5.50 million that reflects the additional capital works funded by reserve balances and borrowings in prior financial years.

1. Key initiatives and projects

The cost of ongoing delivery of services to the Mount Alexander Shire community is budgeted at \$31.75 million - these services are summarised in Section 2. Council continues to invest in infrastructure assets (\$12.68 million) primarily for renewal works. This includes roads (\$2.8 million); buildings (\$3.80 million) and bridges (\$1.17 million). The Statement of Capital Works can be found in Section 3 and further details on the capital works budget can be found in Sections 6 and 12.

Our people

Major initiatives to deliver on this objective include continued delivery of quality and innovative aged and disability services, and support for the Emergency Management Coordinator (\$120,000 grant funded).

Other initiatives include investigating council's role in facilitating affordable housing (\$15,000) and supporting projects that acknowledge, enhance and protect our local indigenous culture (\$15,000).

Our place

Major initiatives to deliver on this objective include further works at the Wesley Hill Recreation Reserve (\$3.15 million), conservation works at the Castlemaine Market Building (\$275,000), rehabilitation and construction of footpaths (\$551,000), as well as ongoing renewal works for bridges (\$1.17 million) and roads (\$2.8 million).

Other initiatives include the completion of streetscape planning and design (\$100,000) and development of a Conservation Management Plan for the Castlemaine Botanical Gardens (\$24,750).

Our economy

Initiatives to deliver on this objective include continuing the framework for the growth of Harcourt and continuing the investment in a modern, integrated software platform to allow council to more efficiently deliver all core functions.

2. The Rate Rise

- a. The average rate will rise by 2.0% in line with the order by the Minister for Local Government on 19 December 2016 under the Fair Go Rates System.
- b. Key drivers
 - i. To fund ongoing service delivery – business as usual (balanced with greater service demands from residents)
 - ii. To fund renewal of infrastructure and community assets
 - iii. To cope with growth in the population of Victorian residents
 - iv. To cope with cost shifting from the State Government
 - v. To cope with a reduction in funding from the Commonwealth Government, via the Victoria Grants Commission, caused by their freezing of indexation of the grant in prior years
- c. This is not 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 3.1% per property.
- e. Note that for every \$100 in taxes paid by Victorian residents, rates make up approximately \$3.50. The other \$96.50 goes to the State and Federal Governments.

3. Key Statistics

Total revenue - \$33.50 million (\$36.41 million 2016/2017)

Total expenditure - \$31.75 million (\$32.67 million 2016/2017)

Accounting result - \$1.74 million surplus (\$3.74 surplus 2016/2017)

Underlying operating result - \$3.00 million surplus (\$5.19 million surplus 2016/2017)

Cash result - \$5.50 million deficit (\$4.00 million surplus 2016/2017)

Capital Works Program - \$12.68 million (\$9.08 million 2016/2017)

4. Budget Influences

External Influences

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

- The Victorian State Government has introduced a cap on rate increases from 2016/2017. The cap for 2017/2018 has been set at 2.0% (2016/2017 - 2.5%)
- CPI for Victoria is forecast to be 2.0% for the 2017/2018 year (Victorian Department of Treasury & Finance, 2016-2017 Budget Update)
- The Victorian Wage Price Index is projected to be 2.5% in 2017/2018 (Victorian Department of Treasury & Finance, 2016-2017 Budget Update)
- Anticipated increases of 2.0% (or \$1.24 per tonne) in the levy payable to the State Government upon disposal of waste into landfill. The levy has increased from \$9 per tonne in 2008/2009 to a forecast \$63.27 per tonne in 2017/2018 (703% increase in 9 years)
- On going cost shifting. This occurs where local government provides a service to the community on behalf of the State and Federal Government. Over time the funds received by local governments do not increase in line with real cost increases.

Internal Influences

As well as external influences, there are also a number of internal influences which are expected to have a significant impact on the preparation of the 2017/2018 Budget. These matters have arisen from events occurring in the 2016/2017 year resulting in variances between the forecast actual and budgeted results for that year and matters expected to arise in the 2017/2018 year. These matters and their financial impact are set out below:

- * It is a requirement that all rateable properties within a municipality be revalued every two years. 2017/2018 will be a revaluation year with estimated costs of \$80,000
- * Council holds elections for Councillors every four years, the last election was held in October 2016 with a net cost to Council of \$130,000 in 2016/2017
- * Council continues to identify savings in electricity usage through the installation of solar panels on Council owned buildings
- * Council continues to review its services and identify savings through efficient management of resources.

5. Advocacy and support (State and Federal Government)

Council will continue to advocate for improved services for the community supported by the State and Federal Governments. Specifically Council will be seeking:

- * Grant funding for the construction of the Castlemaine Indoor Aquatic Centre.
- * State Government investment to address the gaps in family violence prevention identified by the Victorian Community Safety Leadership Group.
- * State Government investment to address the identified priority community infrastructure gaps in the shire (roads and bridges).
- * Increased investment in public housing and investment in affordable housing projects in the shire.

6. Cost shifting

Council provides a number of services on behalf of the State Government for which inadequate funding is received resulting in contribution by ratepayers to these services. Cost shifting occurs when Commonwealth and State programs transfer responsibilities to local government with insufficient funding or grants which don't keep pace with delivery costs.

Type 1: Cost shifting for specific services

- * Home and Community Care (HACC)
- * Library services
- * State Emergency Service
- * Collection of the Fire Services Property levy
- * Collection of EPA Waste Management levy
- * Management of waterways
- * Maternal and Child Health
- * Administration of the state wide temporary Food registration system 'Stretrader'

Type 2: Loss of funding in general

- * A freeze on indexation of the federal financial assistance grants. The Commonwealth announced in its 2014/2015 Budget that it has paused indexation of the total national pool of financial assistance grants to local government for three years (2014/2015, 2015/2016, 2016/2017).

Type 3: Levies

- * State Government landfill levy - The levy has increased from \$9 per tonne in 2008/2009 to \$63.27 per tonne in 2017/2018. The increase from 2016/2017 to 2017/2018 is approximately 8%.
- * Animal registration levy.

Type 4 Statutory requirements lead to increased costs

- * Line clearance (cutting back tree branches around power lines).
- * New national policy of 15 hours kindergarten for four-year olds.
- * EPA requirements for the capping of closed landfills.

Budget Reports

The following reports include all statutory disclosures of information and are supported by the analysis contained in sections 8 to 15 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 Links to Council Plan
- 2 Services and service indicators
- 3 Financial statements
- 4 Financial performance indicators
- 5 Grants and borrowings
- 6 Detailed list of capital works
- 7 Rates and charges

1. Linkage to the Council Plan

This section describes how the Annual Budget links to the achievement of the Council Plan within an overall planning and reporting framework. This framework guides the council in identifying community needs and aspirations over the long term, medium term (Council Plan) 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 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

Vision

Mount Alexander:
Innovative, Creative, Connected.

Principles

Mount Alexander Shire Council will:

- * Listen to our communities, respect their views and respond openly and responsibly
- * Insist on integrity, equity, and fairness in delivering services and facilities
- * be progressive and innovative
- * advocate for our shire and collaborates with others for the benefit of our region.

1.3 Pillars

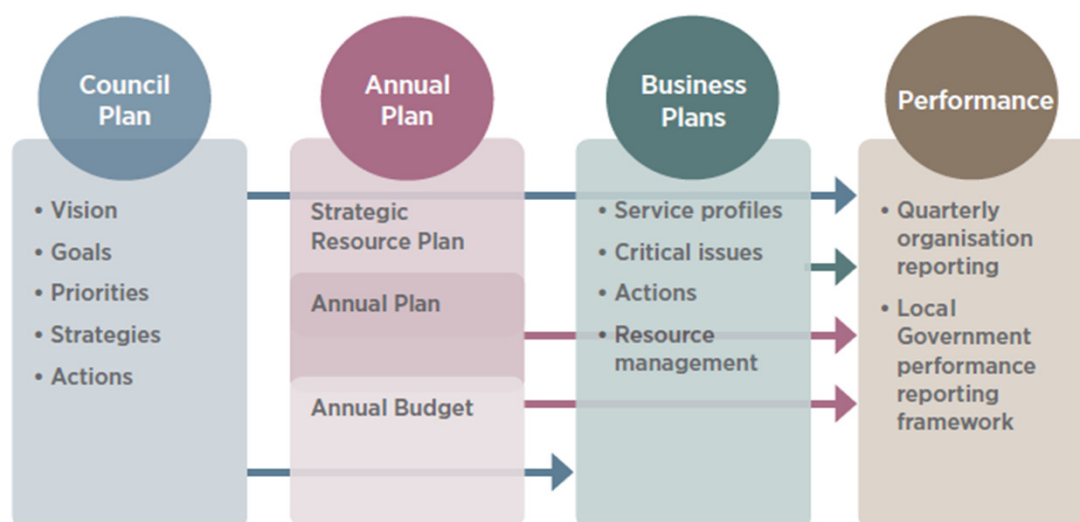
Council delivers activities and initiatives under major service categories. Each contributes to the achievement of one of the pillars as set out in the four year Council Plan 2017-2021. The three pillars as described in the Council Plan are:

Our people	<ul style="list-style-type: none">- socially connected, safe and inclusive communities- local services that support the needs of our community- improved health and wellbeing- a welcoming place for all
Our place	<ul style="list-style-type: none">- well managed assets for now and into the future- a clean and green community- well planned for growth
Our economy	<ul style="list-style-type: none">- a creative and innovative economy- great opportunities for education and technology- an innovative and sustainable organisation

2. Services, initiatives and service performance indicators

This section provides a description of the services and initiatives to be funded in the 2017/2018 Budget and how these services will contribute to achieving the strategic objectives specified in the Council Plan as set out in Section 1. It also includes a number of initiatives, major initiatives and service performance outcome indicators. The Strategic Resource Plan (SRP) is part of, and prepared in conjunction with, the Council Plan. The relationship between these components of the Budget and the Council Plan, along with the link to the reporting in the Annual Report, is shown below.

Service performance outcome indicators are detailed for some services to review Councils performance. Results are audited and updated annually on the "Know Your Council" website.



2.1 Our People

Population | Health | Wellbeing | Support | Resilience | Partnerships | Social services | Connections

2.1 Our People

Business Area	Description of services provided	Expenditure -Revenue Net Cost \$'000
Aged and Disability Services	Assesses and plans services for older people and people with disabilities to enable them to remain living independently. This includes home care services, personal care services, respite services, delivered meals, home safety and social support programs for isolated older people.	2,330 (2,042) 288
	Internal allocations	74
		362
Civic Compliance	Improves safety and amenity in the shire by supervising school crossings, control of domestic animals and livestock, regulating parking, issue of local law permits and infringement notices, and provides information and advice to the community.	677 (382) 295
Communication	Provides information to the community about our programs and services through media, advertising, newsletters and web. Assists and provides advice to staff on sharing information with the community.	319 - 319
Community Partnerships	Works with local residents, community organisations and service providers to build community capacity and strengthen our engagement with the community.	514 - 514
Corporate Support	Provides policy, systems and support in the areas of continuous improvement, corporate planning and performance reporting.	879 - 879

2.1 Our People (cont.)

Business Area	Description of services provided	Expenditure -Revenue Net Cost \$'000
Customer Service	Assists customers with general enquiries, shares information, registers community requests for service and processes payments.	346 - 346
Emergency Management	Develops and implements strategies to increase emergency management capability of the shire and community. Undertakes prevention measures to reduce risk from hazards.	272 (370) (98)
Environmental Health	Conducts inspections and maintains registrations for food and public health businesses, including registration and approval of temporary food permits, assessment of septic tank applications and investigates complaints.	318 (142) 176
Executive	Strategically manages the organisation in keeping with the requirements of good governance, legislation and strategic policy.	1,039 - 1,039
Library Operations	Provides accessible information and resources for the recreational, cultural, educational and social development of our community. The service is provided by Goldfields Library Corporation via the library located in Castlemaine.	567 - 567
Maternal and Child Health	Provides consultations, information, referrals, advice and support for children from birth to school age and their families.	265 (155) 110
Organisational Development	Provides strategic and operational organisation development support including human resource and industrial relations strategies, policies and procedures.	1,186 (6) 1,180
Records	Stores, retrieves and archives records and ensures legislative and privacy requirements are met.	332 - 332
Youth Development	Works in partnership with young people and the community, organisations and service providers to support and promote initiatives, activities and programs that strengthen young people's connections and place within the community.	127 (43) 84

Major initiatives

1) To support the community in preparing and responding to emergency events, Council will partner with communities, agencies and neighbouring municipalities to strengthen emergency and disaster planning, awareness and preparedness. An Emergency Management Coordinator has been funded by the State Government until 2020 (\$120,000 grant funded).

2) State and Federal governments will continue to part fund the Home and Community Care and Commonwealth Home Support Program to deliver quality and innovative programs in aged and disability services (\$362,000 Council funding).

Other initiatives

3) To investigate Council's role in facilitating affordable housing by exploring new ways in which local governments, and the communities they represent, can meet their housing aspirations (\$15,000).

4) To provide support to projects that acknowledge, enhance and protect our local indigenous culture, both past and present (\$15,000).

5) Council will contribute (\$12,320) to the Northern Victorian Cluster Emergency Management Project.

6) Review and adoption of the domestic animal management plan.

2.1 Our People (cont.)

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Wellbeing - Aged and Disability Services	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 Culturally and Linguistically Diverse (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
Wellbeing - Families and Children	Participation	Participation in MCH service (Percentage of children enrolled who participate in the MCH)	Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100
		Participation in MCH service by Aboriginal children (Percentage of Aboriginal children enrolled who participate in the MCH service)	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100
Libraries	Participation	Active library members (Percentage of the municipal population that are active library members)	[Number of active library members / Municipal population] x100
Animal Management	Health and safety	Animal management prosecutions (Number of successful animal management prosecutions)	Number of successful animal management prosecutions
Food safety	Health and safety	Critical and major non-compliance notifications (Percentage of critical and major non-compliance notifications that are followed up by Council)	[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100

2.2 Our Place

Buildings | Sport and recreation facilities | Roads | Footpaths | Drainage | Trails | Playgrounds | Gardens | Natural environment | Waste | Recycling | Heritage

Services

Business Area	Description of services provided	Expenditure -Revenue Net Cost \$'000
Active Communities	Provides advice on local recreational needs and facility use and planning, while running special projects and events to promote and develop healthy physical activity in the shire and support supports and recreation clubs.	265 - 265
Community Buildings and Property Management	Prepares maintenance and management programs for our buildings, pavilions and other community assets to maximise value and use. The service also facilitates management and strategic planning for our building, land, commercial and community leases and licences.	1,195 (132) 1,063
Environment and Sustainability	Develops environmental policy, coordinates and implements environmental projects and works with other services to improve our environmental performance, including climate change initiatives.	281 - 281
Infrastructure	Designs, contract manages and supervises our capital works program. Undertakes safety and condition inspections of roads, bridges and footpaths, and maintains the asset management system while overseeing community infrastructure development. Internal allocations	1,657 (182) 1,475 (761) 714
Parks and Gardens	Manages key parks and recreation areas including Castlemaine Botanical Gardens, Maldon Gardens and Victory Park, and provides tree pruning, planting and removal in addition to planning and strategies. Internal allocations	1,713 - 1,713 180 1,893
Recreation Facilities	Oversees the management, use and development of sports grounds and pavilions. Provides advice on recreational needs, facility use and planning to provide access to well-maintained sporting and recreation facilities.	1,518 (83) 1,435
Roads and Paths	Undertakes maintenance and renewal of our roads, bridges, paths and drainage. This includes maintenance grading, patrol patching, periodic gravel and bituminous resurfacing, road and intersection renewals, road line markings and signage, drain clearance and street sweeping. Internal allocations	6,567 (362) 6,205 728 6,933
Street Beautification	Manages street trees, coordinates new lighting installations and maintains public toilets. The service also provides annual inspections, programming and implementation of power line clearance requirements in Castlemaine and Maldon.	430 (49) 381
Waste Management	Manages the waste management facilities at Castlemaine and Maldon. Provides kerbside waste, recycling collection and develops and implements waste and resource recovery strategies.	3,385 (4,886) (1,501)

2.2 Our Place (cont.)

Major initiatives

- 7) Annual bridge renewal program comprising construction of bridges on Bubbs Lane, Chewton and Old Drummond Road, Taradale as well as investigation and designs for bridge works across the shire (\$1.17 million).
- 8) Further works at the Wesley Hill Recreation Reserve, comprising stage 1 and 2 of the redevelopment (\$3.15 million).
- 9) Implementation of a conservation works package, in accordance with the Conservation Management Plan, for the Market Building (\$275,000).
- 10) Drainage upgrade works at Saint Street (Stage1) (\$263,715) as well as design and construction works for drainage hotspots and levees across the shire (\$274,000).
- 11) Construction and rehabilitation of new footpaths (\$340,000), school and kindergarten safety works (\$211,000), and an increase of \$80,000 for the annual maintenance of footpaths and trails is also included in operational works.
- 12) Reconstruction of Campbells Creek and Forest Creek walking and cycling trails to make them more sustainable and resilient to floods (\$330,000).
- 13) Undertake to develop a business model for the design and construction of a transfer station to allow for an increased and greater variety of waste materials to be collected and separated for off-site processing (\$50,000).
- 14) Implementation of open space works across the shire (\$138,000).
- 15) Completion of streetscape planning and design for Newstead, Campbells Creek, Chewton, Guildford and Taradale (\$100,000).
- 16) Annual program of local road resealing work to maximise the integrity and life of our roads (\$1,000,000).
- 17) Annual program to rehabilitate part of our sealed road network (\$759,034).

Other initiatives

- 18) Implementation of an Urban Waterways Management Plan for maintenance and improvement activities along urban waterways within Castlemaine, Campbells Creek and Chewton (\$50,000).
- 19) Development of a Conservation Management Plan for the Castlemaine Botanical Gardens (\$24,750).
- 20) Undertake a review of Community Facilities to ensure they meet the needs of our community (\$56,000).
- 21) Create an annual Street and Park Tree Planting Program (\$40,000).

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Aquatic Facilities	Utilisation	Utilisation of aquatic facilities (The number of visits to aquatic facilities per head of municipal population)	Number of visits to aquatic facilities / municipal population
Roads	Satisfaction	Satisfaction with sealed local roads	Community satisfaction rating out of 100 on how Council has performed on the condition of sealed local roads
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

2.3 Our Economy

Business | Economy | Jobs | Education | Creativity | Innovation | Tourism | Culture | Events

Services

Business Area	Description of services provided	Expenditure -Revenue Net Cost \$'000
Building Services	Provides building compliance services including emergency management responsibilities, fire safety inspections, swimming pool barrier audits and investigates complaints and illegal works.	245 (67) 178
Cultural Development	Provides advocacy and support to help develop arts, cultural and creative activities across the shire.	321 (25) 296
Economic Development	Undertakes initiatives to build the local economy including support for the growth of local businesses and industry networks along with reducing barriers for business development. Works towards creating and maintaining an environment that ensures the shire is a desirable location for people to visit, work, live and invest.	121 - 121
Financial Services	Manages finances through preparation and monitoring of the budget, payment of accounts, procurement of services, raising and collection of rates and charges and valuation of properties. Internal allocations	1,666 (515) 1,151 (221) 930
Governance	Coordinates Council meetings, Councillor related activities and provides support and oversight of compliance with the <i>Local Government Act</i> .	509 (10) 499
Information Services	Provides, supports and maintains cost effective communications and IT systems enabling Council to deliver services in a productive and efficient way.	787 - 787
Planning Services	Manages land use and development in the municipality in accordance with the Mount Alexander Planning Scheme. The service provides planning information and advice, assesses planning permit applications and undertakes compliance activities. Develops and implements urban and rural planning strategy and maintains an effective planning scheme through regular reviews and planning scheme amendments, while ensuring appropriate support for our heritage.	1,326 (258) 1,068
Tourism Services	Provides visitor information, marketing and industry development for the shire. Supports economic and social benefits of tourism through operation of Visitor Information Centres in Castlemaine and Maldon. Provides accommodation and tour booking services.	597 (148) 449

Major Initiatives

22) Continue the framework for the growth of Harcourt.

23) Continue to invest in a modern, integrated software platform that will allow council to more efficiently deliver all core functions and take advantage of new technologies to deliver improved services (\$717,000).

Other Initiatives

24) Assist in the successful delivery of the Regional Centre for Culture

25) Fund a fulltime Heritage and Urban Design Officer

2.3 Our Economy (cont.)

Service Performance Outcome Indicators

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

2.4 Performance statement

The service performance indicators detailed in the preceding pages will be reported on within the Performance Statement which is prepared at the end of the year as required by section 132 of the Act and included in the 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 the budget report. The full set of prescribed performance indicators 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.

2.5 Reconciliation with budgeted operating result

	Net Cost \$'000	Expenditure \$'000	Revenue \$'000
Our people	6,032	9,171	(3,139)
Our place	11,316	17,011	(5,695)
Our economy	4,550	5,573	(1,023)
Total activities and initiatives	21,898	31,755	(9,856)
Deficit before funding sources	21,898		
Funding sources:			
Rates, municipal charge and interest in rates	18,379		
Grants commission (general)	1,508		
Capital grants	3,754		
Total funding sources	23,641		
Surplus/(deficit) for the year		1,743	

3. Financial Statements

This section presents information in regard to the Financial Statements. The budget information for the years 2017/2018 to 2020/2021 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	Budget	Strategic Resource Plan		
	Actual		Projections		
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Income					
Rates and charges	21,616	22,255	23,237	24,301	25,115
Statutory fees and fines	789	838	859	880	902
User fees	1,721	1,806	1,861	1,916	1,974
Grants - operating	9,515	4,502	6,738	6,852	7,023
Grants - capital	1,808	3,754	5,551	4,736	1,396
Contributions - monetary	116	201	205	209	213
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	139	(475)	(485)	(495)	(506)
Other income	704	616	624	584	548
Total income	36,408	33,497	38,590	38,983	36,665
Expenses					
Employee costs	13,191	13,873	14,357	14,858	15,377
Materials and services	9,934	9,110	9,324	9,555	9,792
Bad and doubtful debts	8	7	6	6	6
Depreciation and amortisation	7,918	7,071	6,695	6,896	7,103
Borrowing costs	205	223	253	319	331
Other expenses	1,412	1,470	1,087	1,195	1,274
Total expenses	32,668	31,754	31,722	32,829	33,882
Surplus/(deficit) for the year	3,740	1,743	6,868	6,154	2,783
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods:					
Net asset revaluation increment	1,450	1,238	-	1,546	-
Share of other comprehensive income of associates and joint ventures	-	20	20	20	20
Total comprehensive result	5,190	3,001	6,888	7,720	2,803

3.2 Balance Sheet

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents	15,565	10,061	7,820	5,875	6,820
Trade and other receivables	4,649	3,162	3,556	3,572	3,393
Inventories	70	70	70	70	70
Non-current assets classified as held for sale	75	75	75	75	75
Total current assets	20,359	13,368	11,522	9,592	10,358
Non-current assets					
Intangible assets	470	470	470	462	462
Investments in associates and joint ventures	747	767	787	807	827
Property, infrastructure, plant & equipment	305,581	312,073	323,409	333,843	334,007
Total non-current assets	306,798	313,310	324,666	335,112	335,296
Total assets	327,157	326,678	336,187	344,704	345,654
Liabilities					
Current liabilities					
Trade and other payables	1,608	2,045	1,654	1,702	1,757
Trust funds and deposits	835	827	818	810	802
Provisions	5,905	2,455	2,506	2,558	2,611
Interest-bearing loans and borrowings	346	534	1,004	2,000	1,049
Total current liabilities	8,694	5,861	5,982	7,070	6,219
Non-current liabilities					
Provisions	1,893	1,936	1,980	2,023	2,070
Interest-bearing loans and borrowings	4,500	3,811	6,267	5,933	4,884
Total non-current liabilities	6,393	5,747	8,247	7,956	6,954
Total liabilities	15,087	11,608	14,229	15,026	13,173
Net assets	312,070	315,070	321,958	329,678	332,481
Equity					
Accumulated surplus	108,325	112,605	121,447	128,443	131,740
Reserves	203,745	202,466	200,512	201,236	200,742
Total equity	312,070	315,071	321,959	329,679	332,482

3.3 Statement of Changes in Equity For the four years ending 30 June 2021

	Total \$'000	Accum. Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2016/2017				
Balance at beginning of the financial year	306,880	103,904	193,023	9,953
Surplus/(deficit) for the year	3,740	3,740	-	-
Net asset revaluation increment/(decrement)	1,450	-	1,450	-
Transfer to other reserves	-	(4,222)	-	4,222
Transfer from other reserves	-	4,903	-	(4,903)
Balance at end of the financial year	312,070	108,325	194,473	9,272
2017/2018				
Balance at beginning of the financial year	312,070	108,325	194,473	9,272
Surplus/(deficit) for the year	1,763	1,763	-	-
Net asset revaluation increment/(decrement)	1,238	-	1,238	-
Transfer to other reserves	-	(3,146)	-	3,146
Transfer from other reserves	-	5,663	-	(5,663)
Balance at end of the financial year	315,071	112,605	195,711	6,755
2018/2019				
Balance at beginning of the financial year	315,071	112,606	195,711	6,755
Surplus/(deficit) for the year	6,888	6,888	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(3,129)	-	3,129
Transfer from other reserves	-	5,083	-	(5,083)
Balance at end of the financial year	321,959	121,447	195,711	4,802
2019/2020				
Balance at beginning of the financial year	321,959	121,447	195,711	4,802
Surplus/(deficit) for the year	6,174	6,174	-	-
Net asset revaluation increment/(decrement)	1,546	-	1,546	-
Transfer to other reserves	-	(3,379)	-	3,379
Transfer from other reserves	-	4,201	-	(4,201)
Balance at end of the financial year	329,679	128,443	197,256	3,980
2020/2021				
Balance at beginning of the financial year	329,679	128,443	197,256	3,980
Surplus/(deficit) for the year	2,803	2,803	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	(3,517)	-	3,517
Transfer from other reserves	-	4,011	-	(4,011)
Balance at end of the financial year	332,482	131,740	197,256	3,486

3.4 Statement of Cash Flows

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	21,160	23,541	23,166	24,482	25,455
Statutory fees and fines	671	886	856	888	915
User fees	1,906	1,911	1,855	1,931	2,001
Grants - operating	9,139	4,762	6,717	6,903	7,118
Grants - capital	1,983	3,971	5,534	4,771	1,415
Contributions - monetary	105	201	205	209	213
Interest received	422	435	439	395	356
Other receipts	135	2,024	2,360	2,196	2,152
Employee costs	(12,977)	(14,259)	(15,102)	(15,374)	(15,907)
Materials and services	(9,116)	(9,415)	(9,873)	(10,035)	(10,195)
Trust funds and deposits gained / (repaid)	(5)	12	12	12	12
Other payments	(2,131)	(5,147)	(1,696)	(1,709)	(1,884)
Net cash provided by/(used in) operating activities	11,292	8,922	14,472	14,670	11,650
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(8,379)	(13,978)	(19,661)	(17,231)	(8,650)
Proceeds from sale of property, infrastructure, plant and equipment	435	275	275	275	275
Net cash provided by/ (used in) investing activities	(7,944)	(13,703)	(19,386)	(16,956)	(8,375)
Cash flows from financing activities					
Finance costs	(222)	(222)	(253)	(319)	(331)
Proceeds from borrowings	1,200	-	3,633	1,700	-
Repayment of borrowings	(322)	(501)	(706)	(1,039)	(2,000)
Net cash provided by/(used in) financing activities	656	(723)	2,673	342	(2,331)
Net increase/(decrease) in cash & cash equivalents	4,004	(5,504)	(2,241)	(1,945)	945
Cash and cash equivalents at the beginning of the financial year	11,561	15,565	10,061	7,820	5,875
Cash and cash equivalents at the end of the financial year	15,565	10,061	7,820	5,875	6,820

3.5 Statement of Capital Works

For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Property					
Land improvements	1,967	1,661	1,371	1,127	1,416
Total land	1,967	1,661	1,371	1,127	1,416
Buildings	1,462	3,803	10,033	9,725	1,969
Total buildings	1,462	3,803	10,033	9,725	1,969
Total property	3,429	5,464	11,404	10,852	3,386
Plant and equipment					
Plant, machinery and equipment	880	931	966	943	715
IT, Furniture and equipment	551	844	113	153	271
Total plant and equipment	1,431	1,775	1,079	1,096	986
Infrastructure					
Roads	2,841	2,798	2,634	2,490	1,831
Bridges	755	1,174	750	780	796
Footpaths and cycleways	260	881	316	344	347
Drainage	266	535	1,021	113	100
Waste management	100	50	1,582	874	597
Total infrastructure	4,222	5,438	6,303	4,601	3,671
Total capital works expenditure	9,082	12,678	18,786	16,549	8,042
Represented by:					
New asset expenditure	1,624	1,193	2,083	2,083	1,192
Asset renewal expenditure	6,131	8,632	11,505	8,738	4,710
Asset expansion expenditure	65	-	2,550	2,787	697
Asset upgrade expenditure	1,262	2,853	2,648	2,941	1,443
Total capital works expenditure	9,082	12,678	18,786	16,549	8,042

3.6 Statement of Human Resources For the four years ending 30 June 2021

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Staff expenditure					
Employee costs - operating	13,191	13,873	14,357	14,858	15,377
Employee costs - capital	884	862	877	840	865
Total staff expenditure	14,075	14,735	15,234	15,698	16,242
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	158.6	159.4	159.4	159.4	159.4
Total staff numbers	158.6	159.4	159.4	159.4	159.4

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

	Comprises		
	Budget	Full-Time	Part-Time
	2017/2018	\$'000	\$'000
	\$'000		
Our place	4,434	3,854	580
Our people	5,668	2,844	2,824
Our economy	3,248	2,369	878
Special projects	183	116	67
Total permanent staff expenditure	13,532	9,184	4,348
Casuals and other staff expenditure	341		
Capitalised labour expenditure	862		
Total expenditure	14,735		

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

	Comprises		
	Budget	Full Time	Part Time
	FTE		
Our place	52.5	45.6	6.9
Our people	61.0	26.2	34.8
Our economy	33.7	23.8	9.9
Special projects	1.6	1.0	0.6
Total permanent staff	148.8	96.6	52.2
Casuals and other expenditure	1.3	-	1.3
Capitalised labour costs	9.3	9.0	0.3
Total staff numbers	159.4	105.6	53.8

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		Forecast	Budget	Strategic Resource Plan			Trend
			Actual		Projections			
			2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	+ / o / -
Operating position								
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	5.47%	-6.59%	3.90%	4.05%	3.85%	+
Liquidity								
Working Capital	Current assets / current liabilities	2	234.2%	228.1%	192.6%	135.7%	166.6%	-
Unrestricted cash	Unrestricted cash / current liabilities	3	161.5%	145.2%	104.2%	60.2%	83.2%	-
Obligations								
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	4	22.4%	19.5%	31.3%	32.6%	23.6%	-
Loans and borrowings	Interest and principal repayments on interest bearing loans / rate revenue		2.5%	3.2%	4.1%	5.6%	9.3%	-
Indebtedness	Non-current liabilities / own source revenue		25.7%	22.5%	31.0%	28.7%	24.4%	-
Asset renewal	Asset renewal expenditure / depreciation	5	77.4%	122.1%	171.8%	126.7%	66.3%	+
Stability								
Rates concentration	Rate revenue / adjusted underlying revenue	6	59.6%	66.8%	60.5%	62.7%	68.9%	o
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.00%	0.43%	0.44%	0.42%	0.42%	o
Efficiency								
Expenditure level	Total expenditure / no. of property assessments		\$ 2,847	\$ 2,770	\$ 2,718	\$ 2,764	\$ 2,802	o
Revenue level	Residential rates and charges / No. of residential property assessments		\$ 1,946	\$ 2,042	\$ 2,103	\$ 2,166	\$ 2,231	o
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year		15.2%	15.0%	15.0%	15.0%	15.0%	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 – An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. Improvement in financial performance expected over the period, although continued losses means reliance on Council's cash reserves or increased debt to maintain services.

2 Working capital – The proportion of current liabilities represented by current assets. Working capital is forecast to decrease due to a reduction in cash reserves to fund the capital program. The trend in later years is to remain steady at an acceptable level.

3 Unrestricted cash - *reduction is due to cash reserves being utilised to fund significant capital works.*

4 Debt compared to rates - Trend indicates Council's increasing reliance on debt against its annual rate revenue through redemption of long term debt as Council borrows for large infrastructure projects.

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

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

5. Grants and borrowings

This section presents other budget related information required by the Regulations.

This section includes the following statements and reports

- 5.1.1 Grants operating
- 5.1.2 Grants capital
- 5.1.3 Statement of borrowings

5.1.1 Grants - operating (\$5.01 million decrease)

Operating grants include all monies received from State and Federal sources for the purposes of funding services. Overall, the level of operating grants is expected to decrease by \$5.01 million compared to 2016/2017, due mainly to the Federal Government decision to prepay \$2.31 million of 2017/2018 funding in late 2016/2017. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included below.

Operating Grant Funding Type and Source	Forecast	Budget	Variance
	Actual 2016/2017 \$'000	2017/2018 \$'000	\$'000
<i>Recurrent - Commonwealth Government</i>			
Victoria Grants Commission	6,793	2,308	(4,485)
Veterans services	64	33	(31)
Commonwealth Home Support Program	1,793	1,234	(559)
Other	2	-	(2)
<i>Recurrent - State Government</i>			
Home and Community Care	295	278	(17)
Emergency management	60	120	60
School crossing supervisors	34	60	26
Maternal and child health	162	155	(7)
Youth	61	43	(18)
Other	64	11	(53)
Total recurrent grants	9,328	4,243	(5,085)
<i>Non Recurrent - Commonwealth Government</i>			
Other	5	-	(5)
<i>Non-recurrent - State Government</i>			
Home and Community Care	23	24	1
Environment	25	-	(25)
Planning	35	-	(35)
Youth	19	-	(19)
Flood remediation works	-	235	235
Flood management	80	-	(80)
Total non recurrent grants	187	259	72
Total operating grants	9,515	4,502	(5,013)

5.1.2 Grants - capital (\$1.95 million increase)

Capital grants include all monies received from State and Federal governments for the purposes of funding the capital works program. Overall capital grants will increase by \$1,950,000 due to the expected receipt of \$1.90 million for stage 2 of the Wesley Hill Recreation Reserve redevelopment.

Section 6. "Detailed list of capital works" includes a more detailed analysis of the grants and contributions expected to be received during the 2017/2018 year. A list of capital grants by type and source, classified into recurrent and non-recurrent, is included below.

Capital Grant Funding	Forecast	Budget	Variance
	Actual 2016/2017 \$'000	2017/2018 \$'000	\$'000
<i>Recurrent</i>			
Roads	902	754	(148)
Total recurrent grants	902	754	(148)
<i>Non-recurrent</i>			
Roads	808	741	(67)
Buildings	38	1,995	1,957
Infrastructure	60	264	204
Total non-recurrent grants	905	3,000	2,094
Total capital grants	1,808	3,754	1,946

5.1.3 - Statement of Borrowings

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

	Forecast	Budget
	Actual 2016/2017 \$'000	2017/2018 \$'000
Total amount borrowed as at 30 June of the prior year	3,968	4,846
Total amount proposed to be borrowed	1,200	-
Total amount projected to be redeemed	(322)	(501)
Total amount of borrowings as at 30 June	4,846	4,345

Borrowings of \$1.20 million received in 2016/2017 will be utilised to fund capping of closed landfill cells at Castlemaine Landfill.

6. Capital works program

This appendix presents a listing of the capital works projects that will be undertaken for the 2017/2018 year.

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

6.1 New works for 2017/2018

6.2 Works carried forward from the 2016/2017 year.

Capital works program

For the year ending 30 June 2018

6.1 New works 2017/2018

Capital Works Area	Project cost \$'000	Asset expenditure type			Funding source	
		New \$'000	Renewal \$'000	Upgrade \$'000	Grants \$'000	Council cash \$'000
PROPERTY						
Land Improvements						
Botanical Gardens Irrigation System	33	33	-	-	-	33
Open Space - Landscape Improvement Works	138	-	138	-	-	138
Wesley Hill Recreation Reserve Redevelopment - Stage 1	1,250	-	1,250	-	-	1,250
Rotunda Park - Landscape Plan Implementation	35	-	35	-	-	35
Maldon Standpipe Upgrade	38	38	-	-	-	38
Total Land improvements	1,494	71	1,423	-	-	1,494
Buildings						
Property Renewals - Kitchen Works	135	-	-	135	-	135
Property Renewals - Community Facilities	427	-	295	132	-	427
Maldon Kindergarten Early Years Renovation	82	-	82	-	-	82
Maldon Museum Conservation Works	33	-	33	-	-	33
Market Building Conservation Works *	275	-	275	-	75	200
Community Planning Streetscape Planning and Design	100	-	100	-	-	100
Wesley Hill Recreation Reserve Redevelopment - Stage 2	1,900	-	1,900	-	1,900	-
Recreation Reserve Building Renewals	102	58	44	-	-	102
Victory Park Play Space Design	30	-	30	-	-	30
Priority Pool Works	130	-	130	-	-	130
Solar Systems Priority Sites	50	50	-	-	20	30
Total Buildings	3,264	108	2,889	267	1,995	1,269
TOTAL PROPERTY	4,758	179	4,313	267	1,995	2,764

6.1 New works 2017/2018 (continued)

Capital Works Area	Project cost \$'000	Asset expenditure type			Funding source	
		New \$'000	Renewal \$'000	Upgrade \$'000	Grants \$'000	Council cash \$'000
PLANT AND EQUIPMENT						
Plant, Machinery and Equipment						
Major Plant Purchases	585	-	585	-	-	585
Motor Vehicle Purchases	346	-	346	-	-	346
Total Plant, Machinery and Equipment	931	-	931	-	-	931
FIXTURES, FITTINGS & FURNITURE						
IT, Furniture and Equipment						
Workstation and Server Renewal Program	127	-	63	64	-	127
Integrated Corporate System	717	-	359	358	-	717
Total IT, Furniture and Equipment	844	-	422	422	-	844
TOTAL PLANT AND EQUIPMENT	1,775	-	1,353	422	-	1,775
INFRASTRUCTURE						
Roads						
Gravel Road Resheeting	400	-	400	-	-	400
Local Roads Resealing	1,539	-	1,539	-	1,000	539
Road Rehabilitation and Design	859	-	520	339	759	100
Total Roads	2,798	-	2,459	339	1,759	1,039
Bridges						
Bridge Investigation and Design Works	154	-	-	154	-	154
Bridge Construction - Bubbs Lane	360	-	-	360	-	360
Bridge Construction - Old Drummond Road	660	-	-	660	-	660
Total Bridges	1,174	-	-	1,174	-	1,174

6.1 New works 2017/2018 (continued)

Capital Works Area	Project cost \$'000	Asset expenditure type			Funding source	
		New \$'000	Renewal \$'000	Upgrade \$'000	Grants \$'000	Council cash \$'000
Footpaths and Cycleways						
Footpath - School and Kindergarten Safety	211	211	-	-	-	211
Footpath Rehabilitation and Construction	340	-	340	-	-	340
Trail Rehabilitation and Flood Resilience	330	-	-	330	-	330
Total Footpaths and Cycleways	881	211	340	330	-	881
Drainage						
Saint Street - Stage 1	264	264	-	-	-	264
Drainage Design	271	-	-	271	-	271
Total Drainage	535	264	-	271	-	535
Waste Management						
Investigate Options - Castlemaine Transfer Station	50	-	-	50	-	50
Total Waste Management	50	-	-	50	-	50
TOTAL INFRASTRUCTURE	5,438	475	2,799	2,164	1,759	3,679
TOTAL NEW CAPITAL WORKS 2017/2018	11,970	654	8,463	2,853	3,754	8,216

6.2 Works carried forward from the 2016/2017 year

Capital Works Area	Project cost \$'000	Asset expenditure type			Funding source	
		New \$'000	Renewal \$'000	Upgrade \$'000	Grants \$'000	Council cash \$'000
PROPERTY						
Wesley Hill Recreation Reserve	167	-	167	-	-	167
Land Improvements	167	-	167	-	-	167
Total Land	167	-	167	-	-	167
Buildings						
Indoor Aquatic Facility	341	341	-	-	-	341
Maldon Streetscape Works	198	198	-	-	-	198
Total Buildings	539	539	-	-	-	539
TOTAL PROPERTY	705	539	167	-	-	705
TOTAL CARRIED FORWARD WORKS 2016/2017	705	539	167	-	-	705
3. Summary						
PROPERTY	5,464	718	4,480	267	1,995	3,469
PLANT AND EQUIPMENT	1,775	-	1,353	422	-	1,775
INFRASTRUCTURE	5,438	475	2,799	2,164	1,759	3,679
TOTAL CAPITAL WORKS	12,677	1,193	8,632	2,853	3,754	8,923

* subject to receiving government grant funding

7. Rates and charges

This section presents information which the Act and the Regulations require to be disclosed in the Council's annual budget.

In developing the Strategic Resource Plan (referred to in Section 14), rates and charges were identified as an important source of revenue, accounting for 62% of the total revenue received by council annually. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process.

The State Government have introduced the Fair Go Rates System (FGRS) which sets out the maximum amount councils may increase rates in a year. For 2017/2018 the FGRS 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.

The level of required rates and charges has been considered in this context, with reference to council's other sources of income and the planned expenditure on services and works to be undertaken for the community.

In order to achieve council objectives while maintaining service levels and a strong capital expenditure program, the average general rate and municipal charge will increase by 2% in line with the rate cap. Waste charges (including kerbside collection) will increase by an average of 3.1%. This will raise total rates and charges for 2017/2018 of \$22.25 million.

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	2016/2017 cents/\$CIV	2017/2018 cents/\$CIV	Change
General rate for rateable residential properties	0.3520	0.3898	10.7%
General rate for rateable farm properties	0.3520	0.3898	10.7%
General rate for rateable commercial properties	0.4576	0.5067	10.7%
General rate for rateable farm properties on Land Management Rate	0.3168	0.3118	-1.6%
General rate for rateable vacant land	0.7040	0.7796	10.7%

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	2016/2017 \$'000	2017/2018 \$'000	Change
Residential	10,849	12,237	12.8%
Farm	942	940	-0.2%
Commercial	1,330	1,496	12.5%
Land management	1,034	1,126	8.9%
Vacant land	1,507	1,318	-12.5%
Total amount to be raised by general rates	15,662	17,117	9.3%

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	2016/2017 Number	2017/2018 Number	Change
Residential	8,723	8,849	1.4%
Farm	479	487	1.7%
Commercial	458	483	5.5%
Land management	463	467	0.9%
Vacant land	1,276	1,177	-7.8%
Total number of assessments	11,399	11,463	0.6%

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	2016/2017 \$'000	2017/2018 \$'000	Change
Residential	3,082,184	3,139,304	1.9%
Farm	267,713	241,104	-9.9%
Commercial	290,621	295,259	1.6%
Land management	326,372	361,182	10.7%
Vacant land	213,997	169,072	-21.0%
Total value of land	4,180,887	4,205,921	0.6%

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

Type of Charge	Per Rateable Property 2016/2017	Per Rateable Property 2017/2018	Change
Municipal	188	94	-50.0%

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

Type of Charge	2016/2017 \$'000	2017/2018 \$'000	Change
Municipal	2,094	1,079	-48.5%

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

Type of Charge	Per Rateable Property 2016/2017	Per Rateable Property 2017/2018	Change
Kerbside collection 80 litre bin	395	405	2.5%
Kerbside collection 140 litre bin	550	570	3.6%

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

Type of Charge	2016/2017 \$'000	2017/2018 \$'000	Change
Kerbside collection 80 litre bin	826	930	12.6%
Kerbside collection 140 litre bin	2,908	3,066	5.4%
Total	3,734	3,996	7.0%

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

Type of Charge	2016/2017 \$'000	2017/2018 \$'000	Change
General rates	15,662	17,117	9.3%
Municipal charge	2,094	1,079	-48.5%
Kerbside collection	3,733	3,996	7.0%
Supplementary rates and charges	60	60	0.0%
Rates and charges	21,549	22,252	3.3%

7.11 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 (2017/2018: estimated \$60,000 and 2016/2017 estimated \$60,000)
- * 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; and
- * Changes of use of land such that residential land becomes business land and vice versa.

7.2 - Differential rates

7.2.1 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 0.3898% (0.3898 cents in the dollar of CIV) for all rateable general and residential properties
- * A general rate of 0.3898% (0.3898 cents in the dollar of CIV) for all rateable farming properties
- * A general rate of 0.5067% (0.5067 cents in the dollar of CIV) for rateable commercial properties
- * A general rate of 0.3118% (0.3118 cents in the dollar of CIV) for all rateable farming properties on land management rate
- * A general rate of 0.7796% (0.7796 cents in the dollar of CIV) for all rateable vacant residential land

In 2015/2016 Council reviewed its Rating Strategy. This review resulted in a number of recommendations to apply from the 2017/2018 rating year. Refer to section 15 for more detail.

7.2.2 General Rate

General rates include residential properties and home based businesses that are conducted at residential premises. Vacant land that is not farm land and cannot be developed for residential purposes is also classified as general.

7.2.3 General Farm Rate

The general farm rates applies to land with an area greater than 20 hectares that undertakes farming activity. Properties on the farm rate are able to apply for a single farm enterprise concession where only one municipal charge is paid though there is more than one assessment.

7.2.4 Commercial land

Commercial land is any land, which is occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services. The Commercial rate is set at 130% of the general rate.

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

7.2.5 Land Management Rate land

The Land Management rate is a concession available to properties currently rated as a farm with an area greater than 20 hectares, or properties who operate a farm business, that have or will undertake a pest and weed control program. It is available upon annual application and the rate is set at 80% of the general rate.

7.2.6 Vacant Land Rate

The vacant land rate applies to rateable residential land that does not have a dwelling and is set at 200% of the general rate.

7.2.7 Trust For Nature Covenants (TFNC)

The Trust For Nature Covenants receive a 100% rebate for that portion of land covered by a TFNC.

Budget Analysis

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

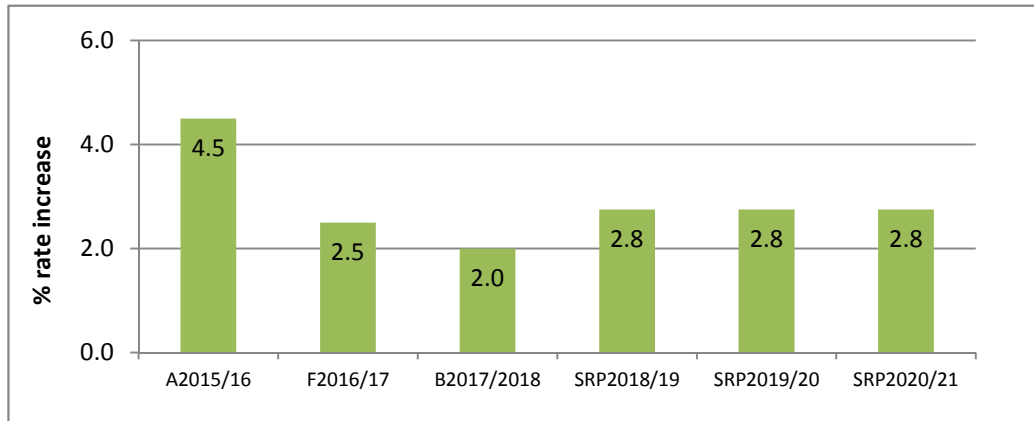
This section includes the following analysis and information.

- 8 Summary of financial position
- 9 Budget influences
- 10 Analysis of operating budget
- 11 Analysis of budgeted cash position
- 12 Analysis of capital budget
- 13 Analysis of budgeted financial position
- 14 Strategic resource plan
- 15 Rating information

8. Summary of financial position

Council has prepared a Budget for the 2017/2018 financial year which seeks to balance the demand for services and infrastructure with the community's capacity to pay. Key budget information is provided below about the rate increase, operating result, services, cash and investments, capital works, financial position, financial sustainability and strategic objectives of the council.

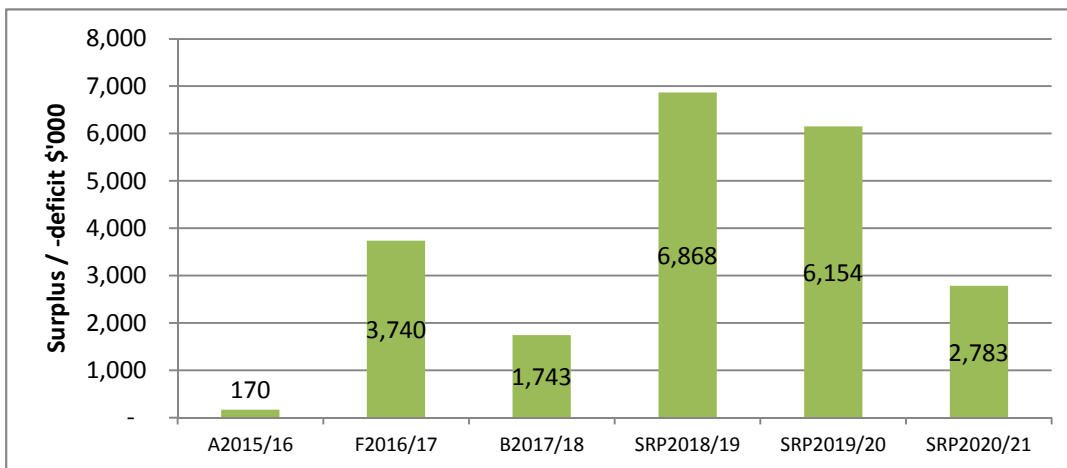
8.1 - Rates



A = Actual F = Forecast B = Budget SRP = Strategic Resource Plan estimates

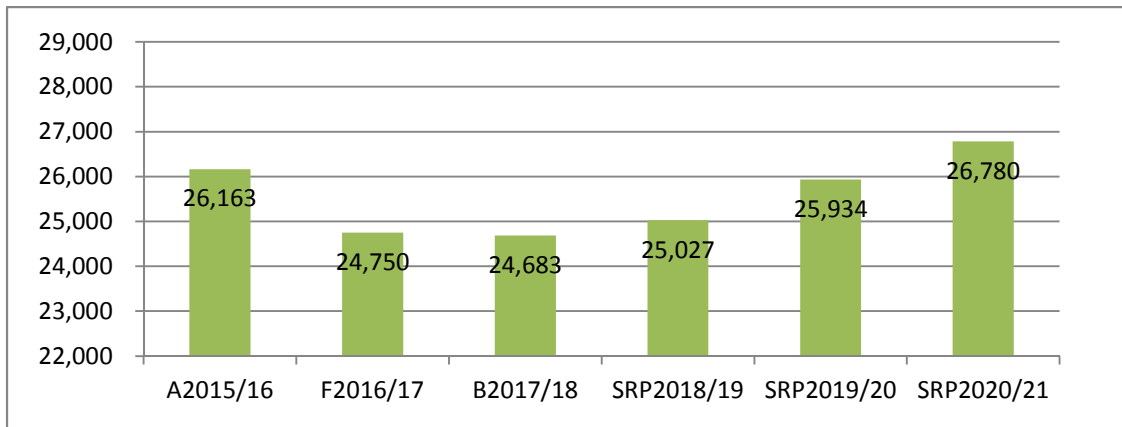
It is proposed that general rates increase by 2.0% in accordance with the Fair Go Rates System for the 2017/2018 year, raising total rates of \$18.26 million, including \$60,000 generated from supplementary rates. This rate increase is lower than levels foreshadowed in council's Strategic Resource and Long Term Financial Plans adopted in 2016. Rate increases in 2018/2019 to 2020/2021 have been based on estimates provided by the Essential Services Commission.

8.2 - Operating result



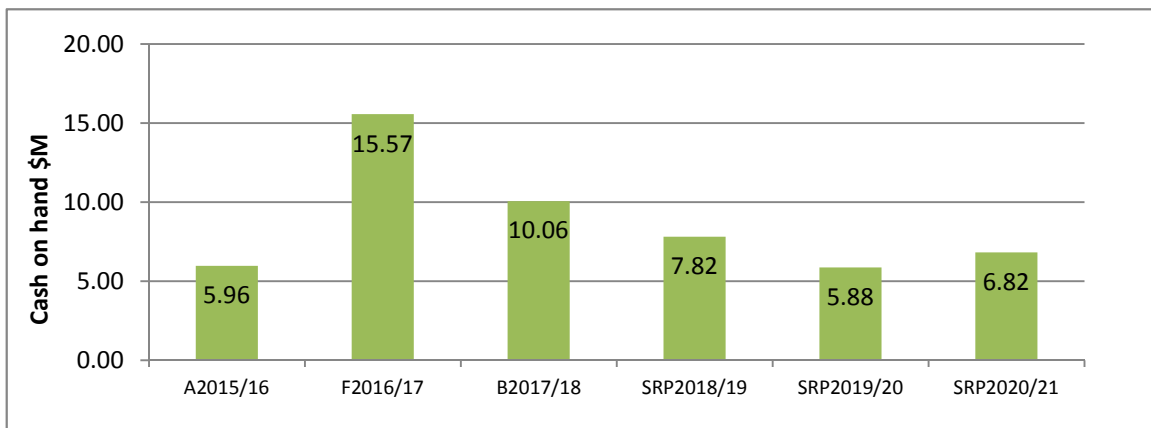
The budgeted operating result for the 2017/2018 year is a surplus of \$1.74 million compared to a forecast surplus of \$3.74 million in 2016/2017. The adjusted underlying result, which excludes items such as non-recurrent capital grants and non-cash contributions, is a deficit of \$516,000, which is an decrease of \$3.35 million on the forecast 2016/2017 result - refer to section 10 for further information. The increase in the proposed operating result in 2018/2019 and 2019/2020 is due to forecasted receipt of significant grant funding for construction of the proposed aquatic centre.

8.3 - Services



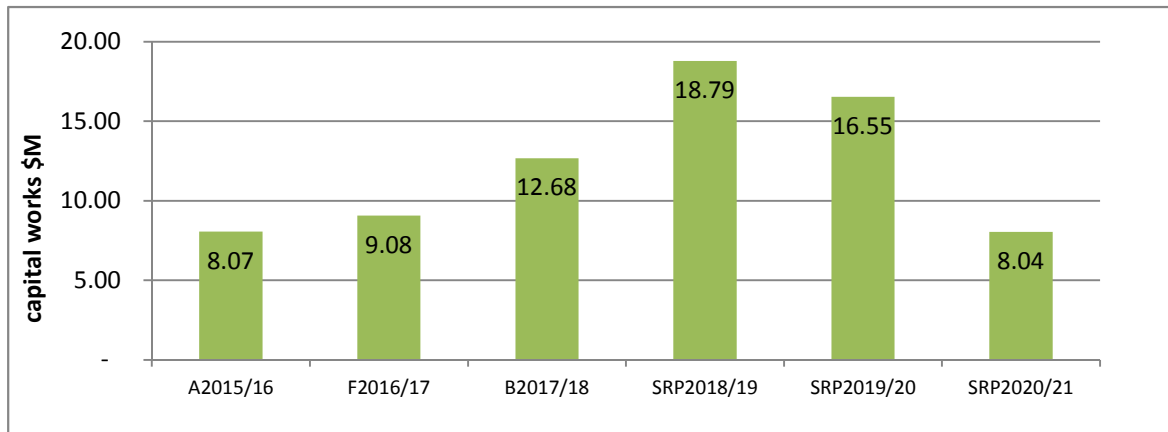
The net cost of services delivered to the community for the 2017/2018 year is budgeted at \$24.68 million which is a decrease of \$67,000 over 2016/2017. For the 2017/2018 year, there are fewer grant funded special projects than in previous years, which is a reflection of the tight fiscal environment in which all levels of government are currently operating and the impact of the lower rate rise due to the Fair Go Rates System.

8.4 - Cash and investments



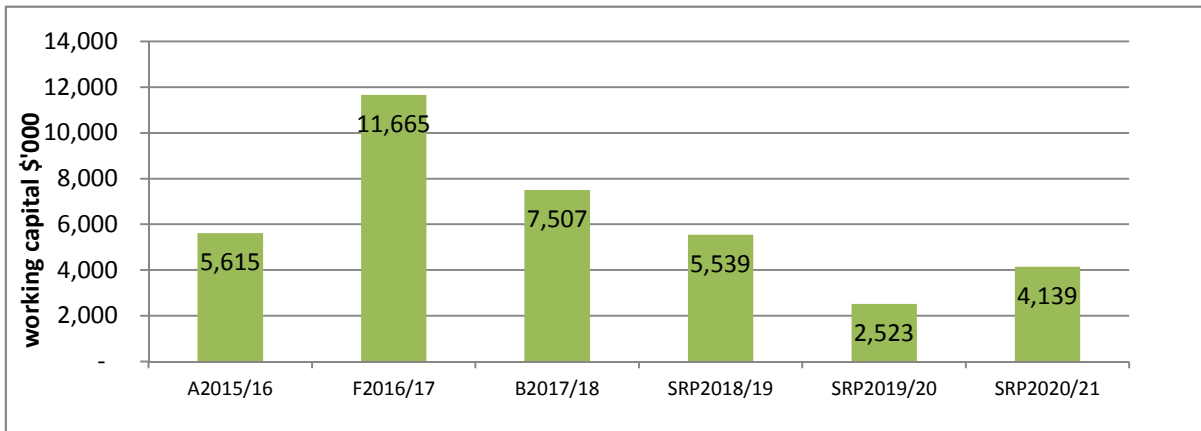
Cash and investments are forecast to be \$15.57 million as at 30 June 2017. See section 11 for further information. Cash and investments are expected to decrease by \$5.5 million during the year to 10.06 million as at 30 June 2018. The cash balance at 30 June 2018 includes a number of reserves for future capital works including the swimming pool reserve and waste reserve. The level of cash and investments is in line with Council's Strategic Resource Plan.

8.5 - Capital works



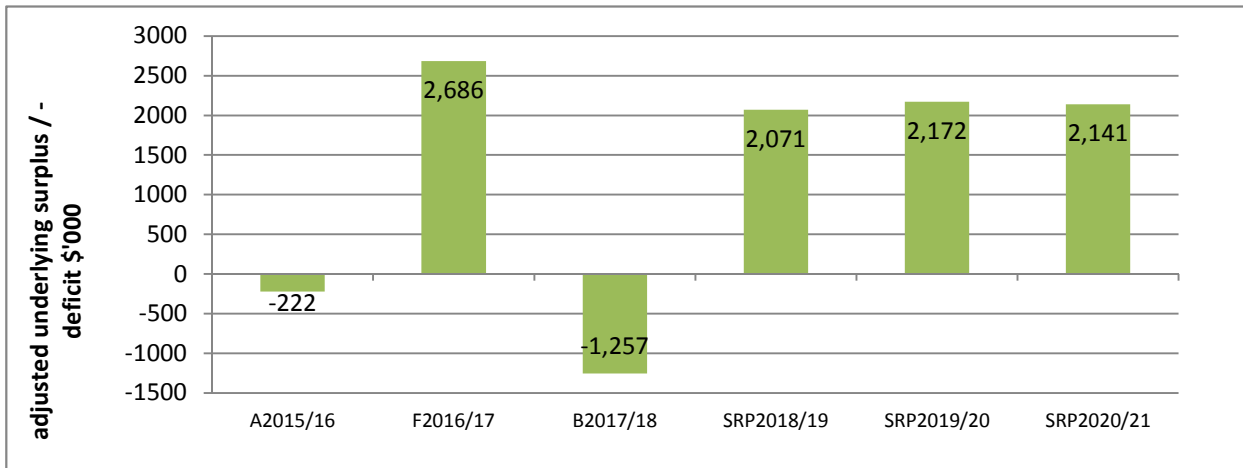
The capital works program for the 2017/2018 year will be \$11.97 million plus \$705,000 of projects which are estimated to be carried forward from the 2016/2017 year. The carried forward component is fully funded from the 2016/2017 budget. Of the \$12.68 million of capital funding required, \$3.75 million will come from external grants and the balance from council's cash. The council cash amount comprises asset sales, reserve transfers and cash generated through 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. Detailed information on the capital works program is set out in sections 6 and 12.

8.6 - Financial position (working capital)



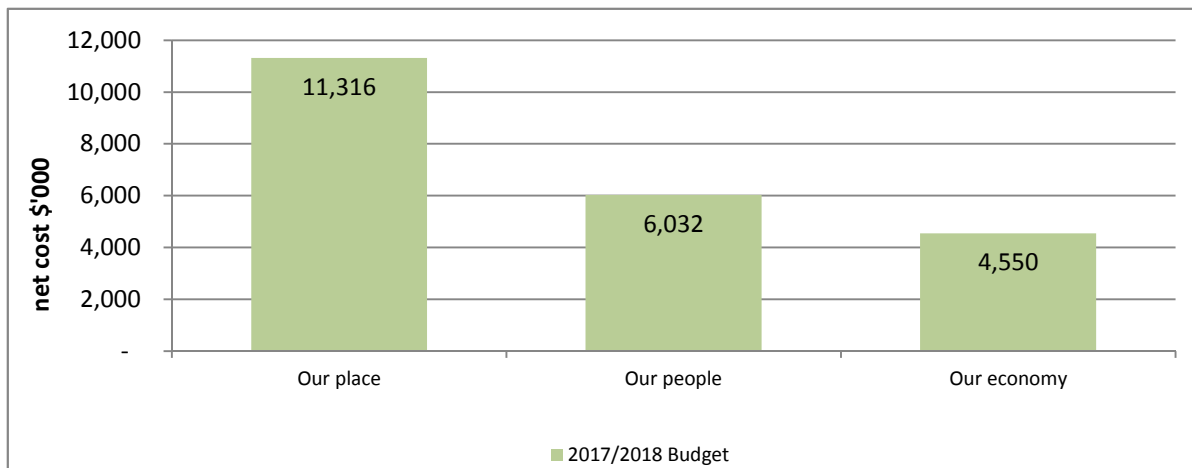
The financial position is expected to increase by \$3.0 million with net assets (net worth) of \$315.07 million. Net current assets (working capital) will decrease by \$4.16 million to 7.51 million as at 30 June 2018. The working capital position decreases in the next three years as cash reserves will be utilised for the construction of an indoor aquatic centre and cell capping at the Castlemaine landfill.

8.7 - Financial sustainability



A high level Strategic Resource Plan for the years 2017/2018 to 2020/2021 has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the council's strategic objectives as specified in the Council Plan. The adjusted underlying result, which is a measure of financial sustainability, shows an increasing underlying result in future years.

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 funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2017/2018 year.

9. Budget influences

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

9.1 - Snapshot of Mount Alexander Shire Council

Mount Alexander Shire is a complex and unique community. Located in a major corridor within commuting distance of both Melbourne and Bendigo, the Shire comprises several small towns and communities of national historic and environmental significance. The Shire covers an area of over 1,530 square kilometres.

The community is distributed across five main township areas: Castlemaine, Newstead, Maldon, Harcourt and Taradale. The population of Mount Alexander Shire is currently 18,300 and increasing each year. The diversity of towns and housing types informs the way in which council plans and delivers services.

Population:

Research shows that the community is ageing with a higher proportion of the community aged over 60 years. By 2031, the Shire is expected to have a 91.7% increase in people aged 65 years and over. (Source: Australian Bureau of Statistics, Census of Population and Housing).

Employment and income:

There are over 7,500 jobs in the Shire with over 70% held by residents living and working in Mount Alexander. Analysis of household income levels in the Shire in 2011 shows that there are a smaller number of high income households and a larger proportion of low income households.

Housing:

The number of homes is increasing. According to the 2011 Census, there were 7,398 households with an average of 2.2 person per household. The Shire's percentage of older persons living alone was higher than the Victorian average (13.7% compared to 11.4%).

Budget implications:

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

- * Due to council's ageing population there is expected to be increasing demand for council's provision of aged and disability services.
- * Council's capacity to generate income through user pays fees is constrained by the economic profile and demographics of the Shire.

9.2 - External Influences

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

- * The Victorian State Government has introduced a cap on rate increases from 2016/2017. The cap for 2017/2018 has been set at 2%.
- * State-wide CPI is forecast to be 2% for the 2017/2018 year.
- * The Victorian Wage Price Index is projected to be 2.55% in 2017/2018.
- * Employee wage increases have been negotiated at 1.75% p.a. for a period of four years from September 2016.
- * Increases of 3.3% (or \$2.02 per tonne) in the levy payable to the State Government upon disposal of waste into landfill, resulting in additional waste tipping costs. The levy has increased from \$9 per tonne in 2008/2009 to \$60.52 per tonne in 2016/2017 (572% increase in 8 years).
- * On going cost shifting. This occurs where Local Government provides a service to the community on behalf of the State and Federal Governments. Over time the funds received by local governments do not increase in line with real cost increases.
- * Councils across Australia raise approximately 3.5% of the total taxation collected by all levels of government in Australia. In addition councils are entrusted with the maintenance of more than 30% of all Australian public assets including roads, bridges, parks, footpaths and public buildings. This means that a large proportion of council's income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.

9.3 - Internal Influences

As well as external influences, there are also a number of internal influences which are expected to have a significant impact on the preparation of the 2017/2018 Budget. These matters have arisen from events occurring in the 2016/2017 year resulting in variances between the forecast actual and budgeted results for that year and matters expected to arise in the 2017/2018 year. These matters and their financial impact are set out below:

- * It is a requirement that all rateable properties within a municipality be revalued every two years. 2017/2018 will be a revaluation year with estimated costs of \$80,000
- * Council holds elections for Councillors every four years, the last election was held in October 2016 with a net cost to council of \$130,000 in 2016/2017
- * Council continues to identify savings in electricity usage through the installation of solar panels on council owned buildings
- * Council continues to review its services and identify savings through efficient management of resources. Savings identified in the 2017/2018 budget include reduction in cost of Aged and Disability services.

9.4 - Budget principles

In response to these influences budget guidelines set out the key budget principles upon which the budget is prepared. The principles included:

- * Existing fees and charges to be increased in line with CPI or market levels
- * Grants to be based on confirmed funding levels
- * Service levels to be maintained at 2016/2017 levels with the aim to use fewer resources with an emphasis on innovation and efficiency
- * Salaries and wages to be increased in line with the employee agreement.
- * Operating revenues and expenses arising from completed capital projects to be included.
- * New initiatives to be justified through a business case.

9.5 - Long term strategies

The budget includes consideration of a number of long term strategies and information to assist council to prepare the Budget in a proper financial management context. These include a Strategic Resource Plan for 2017/2018 to 2020/2021, Rating Information and Other Long Term Strategies (Council Long Term Financial Plan 2017-2027) including borrowings, infrastructure and service delivery (refer sections 14-15).

10. Analysis of operating budget

This section reviews the operating budget including expected income and expenses for the 2017/2018 year.

10.1 Budgeted income statement

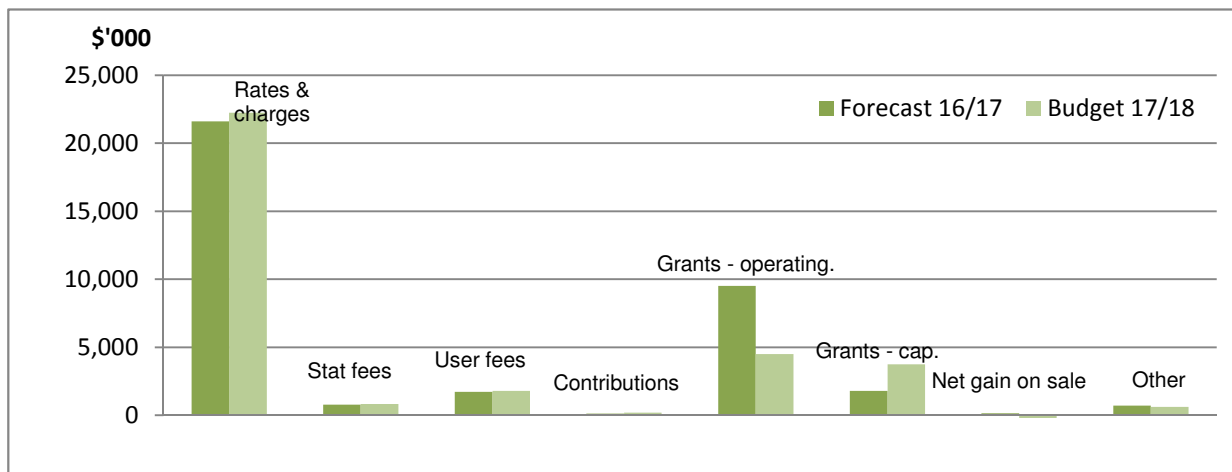
	Ref	Forecast		Variance
		Actual 2016/2017	Budget 2017/2018	
		\$'000	\$'000	\$'000
Total income	10.2	36,408	33,497	(2,911)
Total expenses	10.3	(32,668)	(31,754)	914
Surplus / (deficit) for the year		3,740	1,743	(1,997)
Grants – non-recurrent capital	5.1.2	(905)	(3,000)	(2,095)
Adjusted underlying surplus / (deficit)		2,835	(1,257)	(4,092)
<i>Reconciling Items</i>				
VGC Grants - paid early		(2,308)	2,308	
Reconciled underlying surplus / (deficit)		527	1,051	524

10.1.1 Adjusted underlying surplus / (deficit) - (\$516,000 deficit)

The adjusted underlying result is the net surplus or deficit for the year adjusted for non-recurrent capital grants, non-monetary asset contributions, and capital contributions from other sources. It is a 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 2017/2018 year is proposed to be a deficit of \$516,000 which is a decrease of \$3.35 million from the 2016/2017 year. This is mainly due to the early receipt in 2016/2017 of 50% of the 2017/2018 VGC funding.

10.2 - Income

Income Types	Ref	Forecast		Variance	Variance
		Actual 2016/2017	Budget 2017/2018		
		\$'000	\$'000	\$'000	%
Rates and charges	10.2.1	21,616	22,255	639	3.0%
Statutory fees and fines	10.2.2	789	838	49	6.2%
User fees	10.2.3	1,721	1,806	85	5.0%
Contributions - monetary		116	201	85	72.9%
Grants - operating	10.2.4	9,515	4,502	(5,013)	-52.7%
Grants - capital	10.2.5	1,808	3,754	1,946	107.6%
Net gain on disposal of property, infrastructure, plant & equip.		139	(475)	(614)	-441.7%
Other income		704	616	(88)	-12.5%
Total income		36,408	33,497	(2,911)	-8.0%



10.2 - Income (continued)

10.2.1 Rates and charges (\$639,000 increase)

It is proposed that income raised by all rates and charges be increased by 3% in comparison to the 2016/2017 forecast of \$21.62 million. This includes an increase in general rates of 2.0% (as per the Fair Go Rates System) and an average increase to waste charges of 3.1%. Section 7 (Rates and charges) includes a more detailed analysis of the rates and charges to be levied for 2017/2018.

10.2.2 Statutory fees and fines (\$49,000 increase)

Statutory fees relate mainly to fees and fines levied in accordance with legislation and include animal registrations, public health registrations and parking fines. Increases in statutory fees are made in accordance with legislative requirements. Revenue from statutory fees is forecast to increase by \$49,000 compared to 2016/2017 including additional planning related fees due to significant increases adopted by the State Government.

10.2.3 User fees (\$85,000 increase)

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include use of recreation and other community facilities and the provision of home and community 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.

10.2.4 Grants - operating (\$5.01 million decrease)

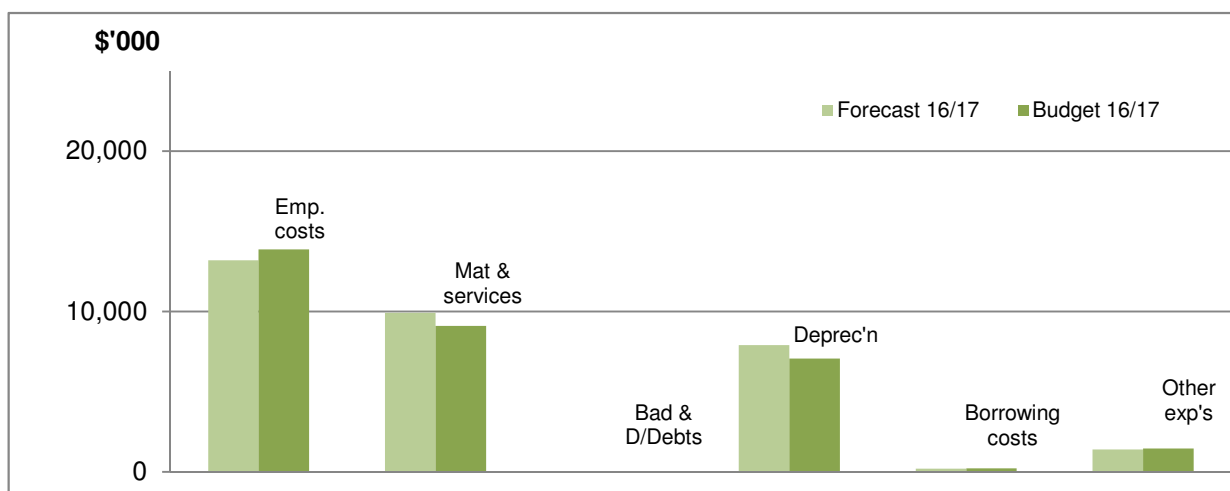
Operating grants include all monies received from state and federal sources for the purposes of funding the delivery of council's services to ratepayers. Overall, the level of operating grants will decrease by \$5,013,000 compared to 2016/2017. A list of operating grants by type and source, classified into recurrent and non-recurrent, is included in section 5.

10.2.5 Grants - capital (\$1.95 million increase)

Capital grants include all monies received from state, federal and community sources for the purposes of funding the capital works program. Overall capital grants will increase by \$1.95 million compared to 2016/2017 due to the anticipated receipt of funding for the Wesley Hill Recreation Reserve redevelopment (\$1.9 million). A list of capital grants by type and source, classified into recurrent and non-recurrent, is included in section 5.

10.3 Expenses

Expense Types	Ref	Forecast		Variance \$'000	Variance %
		Actual	Budget		
		2016/2017 \$'000	2017/2018 \$'000		
Employee costs	10.3.1	13,191	13,873	682	5.2%
Materials and services	10.3.2	9,934	9,110	(824)	-8.3%
Bad and doubtful debts		8	7	(1)	-6.7%
Depreciation and amortisation	10.3.3	7,918	7,071	(847)	-10.7%
Borrowing costs	10.3.4	205	223	18	8.8%
Other expenses	10.3.5	1,412	1,470	58	4.1%
Total expenses		32,668	31,754	(914)	-2.8%



10.3.1 Employee costs (\$682,000 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 and workers compensation insurance. Employee costs are forecast to increase by 5.2% or \$682,000 compared to 2016/2017, as a result of savings identified in 2016/2017 and external providers engaged to deliver services during staff vacancies. When comparing budget 2016/2017 to budget 2017/2018 there has been a minimal increase of \$36,000. A summary of human resources expenditure and full-time equivalent (FTE) categorised according to the organisational structure of council is included at section 3.

10.3.2 Materials and services (\$824,000 decrease)

Materials and services include the purchases of consumables, payments to contractors for the provision of services and utility costs. Materials and services are forecast to decrease by \$824,000 compared to 2016/2017 forecast. This decrease is mainly due to the completion in 2016/2017 of a number of grant funded special projects, no general election to be held and the timing of projects being completed. When compared to the 2016/2017 budget there will be a \$157,000 decrease which reflects the tightening fiscal environment as a result of grant freezes (Federal Government) and the Fair Go Rates System (State Government)

10.3.3 Depreciation and amortisation (\$847,000 decrease)

Depreciation is an accounting measure which attempts to allocate the depreciable value of an asset over its useful life for council's property, plant and equipment and infrastructure assets such as roads and drains.

10.3.4 Borrowing costs (\$18,000 increase)

Borrowing costs relate to interest charged by financial institutions on funds borrowed. The increase in borrowing costs results from the increase in borrowings in 2016/2017 due to works at the Castlemaine landfill.

10.3.5 Other expenses (\$58,000 increase)

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

11. Analysis of budgeted cash position

This section analyses the expected cash flows from the operating, investing and financing activities of Council for the 2017/2018 year. Budgeting cash flows for Council is a key factor in setting the level of rates and providing a guide to the level of capital expenditure that can be sustained with or without using existing cash reserves.

The analysis is based on three main categories of cash flows:

- * Operating activities - refers to the cash generated or used in the normal service delivery functions of Council. Cash remaining after paying for the provision of services to the community may be available for investment in capital works, or repayment of debt
- * Investing activities - refers to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property and equipment
- * Financing activities - refers to cash generated or used in the financing of Council functions and include borrowings from financial institutions and advancing of repayable loans to other organisations. These activities also include repayment of the principal component of loan repayments for the year.

11.1 Budgeted cash flow statement

	Ref	Forecast Actual 2016/2017 \$'000	Budget 2017/2018 \$'000	Variance \$'000
Cash flows from operating activities	11.1.1			
<i>Receipts</i>				
Rates and charges		21,160	23,541	2,381
User fees and fines		2,577	2,797	220
Grants - operating		9,139	4,762	(4,377)
Grants - capital		1,983	3,971	1,988
Interest		422	435	13
Other receipts		240	2,225	1,985
		35,521	37,731	2,210
<i>Payments</i>				
Employee costs		(12,977)	(14,259)	(1,282)
Other payments		(11,252)	(14,551)	(3,299)
		(24,229)	(28,810)	(4,581)
Net cash provided by operating activities		11,292	8,922	(2,370)
Cash flows from investing activities	11.1.2			
Payments for property, infrastructure, plant & equip.		(8,379)	(13,978)	(5,599)
Proceeds from sale of property, infrastructure, plant & equipment		435	275	(160)
Net cash used in investing activities		(7,944)	(13,703)	(5,759)
Cash flows from financing activities	11.1.3			
Finance costs		(222)	(222)	-
Proceeds from borrowings		1,200	-	(1,200)
Repayment of borrowings		(322)	(501)	(179)
Net cash used in financing activities		656	(723)	(1,379)
Net decrease in cash and cash equivalents		4,004	(5,504)	(9,508)
Cash and cash equivalents at the beginning of the year		11,561	15,565	4,004
Cash and cash equivalents at end of the year	11.1.4	15,565	10,061	(5,504)

11.1.1 Operating activities (\$2.37 million decrease)

The decrease in cash inflows from operating activities is due mainly to the decrease in Federal Government Financial Grants, with 50% of the 2017/2018 grant being paid in 2016/2017, as well as \$3.50 million additional other payments in relation to the capping of cells at the Castlemaine Landfill (carry-forward from 2016/2017 budget and funded from the waste reserve). This is offset partly by capital grants received of \$2.16 million (additional road funding and funding for the Wesley Hill Recreation Reserve).

The net cash flows from operating activities does not equal the surplus (deficit) for the year as the expected revenues and expenses of council include non-cash items which have been excluded from the Cash Flow Statement. The budgeted operating result is reconciled to budgeted cash flows available from operating activities as set out in the following table.

	Forecast Actual 2016/2017	Budget 2017/2018	Variance
	\$'000	\$'000	\$'000
Surplus (deficit) for the year	3,740	1,743	(1,997)
Depreciation	7,918	7,071	(847)
Loss (gain) on disposal of property, infrastructure, plant & equipment	139	(475)	(614)
Finance costs	205	223	18
Net movement in current assets and liabilities	(710)	360	1,070
Cash flows available from operating activities	11,292	8,922	(2,370)

11.1.2 Investing activities (\$5.76 million increase)

The increase in payments for investing activities represents an increase in capital works expenditure disclosed in section 12 of this budget report.

11.1.3 Financing activities (\$1.38 million decrease)

For 2016/2017 new borrowings of \$1.2 million are proposed to fund the cell remediation works at the Castlemaine landfill and no new loans are budgeted for in 2017/2018.

11.1.4 Cash and cash equivalents at end of the year (\$5.50 million decrease)

Overall, total cash and investments is forecast to decrease by \$5.50 million to \$10.06 million as at 30 June 2018. The cash balance at 30 June 2018 includes a number of reserves for future capital works including the swimming pool reserve and waste reserve. The level of cash and investments is in line with Council's Strategic Resource Plan and Long Term Financial Plan.

11.2 Restricted and unrestricted cash and investments

Some cash and cash equivalents held by council are restricted in part and are not fully available for Council's operations. The budgeted cash flow statement above indicates that Council is estimating at 30 June 2018 it will have cash and investments of \$10.06 million, which has been restricted as shown in the following table.

		Forecast Actual 2016/2017	Budget 2017/2018	Variance
	Ref	\$'000	\$'000	\$'000
Total cash and investments		15,565	10,061	(5,504)
Restricted cash and investments				
- Statutory reserves	11.2.1	(854)	(858)	(4)
- Cash held to fund carry forward capital works	11.2.2	(705)	(500)	205
- Trust funds and deposits		(835)	(827)	8
Unrestricted cash and investments	11.2.3	13,171	7,876	(5,294)
- Discretionary reserves	11.2.4	(7,713)	(5,397)	2,316
Unrestricted cash adjusted for discretionary reserves	11.2.5	5,458	2,479	(2,979)

11.2.1 Statutory reserves (\$858,000)

These funds must be applied for specified statutory purposes in accordance with various legislative requirements. While these funds earn interest revenues for Council, the funds are not available for other purposes. Examples include the open space and car parking reserves funded by developer contributions and to be applied to a specific purpose.

11.2.2 Cash held to fund carry forward capital works

It is estimated that at 30 June 2017 the capital works budget will be substantially completed, therefore an estimate of \$705,000 is included for several incomplete projects. Section 6 contains further details on capital works funding.

11.2.3 Unrestricted cash and investments (\$7.88 million)

The amount shown is in accordance with the definition of unrestricted cash included in the Regulations. These funds are free of statutory reserve funds, trust funds and deposits and cash to be used to fund capital works expenditure from the previous financial year.

11.2.4 Discretionary reserves (\$5.40 million)

These funds are shown as discretionary reserves as, although not restricted by a statutory purpose, Council has made decisions regarding the future use of these funds and unless there is a Council resolution these funds should be used for those allocated purposes. The decisions about future use of these funds has been reflected in Council's Strategic Resource Plan and any changes in future use of the funds will be made in the context of the future funding requirements set out in the plan.

11.2.5 Unrestricted cash adjusted for discretionary reserves (\$2.48 million)

These funds are free of all specific Council commitments and represent funds available to meet daily cash flow requirements, unexpected short term needs and any budget commitments which will be expended in the following year such as grants and contributions. Council regards these funds as the minimum necessary to ensure that it can meet its commitments as and when they fall due without borrowing further funds.

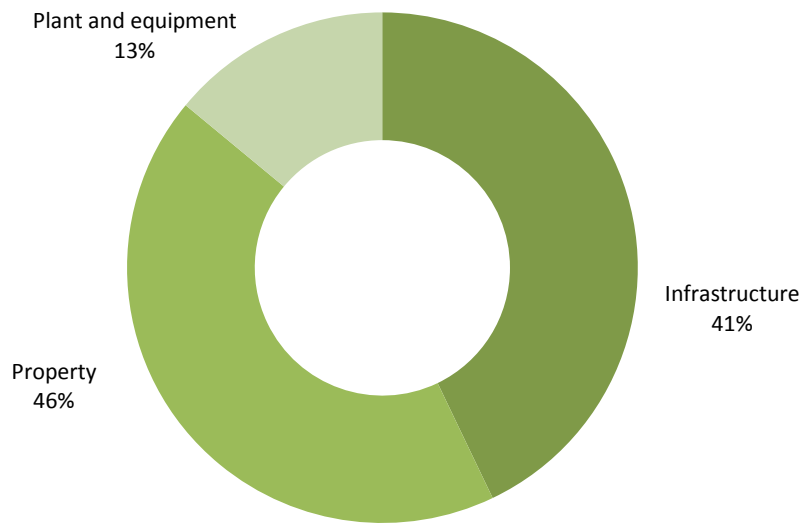
12. Analysis of capital works budget

This section analyses the planned capital expenditure budget for the 2017/2018 year and the sources of funding for the capital budget. Further detail on the capital works program can be found in section 6.

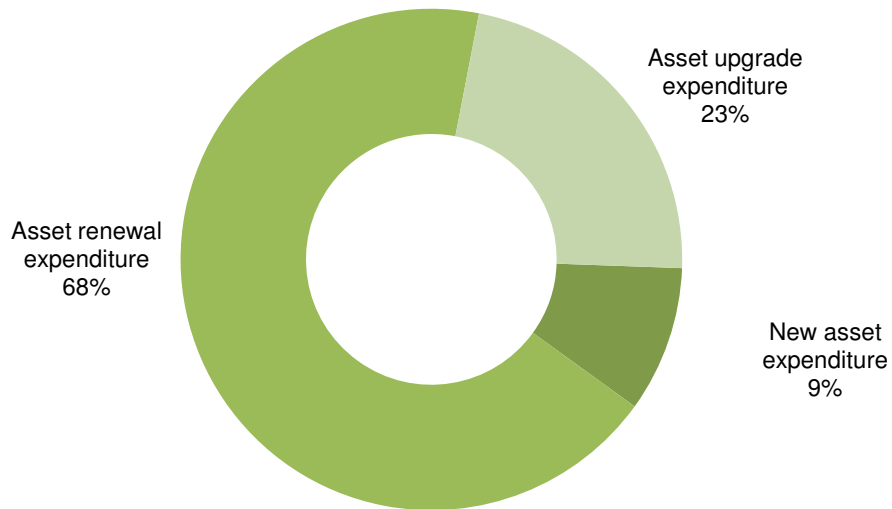
12.1 Capital works

Capital Works Areas	Ref	Forecast		Variance
		Actual 2016/2017	Budget 2017/2018	
		\$'000	\$'000	\$'000
Works carried forward				
Property				
Land improvements		-	167	167
Total land		-	167	167
Buildings		-	539	539
Total buildings		-	539	539
Total property		-	705	705
Total works carried forward	12.1.1	-	705	705
New works				
Property				
Land improvements	12.1.2	1,967	1,494	(473)
Total land		1,967	1,494	(473)
Buildings		1,462	3,264	1,802
Total buildings		1,462	3,264	1,802
Total property		3,429	4,759	1,330
Plant and equipment				
Plant, machinery and equipment	12.1.3	480	585	105
Motor vehicles		400	346	(54)
IT, Furniture and equipment		551	844	293
Total plant and equipment		1,431	1,775	344
Infrastructure				
Roads	12.1.4	2,841	2,798	(43)
Bridges		755	1,174	419
Footpaths and cycleways		260	881	621
Drainage		266	535	269
Waste management		100	50	(50)
Total infrastructure		4,222	5,438	1,216
Total new works		9,082	11,972	2,890
Total capital works expenditure		9,082	12,678	3,595
Represented by:				
New asset expenditure	12.1.5	1,624	1,193	(431)
Asset renewal expenditure	12.1.5	6,131	8,632	2,501
Asset upgrade expenditure	12.1.5	65	2,853	2,788
Total capital works expenditure		9,082	12,678	3,596

Capital Works by Type 2017/2018



Budgeted Capital Works 2017/2018



12.1.1 Carried forward works (\$705,000)

At the end of each financial year there are projects which are either incomplete or not commenced due to factors including planning issues, weather delays and extended consultation. For the 2016/2017 it is forecast that \$705,000 of capital works will be incomplete and be carried forward into the 2017/2018 year.

12.1.2 Property (\$5.46 million)

The property class comprises buildings and building improvements including community, cultural and recreation facilities.

For the 2017/2018 year building works to be undertaken include conservation works at the Market Building (\$275,000 inclusive of \$75,000 grant funding), works on kitchens in community halls (\$135,000) and renewal works and safety upgrades on community buildings (\$242,500). Funding has also been allocated for stage 1 and 2 works at the Wesley Hill Recreation Reserve for the design and construction of a multipurpose sports pavilion (\$3.15 million).

12.1.3 Plant and equipment (\$1.78 million)

Plant and equipment includes plant, machinery and equipment, computers and telecommunications.

For the 2017/2018 year, \$1.78 million will be expended on plant and equipment. The more significant projects include ongoing cyclical replacement of the plant (\$585,000) and vehicle fleet (\$346,000), and upgrade and replacement of information technology and Council's corporate software system (\$844,000).

12.1.4 Infrastructure (\$5.44 million)

Infrastructure includes roads, bridges, footpaths and cycleways, drainage, recreation, leisure and community facilities, parks, open space and streetscapes, and landfill works.

Road works to be undertaken include completing the annual road renewal program across the shire, including pavement rehabilitation of sections of Golden Point Road, McIvor Road, and Sutton Grange-Redesdale Road, the annual gravel road resheeting and local road resealing programs (\$2.79 million).

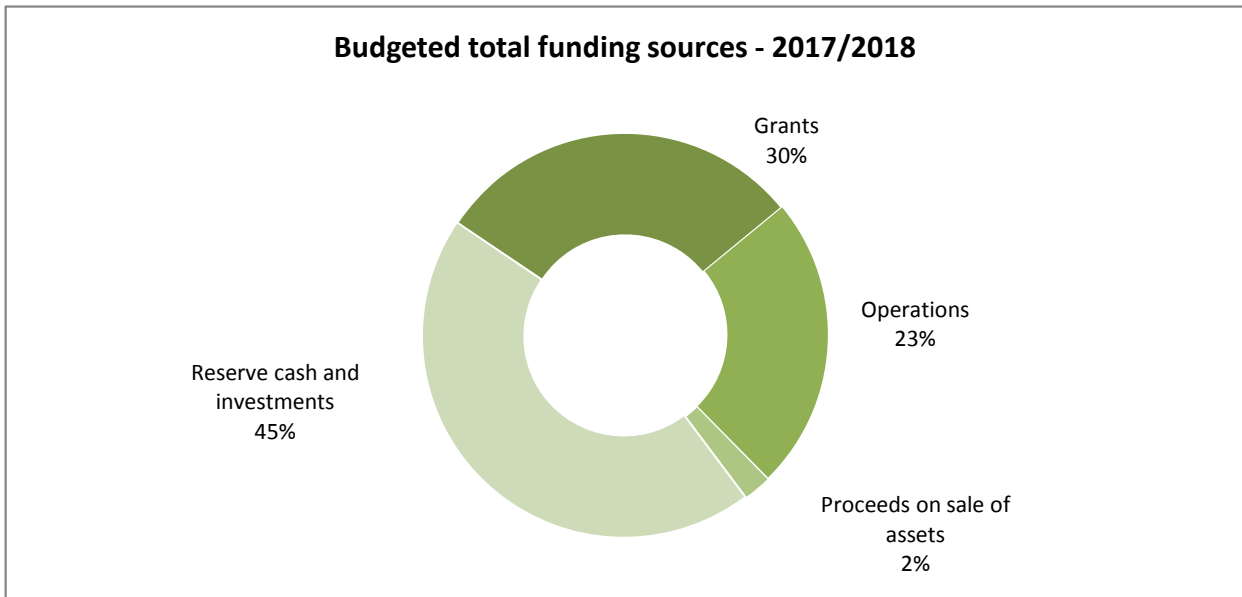
Bridge works include reconstruction of the bridges in Bubbs Lane, Chewton and Old Drummond Road, Taradale as well as investigation and designs for bridge works across the shire. Drainage improvement works will be undertaken at Saint Street, Castlemaine (\$264,000).

12.1.5 Asset expenditure classification

A distinction is made between expenditure on new assets, asset renewal, upgrade and expansion. Expenditure on asset renewal is expenditure on an existing asset, or on replacing an existing asset, that returns the service of the asset to its original capability. Expenditure on new assets does not have any element of expansion or upgrade of existing assets but will result in an additional burden for future operation, maintenance and capital renewal.

12.2 Funding sources

Sources of funding	Ref	Forecast	Budget	Variance
		Actual 2016/2017 \$'000	2017/2018 \$'000	\$'000
Works carried forward				
Current year funding				
Council cash				
- operations		-	705	705
Total works carried forward	12.2.1	-	705	705
New works				
Current year funding				
Grants	12.2.2	1,808	3,754	1,946
Contributions			-	-
Borrowings		1,200	-	(1,200)
Council cash				
- operations	12.2.3	693	2,280	1,588
- proceeds on sale of assets	12.2.4	435	275	(160)
- reserve cash and investments	12.2.5	4,947	5,663	716
Total new works		9,082	11,972	2,890
Total funding sources		9,082	12,678	3,596



12.2.1 Carried forward works (\$705,000)

At the end of each financial year there are projects which are either incomplete or not commenced due to factors including planning issues, weather delays and extended consultation. For the 2016/2017 year it is forecast that \$705,000 million of capital works will be incomplete and be carried forward into the 2017/2018 year.

12.2.2 Grants - capital (\$3.75 million)

Capital grants include all monies received from state and federal sources for the purposes of funding the capital works program. Capital grants include \$1.729 million from the Roads to Recovery Program and \$1.9 million for stage 2 redevelopment of the Wesley Hill Recreation Reserve.

12.2.3 Council cash - operations (\$2.28 million)

Council generates cash from its operating activities, which is used as a funding source for the capital works program. It is forecast that \$2.28 million will be generated from operations to fund the 2017/2018 capital works program. Refer to section 11 'Analysis of Budgeted Cash Position'.

12.3.4 Council cash - proceeds from sale of assets (\$275,000)

Proceeds from sale of assets include motor vehicle sales in accordance with council's fleet and plant & equipment renewal policy.

12.3.5 Reserve cash - reserve cash and investments (\$5.66 million)

Council has a number of specific purpose reserves, which are used to fund capital works and special projects. The reserves include monies set aside for the renewal of Council's aquatic facilities, works at the Castlemaine Landfill and open space reserve.

13. Analysis of budgeted financial position

This section reviews the movements in assets, liabilities and equity between 2016/2017 and 2017/2018. It also considers a number of key financial performance indicators.

13.1 Budgeted balance sheet

	Ref	Forecast Actual 2016/2017 \$'000	Budget 2017/2018 \$'000	Variance \$'000
Current assets	13.1.1			
Cash and cash equivalents		15,565	10,061	(5,504)
Trade and other receivables		4,649	3,162	(1,487)
Inventories		70	70	-
Non-current assets classified as held for sale		75	75	-
Total current assets		20,359	13,368	(6,991)
Non-current assets	13.1.1			
Intangible assets		470	470	-
Investments in associates and joint ventures		747	767	20
Property, infrastructure, plant and equipment		305,581	312,073	6,492
Total non-current assets		306,798	313,310	6,512
Total assets		327,157	326,678	(479)
Current liabilities	13.1.2			
Trade and other payables		1,608	2,045	(437)
Trust funds and deposits		835	827	8
Provisions		5,905	2,455	3,450
Interest-bearing loans and borrowings		346	534	(188)
Total current liabilities		8,694	5,861	2,833
Non-current liabilities	13.1.2			
Provisions		1,893	1,936	(43)
Interest-bearing loans and borrowings		4,500	3,811	689
Total non-current liabilities		6,393	5,747	646
Total liabilities		15,087	11,608	3,479
Net assets		312,070	315,070	3,000
Equity	13.1.4			
Accumulated surplus		108,325	112,605	4,281
Reserves		203,745	202,466	(1,279)
Total equity		312,070	315,071	3,001

13.1.1 Current Assets (\$6.99 million decrease) and Non-Current Assets (\$6.51 million increase)

Cash and cash equivalents include cash and investments such as cash held in the bank and in petty cash and the value of investments in deposits or other highly liquid investments with short term maturities of three months or less. These balances are projected to decrease by \$5.50 million during the year.

Trade and other receivables are monies owed to council by ratepayers and others. Short term debtors are expected to decrease during 2017/2018 as outstanding debts continue to be paid to council.

Property, infrastructure, plant and equipment is the largest component of council's worth and represents the value of all the land, buildings, roads, vehicles, equipment, etc. which has been built up by council over many years. The increase in this balance is attributable to the net result of the capital works program, depreciation of assets and asset revaluations.

13.1.2 Current Liabilities (\$2.83 million decrease) and Non Current Liabilities (\$646,000 decrease)

Trade and other payables are those to whom Council owes money as at 30 June. These liabilities are not expected to change significantly.

Provisions include accrued long service leave and annual leave entitlements. These employee entitlements are only expected to increase marginally due to active management of leave. There will be a reduction in the provision for landfill rehabilitation of \$3.78 million as these works will be completed in 2017/2018.

Interest-bearing loans and borrowings will decrease by \$501,000 due to principal repayments.

Working Capital (\$4.16 million decrease)

Working capital is the excess of current assets above current liabilities. This calculation recognises that although council has current assets, some of those assets are already committed to the future settlement of liabilities in the following 12 months, and are therefore not available for discretionary spending. The reduction also reflects the higher cash balance as at 30 June 2017 due to early payment of the Financial Assistance Grants.

Some of council's cash assets are restricted in that they are required by legislation to be held in reserve for specific purposes or are held to fund carry forward capital works from the previous financial year.

	Forecast Actual 2016/2017 \$'000	Budget 2017/2018 \$'000	Variance \$'000
Current assets	20,359	13,368	(6,991)
Current liabilities	8,694	5,861	2,833
Working capital	11,665	7,507	(4,158)
Restricted cash and investment current assets			
- Statutory reserves	(854)	(858)	4
- Cash used to fund carry forward capital works	(705)	(500)	(205)
- Trust funds and deposits	(835)	(827)	(8)
Unrestricted working capital	9,270	5,322	(3,948)

In addition to the restricted cash shown above, council is also projected to hold \$5.40 million in discretionary reserves at 30 June 2018. Although not restricted by a statutory purpose, Council has made decisions regarding the future use of these funds and unless there is a Council resolution these funds should be used for those earmarked purposes.

13.1.4 Equity (\$3.00 million increase)

Total equity always equals net assets and is made up of the following components:

- * Asset revaluation reserve which represents the difference between the previously recorded value of assets and their current valuations
- * Other reserves that are funds that Council wishes to separately identify as being set aside to meet a specific purpose in the future and to which there is no existing liability. These amounts are transferred from the accumulated surplus of the Council to be separately disclosed
- * Accumulated surplus which is the value of all net assets less reserves that have accumulated over time. The increase in accumulated surplus results directly from the operating surplus for the year, and net result of reserve transfers.

Long Term Strategies

This section includes the following analysis and information.

- 14 Strategic resource plan
- 15 Rating information

14. Strategic resource plan

This section includes an extract of the adopted Strategic Resource Plan to provide information on the long term financial projections of the council.

14.1 Plan development

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

Council has prepared an SRP for the four years 2017/2018 to 2020/2021 as part of its ongoing financial planning to assist in preparing a Long Term Financial Plan (LTFP) which is over a 10 year period. The SRP takes the strategic objectives and strategies as specified in the Council Plan and expresses them in financial terms for the next four years.

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

- * Maintain operating surpluses and a positive underlying result over the life of the LTFP.
- * Maintain a working capital ratio greater than 120%.
- * Achieve a balanced budget on a cash basis over the long term.

In preparing the SRP, council has also been mindful of the need to comply with the following principles of sound financial management as contained in the Act:

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

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

14.2 Financial resources

The following table summarises the key financial results for the next four years as set out in the SRP.

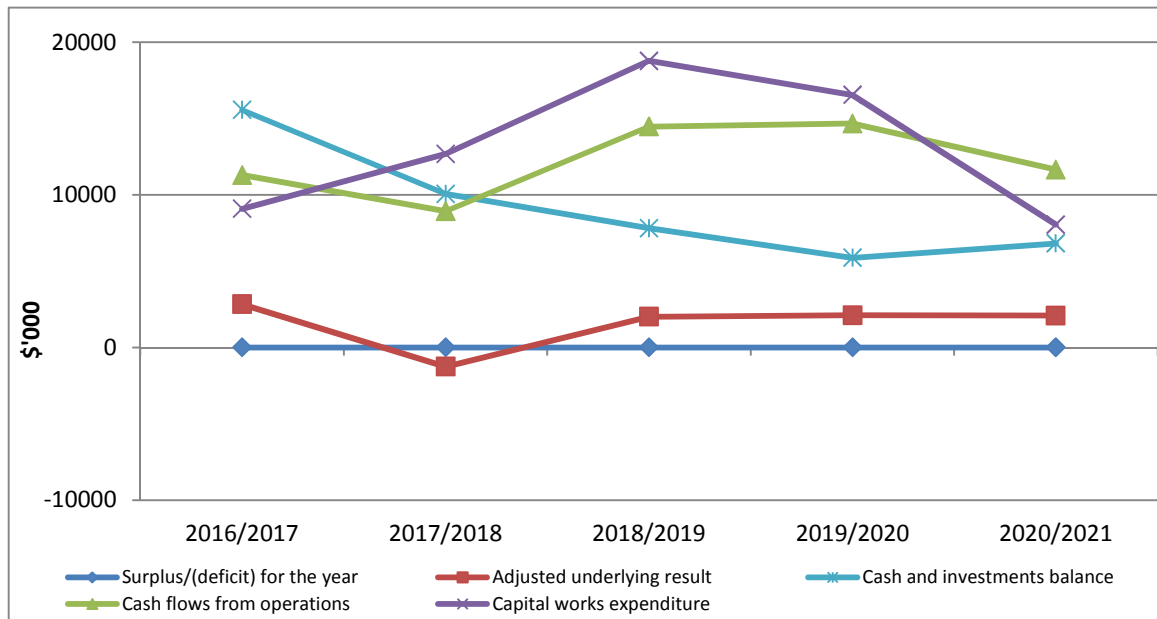
Indicator	Forecast	Budget	Strategic			Trend
	Actual		Projections			
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Surplus/(deficit) for the year	3,740	1,743	6,868	6,154	2,783	+
Adjusted underlying result	2,835	(1,257)	2,017	2,118	2,087	o
Cash and investments balance	15,565	10,061	7,820	5,875	6,820	-
Cash flows from operations	11,292	8,922	14,472	14,670	11,650	+
Capital works expenditure	9,082	12,678	18,786	16,549	8,042	+

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

14.2 Financial resources (continued)

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



The key outcomes of the SRP are as follows:

- * Financial sustainability (section 4) - cash and investments is forecast to decrease over the four year period from due to utilisation of discretionary reserves to fund significant projects, and decreased rate revenue as a result of the Fair Go Rates System.
- * Rating levels (section 15) – modest rate increases are forecast over the four years at rates forecast per the Essential Services Commission.
- * Service delivery strategy – service levels have been maintained throughout the four year period. Despite this, operating surpluses are forecast in all years as a result of capital grant revenue being received to fund the annual capital works program.
- * Borrowing strategy (section 16) – borrowings are forecast to increase from \$4.85 million to \$5.93 million over the four year period. Borrowings in future years will be utilised to fund a new Indoor Aquatic Centre.
- * Infrastructure strategy (section 16) - capital expenditure over the four year period will total \$57.01 million at an average of \$14.25 million per year.

15. Rating information

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

15.1 Rating context

In developing the Strategic Resource Plan (referred to in section 14), rates and charges were identified as an important source of revenue, accounting for over 66% of the total revenue received by council annually. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process. The level of required rates and charges has been considered in this context, with reference to council's other sources of income and the planned expenditure on services and works to be undertaken for our community.

15.2 Future rate increase

The following table sets out future proposed increases in rates and charges and the total rates to be raised, based on the forecast financial position of council as at 30 June 2017.

Year	General Rate Increase %	Municipal Charge Increase %	Garbage Charge Increase %	Recycling Charge Increase %	Total Rates Raised \$'000
2016/2017	2.50	0.00	3.50	3.50	22,255
2017/2018	2.00	Note 1	3.50	3.50	23,237
2018/2019	2.75	Note 1	3.50	3.50	24,301
2019/2020	2.75	Note 1	3.50	3.50	25,115

Note 1 - Council has reviewed its Rating Strategy 2016/2021, which results in the phased removal of the municipal charge in 2017/2018 and 2018/2019, and therefore rate increase's to the general rate will be higher then proposed increased in general rate income (above). Overall revenue to council will be the same.

15.3 Rating structure

Council's current rating strategy was developed in 2015. A review of the rating strategy has been undertaken to ensure the equitable distribution of rates in accordance with the Local Government Act and the Ministerial Guidelines.

Council engaged the University of Technology Sydney (UTS) Centre for Local Government to assist in the review including analysis of the effectiveness of the current strategy, and the development of scenarios to test the impact on all ratepayers of any proposed changes. The objectives of the review were to:

- * Identify and recommend principles council should consider when striking general rates and using rating differentials.
- * Equitable sharing of the rate burden between categories of property.
- * General rates versus levies and charges.
- * Identify any other special rates that council should consider.

Striking a proper balance between these elements provides equity in the distribution of the rate burden across residents. Council makes a further distinction within the property value component of rates based on the purpose for which the property is used, that is, whether the property is used for residential or commercial purposes. This distinction is based on the concept that business should pay a fair and equitable contribution to rates taking into account the benefits those commercial properties derive from the local community.

15.3 Rating structure (continued)

Having reviewed the various valuation bases for determining the property value component of rates, council has determined to continue to apply a Capital Improved Value (CIV) basis on the grounds that it provides the most equitable distribution of rates across the municipality.

The previous rating structure comprises four differential rates (residential, farm, vacant and commercial), and a rate concession for land management on eligible land. These rates are structured in accordance with the requirements of the Local Government Act.

Under the Cultural and Recreational Lands Act 1963, provision is made for a council to levy the rate for recreational lands at "such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands".

The previous rating strategy also noted that Council levies a municipal charge, a kerbside collection charge and a recycling charge as allowed under the Act.

The Rating Strategy 2016-2021 recommended and council adopted, the following:

- a) Continue the use of the CIV model of valuations;
- b) Continue with the current differential rating categories;
- c) Continue with the 130% differential for commercial properties;
- d) Continue with the 200% differential for vacant land properties;
- e) Continue with the 100% differential for general-farm properties;
- f) Continue with the 0% differential for recreational and cultural properties;
- g) To further encourage sustainable land management practices, it is recommended that the Land Management Rate (LMR) be decreased to 80% of the general rate, and phased in to reduce the impact on other ratepayers: 2016/2017 - 90% of the general rate and 2017/2018 and on-going - 80% of the general rate;
- h) Phase out the Municipal Charge over 3 years: 2015/2016 - \$188.00, 2016/2017 - \$188.00, 2017/2018 - \$94.00 and 2018/2019 and on-going - \$0.00
- i) Retain the Trust for Nature Covenant rebate at 100% of the general rate, for the relevant site portion.

A more detailed analysis of the rates to be raised is contained in section 7.



Civic Centre, Cnr Lyttleton & Lloyd Sts
PO Box 185 Castlemaine VIC 3450
Office hours: 8.30am-5.00pm weekdays

t (03) 5471 1700
e Info@mountalexander.vic.gov.au
w www.mountalexander.vic.gov.au
