



Budget

2011-2012

Creating a better lifestyle and environment



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Mayor's introduction

Together, in partnership, let's get going

The 2011/2012 Council Budget plans a record spend of \$40 million across the Northern Grampians Shire - almost double our average yearly budget.

Council entered this year's budget process aiming to deliver a budget that supports the Council Plan, works within our means and the means of our community and effectively manages resources.

With prudent management of our finances and resources we have kept the rate increase to 6.5%. We have formed this budget with no borrowings needed to achieve what is a record investment in our community's future and at the same time restore our flood damaged assets.

Some \$2.3m will be invested into children's services, aged care, recreation, leisure and libraries, and \$1.5m to create a better lifestyle for residents and businesses and to secure Northern Grampians as the top place for investment.

Major growth projects to receive funding under the budget include the undergrounding of power in Halls Gap, the commencement of stage two of the Halls Gap Community and Tourism Hub and an investigation into the feasibility of natural gas for St Arnaud. We will also have a bigger focus on community assets this year through Stawell's Linking CBD project, St Arnaud Heritage Streetscape, Great Western Memorial Park and pathways and the regeneration of several ovals and public spaces after years of drought. The budget includes \$10.9 million to help Council address vital flood recovery infrastructure works across the shire and to continue to deliver programs to assist with the personal and business flow-on from this major natural disaster. \$23 million dollars in funds over three years have been painstakingly derived from federal and state governments after much lobbying and it is a credit to the foresight of this Council that we are well placed to deliver a structured recovery program over the next 2 years.

Budget Highlights 2011/2012 include:

- \$16m for capital works: parks, recreational areas, buildings and roads
- \$10.9m for flood recovery works (infrastructure and community)
- \$5.6m on roads
- \$2.3m for children's services, aged care, recreation, leisure services & libraries
- \$1.5m on waste management & implementation of key recommendations from 'Sustainable Living Strategy'
- \$1.9m for buildings including stage 2 of Halls Gap Community & Tourism Hub and redevelopment of shop 108 Main Street as part of 'Stawell CBD Linking Project'
- \$1.1m on major projects like St Arnaud Heritage Streetscape and North Park Recreation Reserve
- \$1.8m on major plant and equipment to keep graders on our rural roads.

Councillors and council staff are pleased to present a budget that is balanced, realistic and will continue to make this Shire an attractive and sustainable place for investment and for families to establish themselves for the long-term.

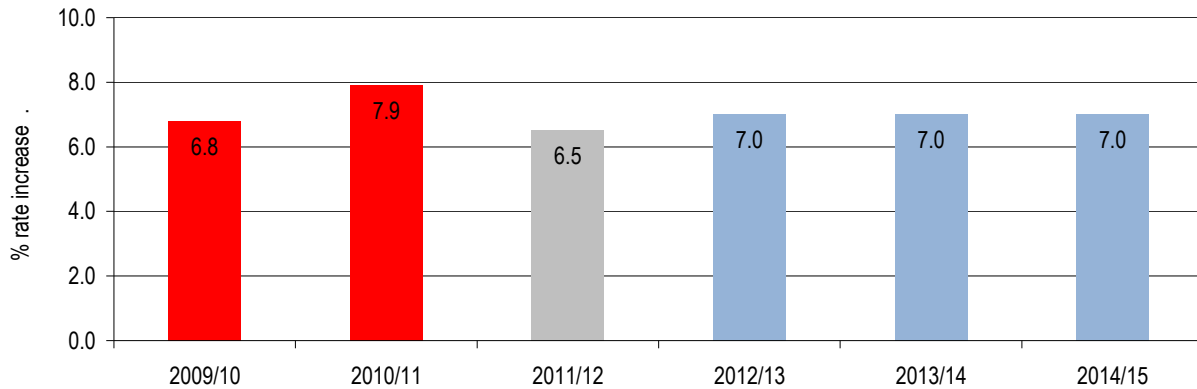
This budget was developed through a rigorous process of consultation and review and Council endorses it as financially responsible. It is with pleasure that I present this budget to the community and look forward to your comments.

Cr Ray Hewitt
Mayor

Chief Executive Officer's Summary

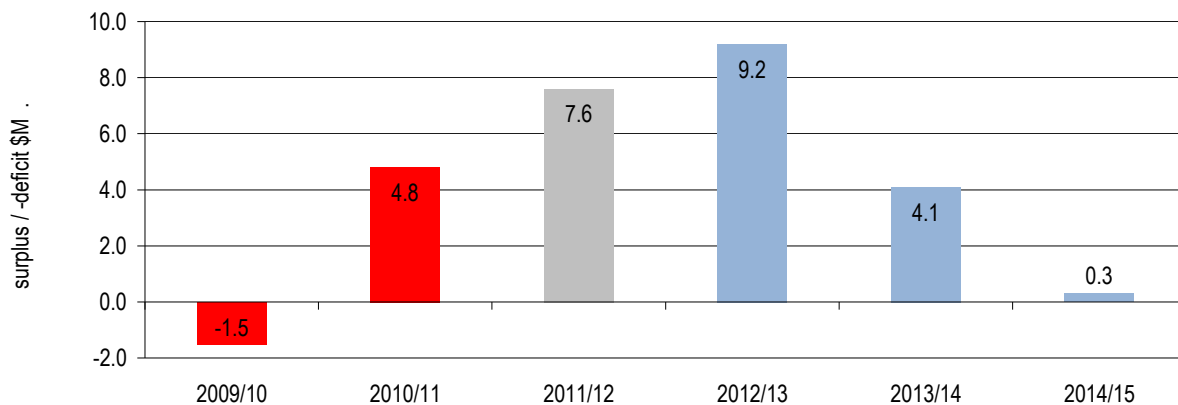
Council has prepared a budget for the 2011/12 financial year which seeks to balance the demand for services and infrastructure with the community's capacity to pay. Key budget information is provided below about the rate increase, operating result, service levels, cash and investments, capital works, financial position, financial sustainability and key strategic activities of the Council.

1. Rates



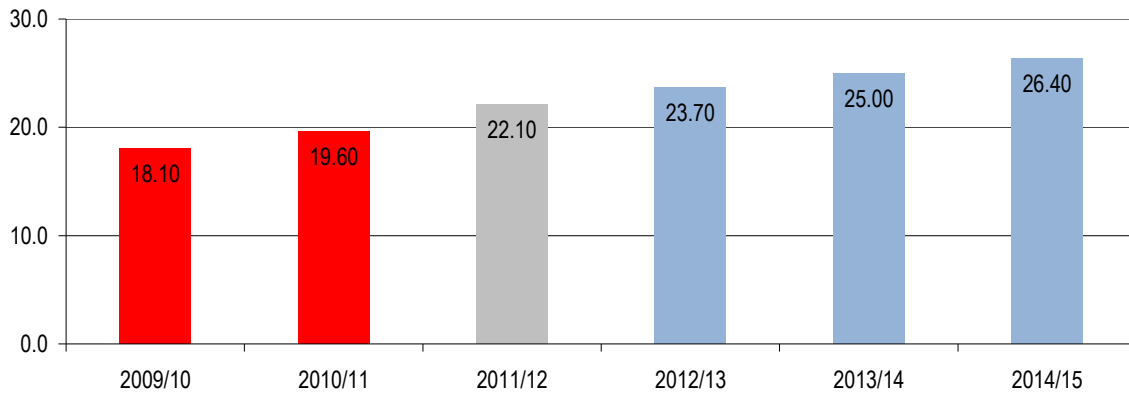
It is proposed that general rates increase by 6.5% for the 2011/12 year, raising total rates of \$10.82 million. (The rate increase for the 2010/11 year was 7.9%).

2. Operating result



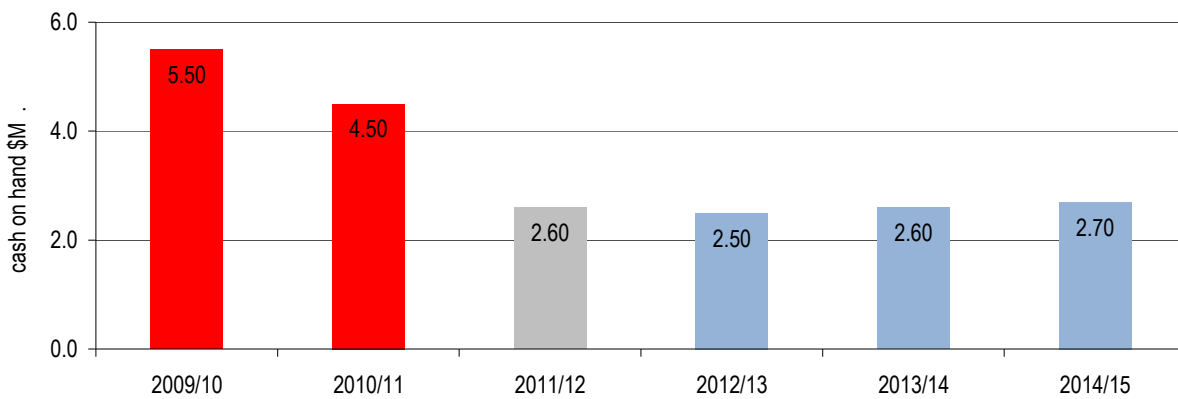
The expected operating result for the 2011/12 year is a surplus of \$7.6 million, which is an increase of \$2.8 million over 2010/11. The improved operating result is due mainly to external funding for capital works to restore flood damaged infrastructure. The restoration of flood damaged infrastructure is expected to take until mid 2013/14. (The forecast operating result for the 2010/11 year is a surplus of \$4.8 million).

3. Services



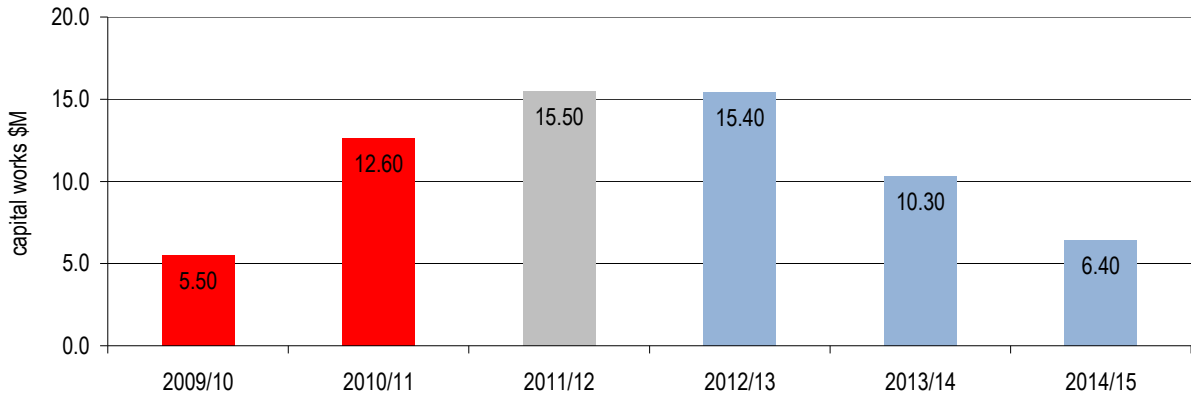
The cost of services delivered to the community for the 2011/12 year is expected to be \$22.1 million which is an increase of \$2.50 million over 2010/11. For the 2011/12 year, service levels have been maintained and a number of new activities and initiatives proposed. (The forecast cost for the 2010/11 year is \$19.6 million).

4. Cash and investments



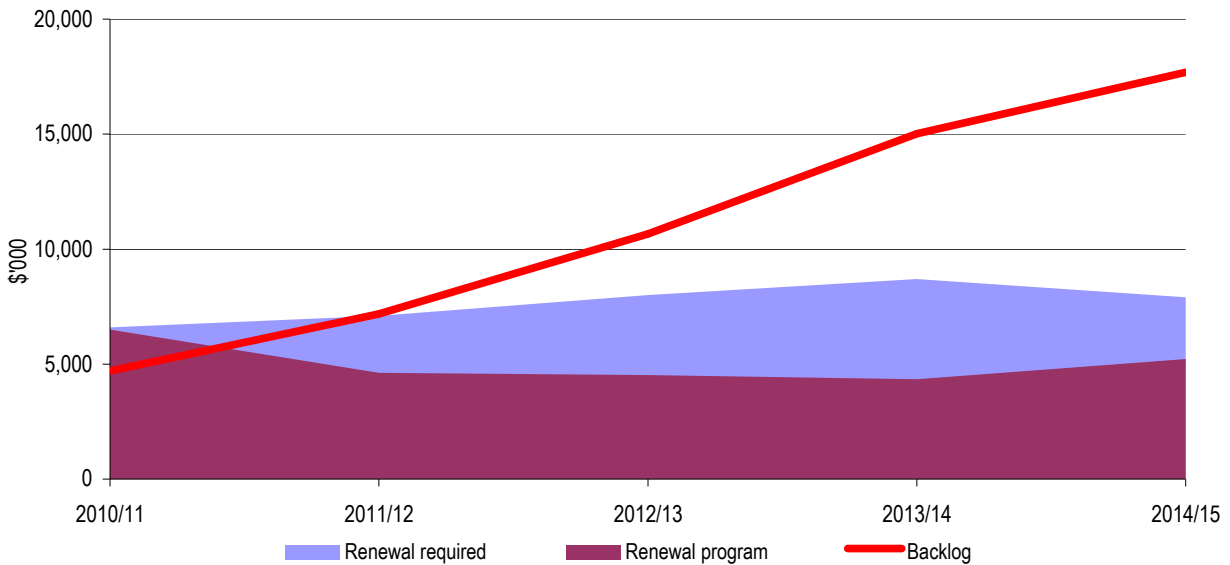
Cash and investments are expected to decrease by \$1.9 million during the year to \$2.6 million as at 30 June 2012. This reduction is the result of a large capital works program in 2011/12, funded in part from cash reserves. (Cash and investments are forecast to be \$4.5 million as at 30 June 2011).

5. Capital works

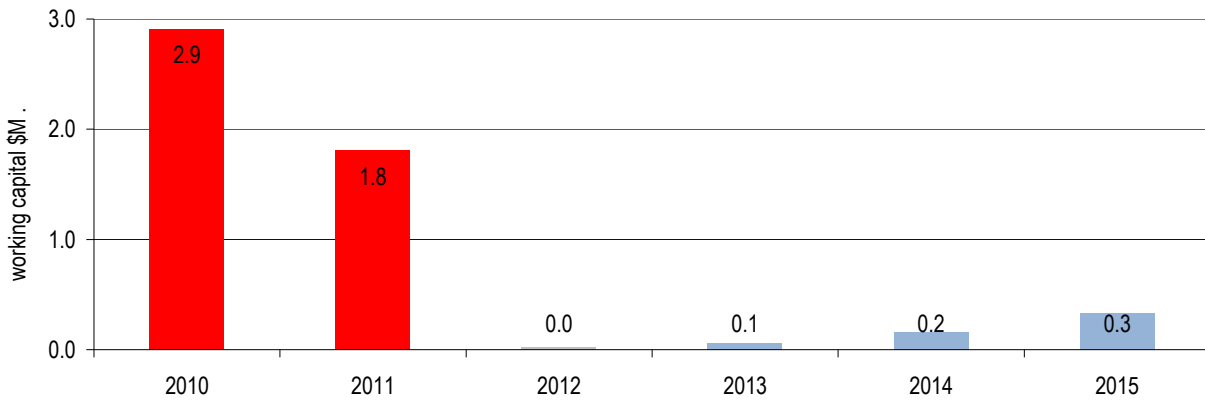


The capital works program for the 2011/12 year is expected to be \$15.5 million of which \$8.0 million relates to the restoration of flood damaged infrastructure. The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project. The capital works program between 2010/11 and 2013/14 is heavily influenced by both the flood damage restoration and the rejuvenation of several major community facilities including Halls Gap Hub, North Park Redevelopment and Stawell CBD Linking Project. (Capital works is forecast to be \$12.6 million for the 2010/11 year).

The graph below sets out the required and actual asset renewal over the life of the current Strategic Resource Plan and the renewal backlog. This has been adjusted to remove the flood restoration from the asset renewal program.

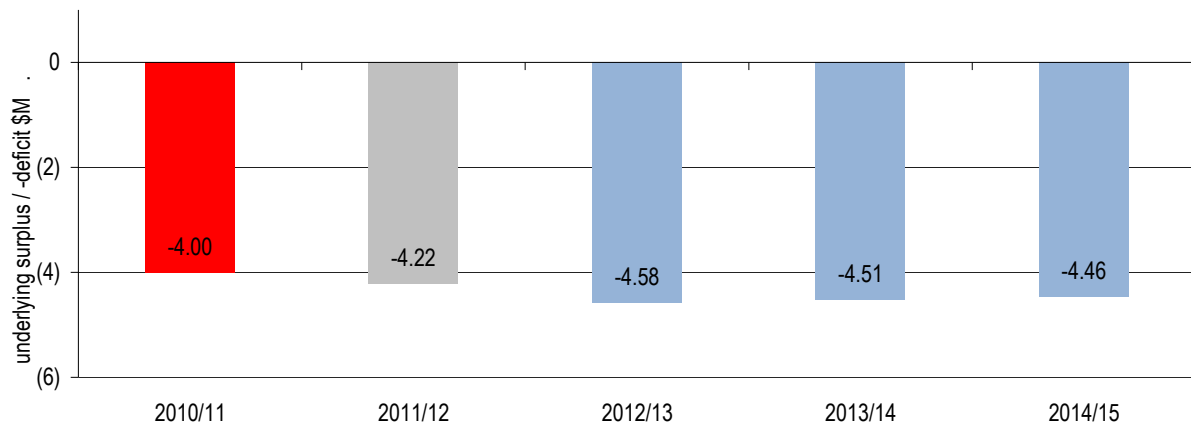


6. Financial position



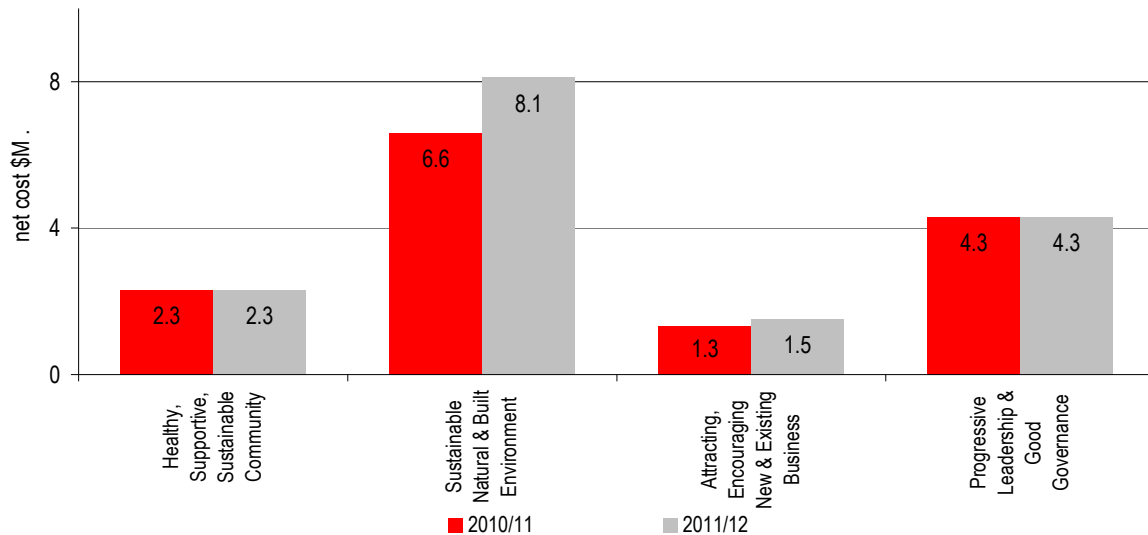
The net assets are expected to improve by \$7.6 million to \$260,698 million, however net current assets (working capital) will reduce by 1.8 million as at June 2012. This is mainly due to the use of cash reserves to fund the capital works program. (Total equity is forecast to be \$253,091 million as at 30 June 2011).

7. Financial sustainability



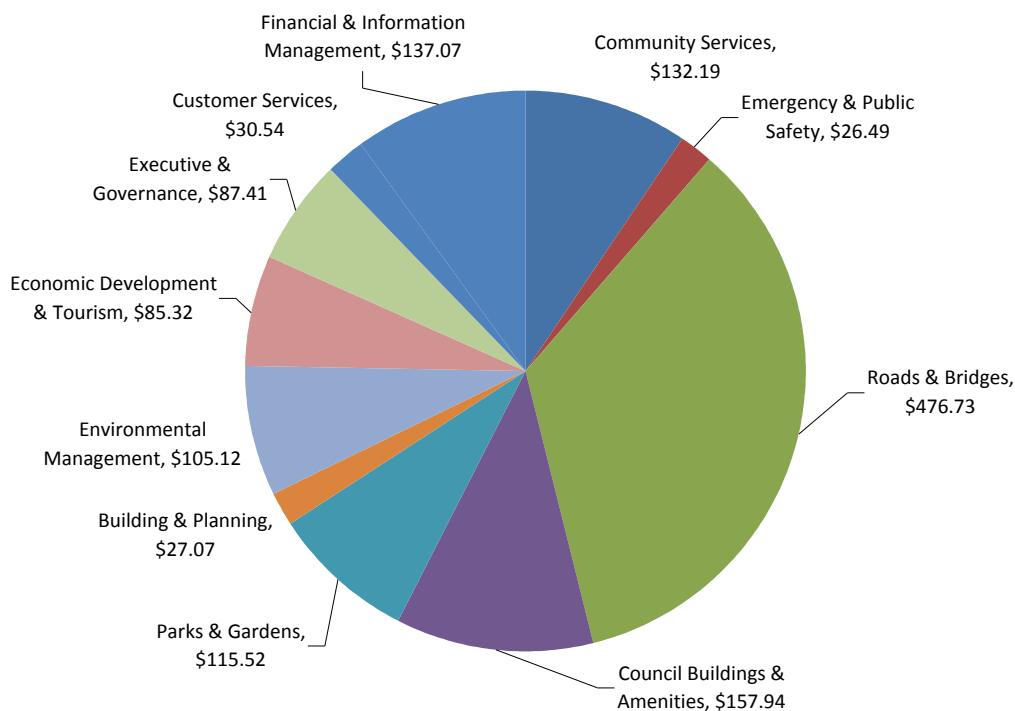
A high level Strategic Resource Plan for the years 2011/12 to 2014/15 has been developed to assist Council in adopting a budget within a longer term prudent financial framework. The key objective of the Plan is financial sustainability in the medium to long term, while still achieving the Council's strategic objectives as specified in the Council Plan. While the Plan projects that Council's operating result will break-even by the 2014/15 year (following the inflated operating results in 2011 to 2013 due to the impacts of flood recovery), the underlying result which is a measure of financial sustainability, shows a steady deficit over the four year period. This demonstrates Council's reliance on grant funding to maintain services.

8. Strategic objectives



The Annual Budget includes a range of activities and initiatives to be funded that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the net level of funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan for the 2011/12 year.

9. Where rates are spent



The above chart provides an indication of how Council allocates its rates expenditure across the main services that it delivers. It shows how much is allocated to each service area based on the average rates paid of \$1,381.40.

This budget has been developed through a rigorous process of consultation and review and management endorses it as financially responsible. More detailed budget information is available throughout this document.

Justine Linley
Chief Executive Officer

Budget processes

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

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

To assist interested persons to understand the budget and make a submission if they wish, Council officers undertake a community engagement process including public information sessions, focus groups and other techniques. The final step is for Council to adopt the budget after receiving and considering any submissions from interested parties. The budget is required to be adopted and a copy submitted to the Minister by 31 August each year. The key dates for the budget process are summarised below:

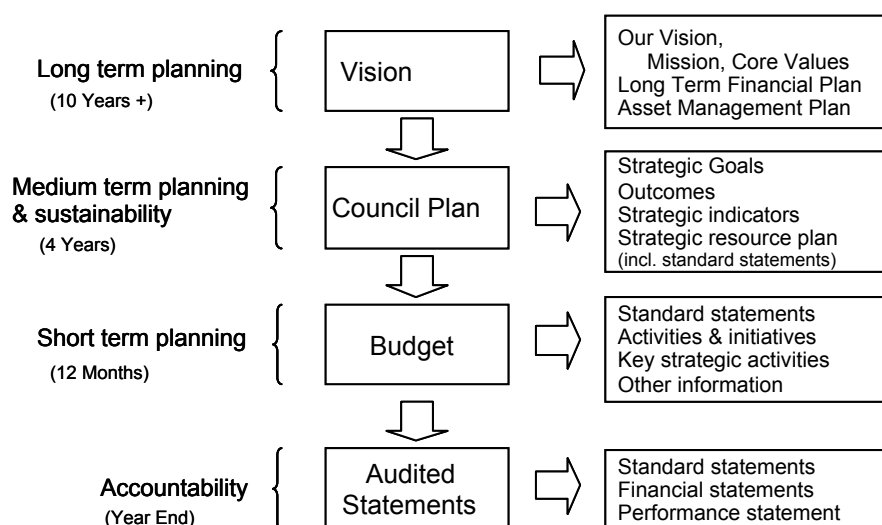
Budget process	Timing
1. Officers prepare operating and capital budgets	Feb/Mar
2. Council considers draft budgets at informal briefings	Apr/May
3. Proposed budget submitted to Council for approval	May
4. Public notice advising intention to adopt budget	May
5. Budget available for public inspection and comment	May
6. Community engagement process undertaken	May/Jun
7. Submissions period closes (28 days)	Jun
8. Submissions considered by Council/Committee	Jun
9. Budget and submissions presented to Council for adoption	Jun
10. Copy of adopted budget submitted to the Minister	Aug

1. Linkage to the Council Plan

The Council's Annual Budget is linked directly to the implementation of the Council Plan. This fits within an overall planning framework, guiding Council in identifying community needs and aspirations over the long term (Vision), medium term (Council Plan), and short term (Annual Budget) and then holding itself accountable (Audited Statements).

1.1 Strategic planning framework

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



1.2 Our purpose

Our vision "Creating a better lifestyle and environment"

The Northern Grampians Shire Council Plan for the period 2009 to 2013 works towards the vision of "Creating a better lifestyle and environment", and supports the Council's mission of providing valued services, caring for our community and the environment and promoting the Shire's strengths.

Our values

The Northern Grampians Shire Council is a skilled and capable organisation which is:

- **Responsive** - through community engagement, listening to and responding appropriately to community needs
- **Accountable** - being transparent and honest in dealings and responsible in decision making
- **Fair** - being informed and impartial in decision making
- **Innovative** - being positive and able to find solutions
- **Sustainable** - stewardship of the community, environment, economy and Council
- **Respectful** - of people's views and diversity

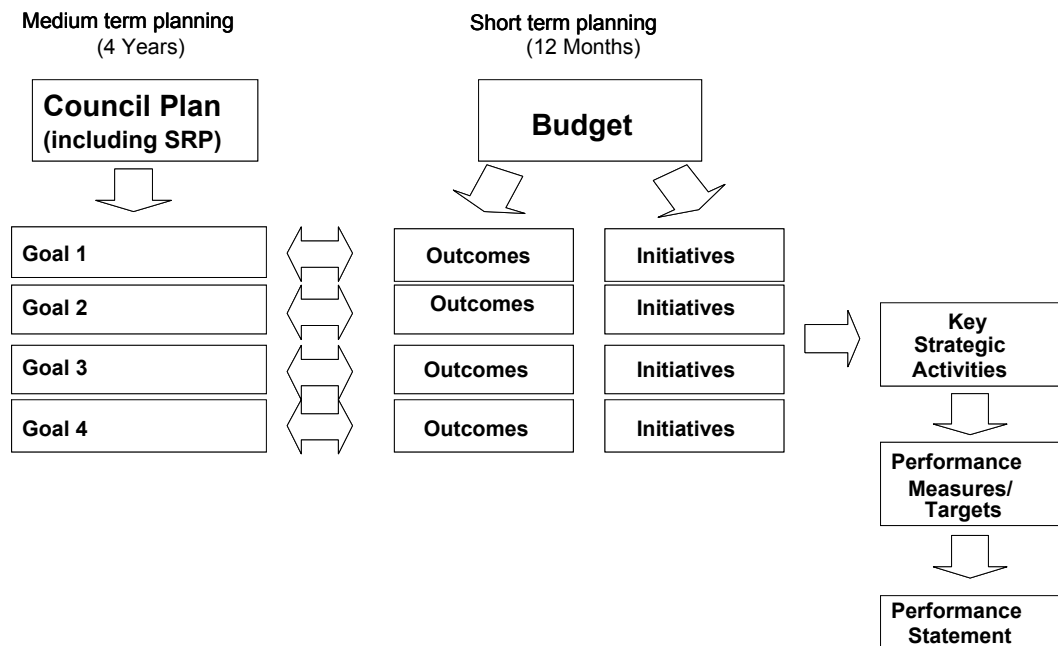
1.3 Strategic objectives

The Council delivers activities and initiatives under 45 functional areas. Each contributes to the achievement of one of the four Goals as set out in the Council Plan for the 2009-13 years.

Goal	Description
1. A healthy, supportive and safe community providing a sustainable quality lifestyle	A family friendly environment which provides quality family and child support services. Young people have opportunities to participate and maximise their potential in the community. Seniors are participating and living in the community longer. People are participating in sport and recreation activities. A community with the capacity and willingness to support all people. A safe community. A creative and learning community. A community which has leadership in emergency management.
2. A sustainable natural and built environment that meets current and future needs	Responding to the impacts of climate change. Minimising waste through integrated management. Safe and effective wastewater and stormwater systems. A safe and efficient transport network. Protect and enhance the natural environment. Attractive and user-friendly parks, gardens and streetscapes. Buildings and facilities meeting the needs of the community. Sustainable growth of townships and rural areas while conserving unique character and heritage.
3. A sustainable economy, attracting and encouraging new enterprises while supporting existing businesses	Attract new sustainable business. An economy which encourages population growth. Stawell and St Arnaud established as key regional service and retail centres. Key industries supported to optimise growth. Infrastructure that supports sustainable economic development. A successful tourism industry across the Shire. Opportunities from climate change maximised.
4. Progressive leadership, good governance, efficient and cost-effective services	Effective strategic management planning, processes and performance management. Effective governance and leadership. Skilled, committed and professional staff in a safe and supportive environment. Sustainable high quality customer-orientated services. Effective and efficient corporate and administrative services. Financial sustainability and accountable financial management. Effective information and communication services that support efficient operations and service delivery.

2. Outcomes, initiatives and key strategic activities

The Budget for the 2011/12 year will contribute to achieving the four Goals specified in the Council Plan as set out in Section 1. 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 is shown below.



2.1 Goal 1: A healthy, supportive and safe community providing a sustainable, quality lifestyle

To achieve our goal of a healthy, supportive and safe community we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The outcomes and initiatives for the goal are described below.

Strategy

Outcome	Description
A family friendly environment, quality family and child support	Ensure the community has quality childcare services. Provide and promote services that support families in meeting the health needs of children.
Young people have opportunities to participate and maximise their potential in the community	Partner with schools, government and community organisations to identify needs and options for young people. Support youth capacity building initiatives and youth career opportunities. Encourage and support youth leisure activities.
Seniors are participating and living in the community longer	Ensure seniors have access to quality Home and Community Care services. Foster community support programs to enhance the wellbeing and lifestyle of seniors.
People are participating in sport and recreation activities	Plan for and ensure the provision of sport and recreational activities and facilities. Promote and support sport and recreation events.

Outcome	Description
A community with the capacity and willingness to support all people	Partner with the community to plan for their future. Ensure inclusiveness and access for all people. Support and encourage a sustainable volunteer network.
A safe community	Plan, prepare for, respond to and recover from emergency events. Provide public and environmental health services. Ensure effective management of animals. Support activities that encourage safe and responsible community behaviour.
A creative and learning community	Provide access to information for life-long learning. Support and encourage cultural and artistic expression in the community.
A community which has leadership in emergency management	Implement measures to prevent or reduce both the causes and effects of emergencies. Manage arrangements for the utilisation and implementation of municipal resources in the response to emergencies. Assist the effected community to recover following an emergency. Represent our community in local, regional and state emergency planning arrangements.

Initiatives

- \$1.6 million for the provision of Home and Community Care services, meals on wheels, senior citizens centres and programs. This provides for the delivery of over 25,000 meals and over 10,000 hours of support, personal care and assistance to some of the most vulnerable people in our community.
- \$2 million for the provision of kindergarten, maternal and child health and childcare services in Stawell and St Arnaud.
- \$350,000 on supporting key community development activities, including steps towards the implementation of community plans in Stawell, St Arnaud, Great Western, Marnoo, Stuart Mill and Navarre and the development of a plan for Glenorchy.
- \$650,000 on the provision of pools and leisure services in Stawell and St Arnaud, as well as an additional \$100,000 for solar heating at the St Arnaud Pool, \$10,000 contribution towards capital costs at the St Arnaud Stadium and implementation of the \$300,000 backwash facility at the Stawell Leisure Complex.
- \$200,000 towards capital projects at key sporting ovals and parks and gardens in the Shire including security for the Queen Mary Gardens in St Arnaud and implementation of part of the North Park Masterplan.
- \$380,000 for the provision of library services in Stawell & St Arnaud & a mobile library service in Marnoo.

Key strategic activities

Strategic Activity	Performance Measure	Performance Target
Enhance Community Safety	Time: Security systems in place in key public spaces in the Shire	February 2012
	Quality: Incidents of vandalism and public property damage diminished	10% decrease

2.2 Goal 2: A sustainable natural and built environment that meets current and future needs

To achieve our Goal of a sustainable natural and built environment, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The outcomes and initiatives for this goal are described below.

Outcome	Description
Responding to the impacts of climate change	Develop and implement local and regional policy and initiatives to adapt to climate change impacts in partnership with other organisations and government. Participate in and promote the adoption of practices that support the sustainable use of energy in partnership with other regional and State bodies.
Minimising waste through integrated management	Pursue regional solutions to waste reduction in partnership with State and local Governments. Provide effective waste and recycling collection and disposal services and facilities. Promote the minimisation of waste and litter through avoidance, reduction, reuse and recycling.
Safe and effective wastewater and stormwater systems	Provide effective management and maintenance of Council's stormwater infrastructure. Plan, manage and monitor domestic wastewater use.
A safe and efficient transport network	Ensure appropriate management and development of roads, bridges, footpaths and shared paths. Plan and implement road safety and traffic management improvements. Provide appropriate advocacy, management and development of aerodrome and rail infrastructure.
Protect and enhance our natural environment	Sustain our natural resources in partnership with other organisations. Continue to manage our water resources efficiently and sustainably. Continue to work with all key stakeholders in the management and sustainability of our recreational water facilities.
Attractive and user-friendly parks, gardens and streetscapes	Provide accessible and sustainable parks and open spaces that provide opportunities for passive and active recreation. Develop and maintain town entrances and streetscapes that enhance and maintain the character of townships.
Buildings and facilities meeting the needs of the community	Provide, maintain and develop Council buildings facilities and amenities.
Sustainable growth of townships and rural areas	Review, amend and implement the Northern Grampians Planning Scheme to inform future land-use and development. Provide high quality, consistent and responsive development assessment and compliance procedures. Work in partnership with neighbouring Councils and State Government on regional and local planning and development issues. Continue to develop and implement initiatives to preserve and maintain heritage buildings and places of interest.

Initiatives

- \$5.6 million for road maintenance and construction with an additional \$7.9 million on essential flood recovery infrastructure works.
- \$1.8 million on buildings, infrastructure and asset management for the 170 buildings, 18 public amenity blocks, 738km of sealed roads, 2,202km of unsealed roads, 150 bridges and 450 major culverts, 102 km of footpaths, 2296 drainage pits, 54 km of pipes and almost 17,000 square km of car parking throughout the Shire.
- \$1.4 million on parks and gardens, cemeteries and open spaces including maintaining 6 recreation ovals, 24 neighbourhood parks, 17 playgrounds, 10 storm water harvesting systems, 14 major town slashing areas, 6 rural town slashing areas and shire-wide tree maintenance. In addition, \$140,000 is allocated for “greening” projects in Stawell and St Arnaud including the installation of ornamental grapevines as part of the St Arnaud Streetscape project, the reinstatement of plantings in Silvermines Road St Arnaud and new plantings in Seaby Street Stawell.
- \$1.5 million to waste management, providing kerbside waste and recycling to over 4000 residential properties and three waste transfer stations in Stawell, St Arnaud and Halls Gap. This year, with the increase in State Government imposed landfill levies from \$15 per tonne to \$22 per tonne, will see a major review of Council’s waste strategy.
- Implementation of the St Arnaud Heritage Streetscape works, planned improvements to the Great Western Memorial Park, undergrounding of power in Halls Gap in preparation of the Halls Gap Community and Tourism Hub stage 2, vital works on re-generating our parks and public spaces following years of drought and redevelopment of the public facilities at 108 Main Street, Stawell.
- A record \$8 million will be invested in the provision of infrastructure services and maintenance of facilities in the Shire.
- Continue and expand ongoing maintenance programs in our parks and recreation reserves and town entrances, including maintenance of non-Council but community-owned and controlled assets.

Key strategic activities

	Performance	Performance
Strategic Activity	Measure	Target
Reduce the time taken to process planning applications	Quantity: The proportion of planning applications processed within 60 days	≥ 90%
	Quality: The proportion of Council decisions upheld at VCAT	≥ 90%

2.3 Goal 3: A sustainable economy attracting and encouraging new enterprises while supporting existing businesses

To achieve our objective of a Sustainable Economy, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The outcomes and initiatives for this goal are described below.

Outcomes

Outcome	Description
Attract new sustainable business	Identify key industry sectors for new business development and investment and determine attraction and establishment strategies. Promote the benefits of the Shire for business growth and expansion to targeted new businesses. Promote employment and lifestyle opportunities to attract target age groups. Support improved business viability and employment through export development.
An economy which encourages population growth	Support business retention, development and population growth by attracting skilled labour.
Stawell and St Arnaud established as key regional service and retail centres	Market and promote services and retailing in Stawell and St Arnaud locally and regionally. Improve the public infrastructure in Stawell and St Arnaud to support their regional and service centre role. Encourage the development of strong and dynamic business groups in Stawell and St Arnaud.
Key industries supported to optimise growth	Analyse the key sectors of health, tourism, agriculture, manufacturing, retail, transport, education and mining. Create sector plans that support and enhance key sectors. Continue to build partnerships that create opportunity for industry.
Infrastructure that supports sustainable economic development	Advocate for improved provision of utility services across the Shire. Advocate for improved telecommunications infrastructure across the Shire. Support the provision of adequate serviced industrial land and retail and commercial space to meet business development needs. Support the availability of housing that meets community needs and government regulations.
A successful tourism industry across the Shire	Support regional tourism development through productive relationships with the State Government and Grampians Tourism Inc. Promote, attract and support festivals, events and attractions that add value to the Shire's economy. Provide tourism attraction and accommodation information to encourage visitors to increase length of stay and local spending. Encourage the development of a strong and dynamic business association in Halls Gap. Support the provision of adequate tourism infrastructure to encourage business development.
Opportunities from climate change maximised	Support the identification and development of business opportunities from carbon trading and renewable energy industries. Support the identification and development of business opportunities through innovative water use and associated niche food industries.

Initiatives

- \$180,000 to support business growth, attraction and retention, including support for local business, community and tourism associations such as Stawellbiz, St Arnaud Community Action Network, Grampians Produce Group, Halls Gap Tourism Inc, Grampians Winemakers.
- \$470,000 to support the work of Grampians Tourism and the provision of 3 x 7 day a week visitor information centres in Stawell, St Arnaud and Halls Gap
- Development of online services and websites to promote business opportunities and resident attraction.
- \$100,000 supporting over 80 events including the 2011 Grampians Pyrenees Business Awards to be held in Halls Gap and continued support for the iconic Stawell Easter Gift as well as the Great Grape Escape and the Festival of St Arnaud.
- \$20,000 to extend the stage at the Stawell Entertainment Centre to enable stair access from the floor of the auditorium, opening up opportunities for business and community groups to better utilise the Centre.
- Participation in the Victorian Government's Country Living Expo in Melbourne in April 2012
- Development of a feasibility study & business case for the installation of Natural Gas in St Arnaud.
- \$50,000 to implement key actions in the industry sector plans including the development of an industrial land audit and strategy to target investment in our industrial estates.

Key strategic activities

	Performance	Performance
Strategic Activity	Measure	Target
Implement key strategies in industry sector plans	Time: Commence industrial land audit and investment strategy	By December 2011
	Quality: Enquiry from targeted industry reported to Council	≥ 10

2.4 Goal 4: Progressive leadership, good governance, efficient and cost-effective services

To achieve our Goal of progressive leadership and good governance we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services. The outcomes and initiatives for this goal are described below.

Outcomes

Outcome	Description
Effective strategic management, planning, processes and performance management	Provide timely, open and transparent reporting on the Council Plan and Council's Business Plans. Review and maintain Council's Risk Management policy, strategy and procedures. Review and maintain Council's Asset Management policy and strategy.
Effective governance and leadership	Provide leadership to the community. Review and amend governance policies and procedures to adapt to changing circumstances. Provide appropriate induction, governance training and continuing development through performance management of elected members. Ensure effective operation of Council's committees and governance functions.
Skilled, committed and professional staff in a safe and supportive environment	Encourage an organisational culture that supports improved workplace performance and provides staff development opportunities. Ensure safe work practices through compliance with OH&S policies and procedures. Develop and implement a workforce management plan and procedures to meet current and workforce needs.
Sustainable high quality customer-oriented services	Continuously evaluate Council services to promote best practice. Review and continuously improve customer service standards and capability.
Effective and efficient corporate and administrative services	Provide professional administration for Council to support effective and efficient operations. Provide and support services for works and plant operations.
Financial sustainability and accountable financial management	Provide financial policies and services to support Council's operations and to meet reporting and accountability requirements. Provide internal and external audit functions to review Council's performance, risk management, financial governance and reporting.
Effective information and communication services that support efficient operations and service delivery	Deliver improved information technology, communications and records management services. Develop and implement a Geographic Information System (GIS) Strategy

Initiatives

- Support the involvement and leadership in regional bodies including the Central Highlands Mayors and CEO's Forum, Western Highway Action Committee, Sunraysia Highway Action Committee, Grampians Regional Waste Group, Wimmera Southern Mallee Regional Strategic Plan Committee.
- \$230,000 to support the maintenance of geo-spatial mapping and information providing reliable aerial images across the shire for land-use planning and infrastructure maintenance.
- Development of Council's website to provide up to date information to the community about projects and services.
- Advocate for a greater share of funding from both State and Commonwealth Governments, provide shire-wide customer services and support, provide financial management, information and records management. In addition, the important roles of community leadership, civic and ceremonial support will be strengthened with a greater focus on leadership and advocacy at the regional, state and national level.

Key strategic activities

Strategic Activity	Performance Measure	Performance Target
Implement an organisational culture and performance strategy	Time: Develop key actions for first stage implementation across the organisation	By April 2012
	Quality: Functional areas and work teams within each of the three Directorates implementing positive cultural change programs	3 improvement actions per Directorate

2.7 Performance statement

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

3. Budget influences

3.1 Snapshot of Northern Grampians Shire

Northern Grampians Shire Council is located in Central Western Victoria and has a strong economy based on agriculture, manufacturing, gold mining and tourism with strong growth in the health and education service sectors. The Shire covering an area of 5,728 square kilometres, comprises the towns of Stawell, St Arnaud, Great Western, Halls Gap, Glenorchy, Navarre, Marnoo, Stuart Mill and numerous smaller rural communities.

Stawell is home to brick, textiles and meat production and the largest operating gold mine in Victoria. The St Arnaud area is well-known for its broad acre cropping and intensive animal industries. The Grampians National Park, together with the St Arnaud Range National Park, and the goldfields heritage throughout the Shire means that Northern Grampians is a popular tourist destination, attracting more than 1 million visitors each year.

Population

The estimated resident population of the Shire is 12,301. (Source: Australian Bureau of Statistics, Estimated Resident Population).

Ageing population

The population is ageing and the Shire has a greater proportion of older people compared to the Victorian average. The age profile is similar to small rural Council averages. Analysis of the age structure of Northern Grampians Shire in 2006 compared to Regional Victoria shows that there was a smaller proportion of people in the younger age groups (0 to 17) but a larger proportion of people in the older age groups (60+). Overall, 24.2% of the population was aged between 0 and 17, and 24.0% were aged 60 years and over, compared with 25.4% and 20.5% respectively for Regional Victoria. (Source: Australian Bureau of Statistics, Census of Population and Housing).

Cultural diversity

Analysis of the country of birth of the population in Northern Grampians Shire in 2006 compared to Regional Victoria shows that there was a smaller proportion of people born overseas as well as a smaller proportion of people from a non-English speaking background.

Overall, 6.0% of the population was born overseas, and 2.2% were from a non-English speaking background, compared with 10.1% and 5.0% respectively for Regional Victoria (Source: Australian Bureau of Statistics, Census of Population and Housing).

Households

Analysis of the family types in Northern Grampians Shire in 2006 compared to Regional Victoria shows that there was a smaller proportion of couple families with children) as well as a smaller proportion of one-parent families.

Comparing Household types between Northern Grampians Shire and Regional Victoria in 2006 reveals a smaller proportion of Family households, but a larger proportion of lone person households. Family households accounted for 66.2% of total households in Northern Grampians Shire while lone person households comprised 29.1%, (69.0% and 25.7% respectively for Regional Victoria).

Education and occupation

Analysis of the qualifications of the population in Northern Grampians Shire in 2006 compared to Regional Victoria shows that there was a smaller proportion of people holding formal qualifications (Bachelor or higher degree; Advanced Diploma or Diploma; or Vocational qualifications) and a larger proportion of people with no formal qualifications.

Overall, 30.8% of the population held educational qualifications, and 56.8% had no qualifications, compared with 35.5% and 52.0% respectively for Regional Victoria.

3.2 External influences

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

- Funding and renewal gaps for assets, infrastructure and services
- Impact of a changing and ageing demographic and the lessening of the communities capacity to pay
- The impact of "disaster" fatigue from repeated natural disasters including bushfire, flood, storm events, landslide, drought and pestilence.
- Increases in fuel, commodity, consumable and utility costs above CPI.
- Requirement to undertake "additional" works in exchange for government funding
- Increases in the levy payable to the State Government upon disposal of waste into landfill, resulting in additional waste tipping costs.
- The recognition during the 2010/11 financial year of an expense of over \$400,000 being Council's apportioned share of the local authorities defined benefits liability.

3.3 Internal influences

In addition to the external influences, there are a number of internal influences which impacted the preparation of the 2011/12 Budget. These include the following:

- Council's commitment to maintaining services to current levels and to provide sufficient resources to undertake works required to address the Council Plan during flood recovery and restoration works.
- Increased salary costs in accordance with the Enterprise Bargaining Agreement (EBA). In addition areas such as roads and parks & gardens maintenance services resources have been increased to enable increased levels of service delivery. There are also a couple of grants funded positions.
- Council has recognised that it has been under-funding its ongoing building maintenance responsibilities and has commenced a phased approach to significantly increasing these funds in the years to come. The 2011/12 Budget includes an increase of \$162,000 in this Budget area which should result in an improvement in the standard of community facilities.

3.4 Budget principles

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

- Base all workings on evidence
- Outline services provided, the cost of service provision and level of service
- New revenue and government funding sources to be identified where possible
- Service levels to be maintained at 2009/10 levels with the aim to use less resources with an emphasis on innovation, productivity and efficiency
- Emphasis on legislation and compliance over discretionary services
- Work towards completing staged projects
- Align all activity to the Council Plan

3.5 Legislative requirements

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

The 2011/12 budget, which is included in this report, is for the year 1 July 2011 to 30 June 2012 and is prepared in accordance with the Act and Regulations. The budget includes standard statements being a budgeted Income Statement, Balance Sheet, Cash Flows and Capital Works. These statements have been prepared for the year ending 30 June 2012 in accordance with Accounting Standards and other mandatory professional reporting requirements and in accordance with the Act and Regulations. It also includes detailed information about the rates and charges to be levied, the capital works program to be undertaken and other financial information, which Council requires in order to make an informed decision about the adoption of the budget.

The budget includes consideration of a number of long term strategies to assist Council in considering the Budget in a proper financial management context. These include a Strategic Resource Plan for the years 2011/12 to 2014/15, Rating Strategy and Other Long Term Strategies including borrowings, infrastructure and service delivery.

4. Analysis of operating budget

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

4.1 Budgeted income statement

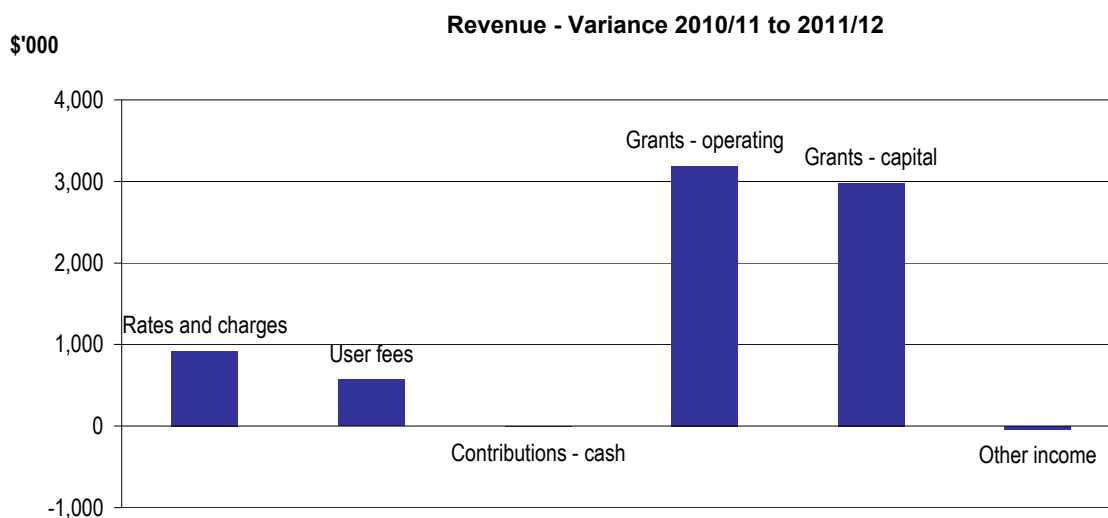
	Ref	Forecast		Variance
		Actual 2010/11 \$'000	Budget 2011/12 \$'000	
Total income	4.2	31,198	38,805	7,607
Total expenses	4.3	(26,361)	(31,198)	(4,837)
Surplus (deficit) for the year		4,837	7,607	2,770
Grants – capital	4.2.4	(8,841)	(11,822)	(2,981)
Underlying surplus (deficit)		(4,004)	(4,215)	(211)

4.1.1 Underlying deficit (\$0.21 increase)

The underlying result is the net surplus or deficit for the year adjusted for capital grants, contributions of non-monetary assets and other once-off adjustments. It is a measure of financial sustainability as it is not impacted by non-recurring or once-off items of revenues and expenses which can often mask the operating result. The underlying result for the 2011/12 year is a deficit of \$4.2 million which is an increase of \$0.2 million over the 2010/11 year.

4.2 Income

Income Types	Ref	Forecast		Variance
		Actual 2010/11 \$'000	Budget 2011/12 \$'000	
Rates and charges	4.2.1	11,741	12,659	918
User fees	4.2.2	2,232	2,800	568
Contributions - cash		691	682	(9)
Grants - operating	4.2.3	7,287	10,476	3,189
Grants - capital	4.2.4	8,841	11,822	2,981
Other income		406	366	(40)
Total income		31,198	38,805	7,607



Source: Appendix A

4.2.1 Rates and charges (\$0.9 million increase)

It is proposed that rates and charges income be increased by \$0.9 million over 2010/11 to \$12.6 million. The "Rating Strategy" includes a more detailed analysis of the rates and charges to be levied for 2010/11.

4.2.2 User fees (\$0.6 million increase)

User charges contribute to the recovery of service delivery costs through the charging of fees to users of Council's services. These include use of leisure facilities and the provision of human services such as childcare and home help services.

4.2.3 Grants - operating (\$3.2 million increase)

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services.

Grant Funding Types	Forecast		
	Actual	Budget	Variance
	2010/11	2011/12	
	\$'000	\$'000	\$'000
Victorian Grants Commission	4,415	5,927	1,512
Flood Recovery	1,325	2,947	1,622
Aged & Disability	650	598	(52)
Non Capital Projects	274	400	126
Children's Services	302	336	34
Emergency Management	16	121	105
Other	164	146	(18)

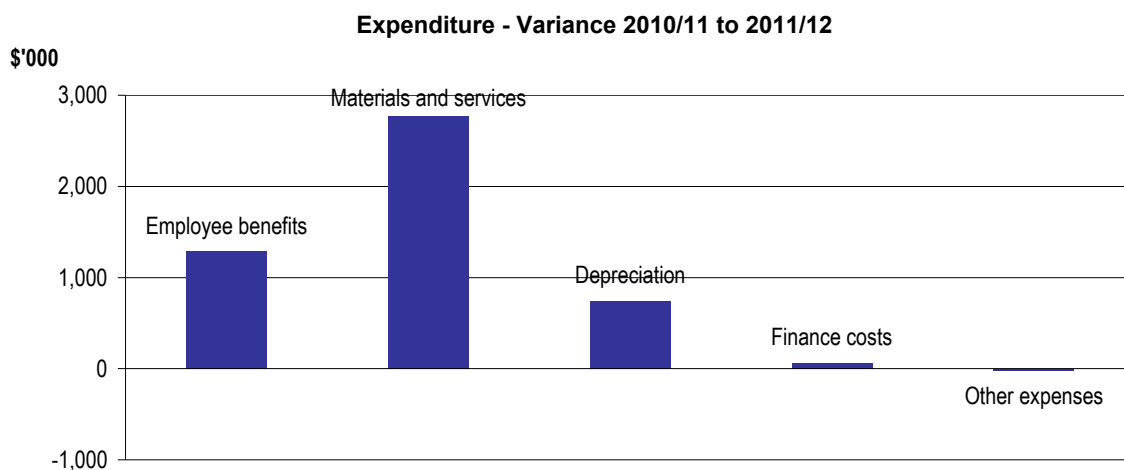
The variation in Victorian Grants Commission (VGC) funding results from early payment in 2009/10 for 2010/11 funding. A significant increase in operating grants is the result of funding for flood recovery.

4.2.4 Grants - capital (\$3.0 million increase)

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. Overall the level of capital grants has increased by \$3.0 million compared to 2010/11 due mainly to funding for restoration of flood damaged infrastructure, offset by a large grant received in 2009/10 for Stawell Aerodrome Upgrade. Section 6. "Analysis of Capital Budget" includes a more detailed analysis of the grants and contributions expected to be received during the 2011/12 year.

4.3 Expenses

Expense Types	Ref	Forecast	Budget	Variance
		Actual 2010/11 \$'000	2011/12 \$'000	\$'000
Employee benefits	4.3.1	10,653	11,937	1,284
Materials and services	4.3.2	9,334	12,103	2,769
Depreciation	4.3.3	5,407	6,148	741
Finance costs		136	195	59
Other expenses		831	815	(16)
Total expenses		26,361	31,198	4,837



Source: Appendix A

4.3.1 Employee benefits (\$1.3 million increase)

Employee costs include all labor related expenditure such as wages and salaries and on-costs such as allowances, leave entitlements, employer superannuation, rostered days off, workcover and training. Council has funded the payment of its share of the Vision Super Defined Benefits Superannuation Fund shortfall totalling \$0.4 million, increasing operating expenses in 2010/11.

Employee costs are forecast to increase by \$1.3 million compared to 2010/11. This increase relates to three key factors:

Renegotiation of Council's Enterprise Bargaining Agreement (EBA)

Increases in staff numbers resulting largely from Council's decision to increase the outdoor workforce to increase service levels in the Roads and Parks & Gardens maintenance programs.

Several fully funded short term positions, including flood recovery, fire management and sustainable living.

4.3.2 Materials and services (\$2.8 million increase)

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 increase by \$2.8 million compared to 2010/11.

The increase in materials and services is primarily due to flood recovery related costs, including the costs related to the restoration of public assets. Other impacts include the costs of one off non capital projects such as Halls Gap Powerline Relocation Project and the beautification of St Arnaud and Stawell town entrances.

4.3.3 Depreciation and amortisation (\$0.7 million increase)

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

5. Analysis of budgeted cash position

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

5.1 Budgeted cash flow statement

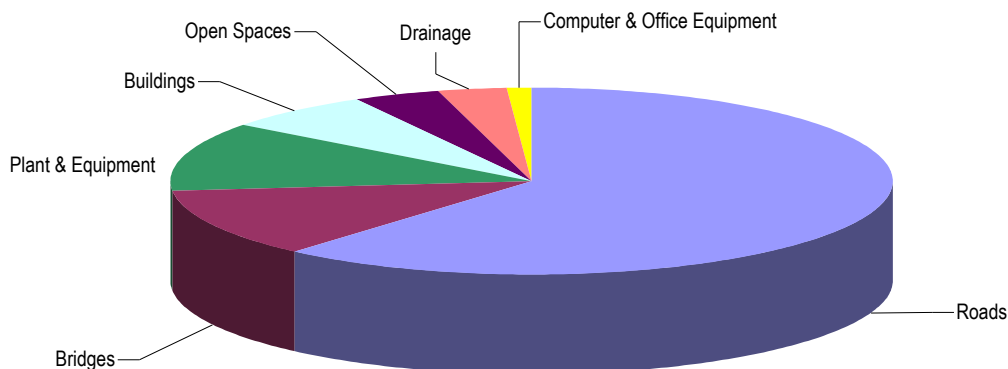
	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
Cash flows from operating activities			
<i>Receipts</i>			
Rates and charges	11,741	12,659	918
Grants - operating	7,287	10,476	3,189
Grants - capital	8,841	11,822	2,981
Contributions	691	682	(9)
Interest	268	221	(47)
User fees	2,232	2,800	568
Other	138	145	7
	31,198	38,805	7,607
<i>Payments</i>			
Employee benefits	(10,653)	(11,937)	(1,284)
Other	(10,301)	(13,113)	(2,812)
	(20,954)	(25,050)	(4,096)
Net cash provided by operating activities	10,244	13,755	3,511
Cash flows from investing activities			
Proceeds from sales of property, plant & equip	703	350	(353)
Payments for property, plant and equipment	(12,617)	(15,501)	(2,884)
Net cash used in investing activities	(11,914)	(15,151)	(3,237)
Cash flows from financing activities			
Proceeds from borrowings	1,100	0	(1,100)
Repayment of borrowings	(430)	(534)	(104)
Net cash used in financing activities	670	(534)	(1,204)
Net decrease in cash and cash equivalents	(1,000)	(1,930)	(930)
Cash and cash equivalents at the beg of the year	5,520	4,520	(1,000)
Cash and cash equivalents at end of the year	4,520	2,590	(1,930)

6. Analysis of capital budget

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

6.1 Capital works

Capital Works Areas	Ref	Forecast 2010/11 \$'000	Budget 2011/12 \$'000	Variance \$'000
Roads	6.1.1	9,709	9,511	(198)
Bridges	6.1.2	216	1,850	1,634
Plant & Equipment	6.1.3	1,256	1,868	612
Buildings	6.1.4	851	1,020	169
Open Spaces	6.1.5	313	592	279
Drainage	6.1.6	82	482	400
Computer & Office Equipment	6.1.7	190	178	(12)
Total capital works		12,617	15,501	2,884
Represented by:				
Asset renewal	6.1.8	10,065	12,598	2,533
New assets	6.1.8	1,146	531	(615)
Asset expansion/upgrade	6.1.8	1,406	2,372	966
Total capital works		12,617	15,501	2,884



Budgeted Capital Works 2011/12

Source: Appendix A. A more detailed listing of capital works is included in Appendix C.

6.1.1 Roads (\$9.5 million)

Roads includes local roads, car parks, footpaths, bike paths, kerb & channel and street furniture.

For the 2011/12 year, \$9.5 million will be expended on road projects. This is higher than normal due to flood restoration works estimated at \$6.0 million.

6.1.2 Bridges (\$1.9 million)

Bridges includes major culverts and floodways.

For the 2011/12 year, \$1.9 million will be expended on bridge projects. This is higher than normal due to flood restoration works estimated at \$1.5 million.

6.1.3 Plant & Equipment (\$1.9 million)

Plant & Equipment includes heavy plant and engineering equipment, and motor vehicles.

For the 2011/12 year, \$1.9 million will be expended on plant & equipment.

6.1.4 Buildings (\$1.0 million)

Buildings includes community facilities, municipal offices, sports facilities, pavilions.

For the 2011/12 year, \$1.0 million will be expended on building projects. The more significant projects include the rejuvenation of pools, the Stawell CBD Linking Project and the Halls Gap Hub

6.1.5 Open Spaces (\$0.6 million)

Open Spaces includes passive and active reserves and dams.

For the 2011/12 year, \$0.6 million will be expended on open spaces. This includes restoration of flood damaged dams.

6.1.6 Drainage (\$0.5 million)

For the 2011/12 year, \$0.5 million will be expended on drainage works. This includes the continuation of the Strengthening Basin Community Stage 2 Project to implement water reuse and recycling options.

6.1.7 Computer & Office Equipment (\$0.2 million)

This program provides for the scheduled replacement of computer equipment and office furniture.

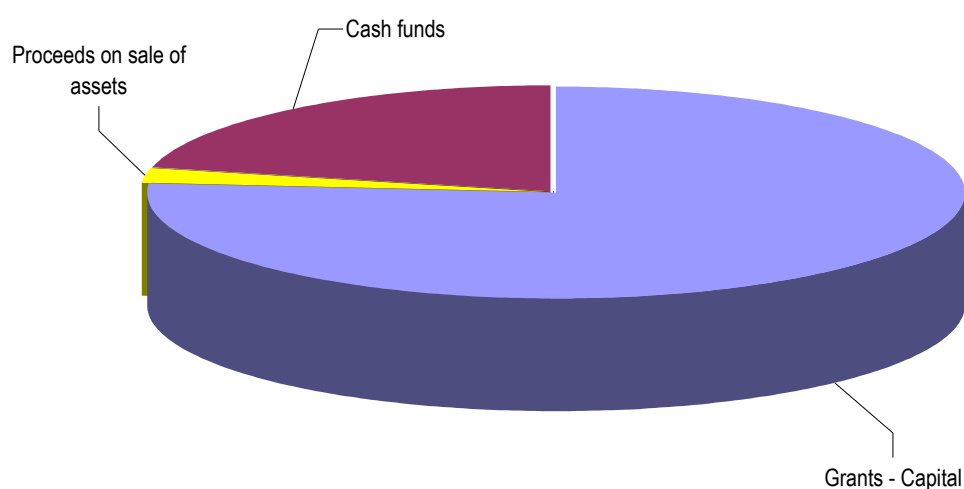
6.1.8 Asset renewal (\$12.6m), new assets (\$0.5m) and expansion/upgrade (\$2.4m)

A distinction is made between expenditure on new assets, expenditure on asset renewal and expansion/upgrade. Expenditure on asset renewal is expenditure on an existing asset, which improves the service potential or the life of the asset. Expenditure on new assets does not have any element of expansion/upgrade of existing assets but will result in an additional burden for future operation, maintenance and capital renewal.

6.2 Funding sources

Sources of funding	Ref	Forecast		Variance
		Actual 2010/11 \$'000	Budget 2011/12 \$'000	
External				
Grants - Capital	6.2.1	8,841	11,822	2,981
Proceeds on sale of assets	6.2.2	703	350	(353)
		9,544	12,172	2,628
Internal				
Cash funds	6.2.3	3,073	3,329	256
		3,073	3,329	256
Total capital works		12,617	15,501	2,884

Budgeted total funding sources 2011/12



Source: Appendix A

6.2.1 Grants - Capital (\$11.8 million)

Capital grants include all monies received from State and Federal sources for the purposes of funding the capital works program. Significant grants are budgeted to be received for the restoration of flood damaged infrastructure, in addition to Roads to Recovery and state allocated funds.

6.2.2 Proceeds from sale of assets (\$0.35 million)

Proceeds from sale of assets include motor vehicle sales in accordance with Council's fleet renewal program, and sales of heavy plant in accordance with the plant renewal program.

6.2.3 Cash funds

Council generates cash from its operating activities, which is used as a funding source for the capital works program. In addition to this, Council has cash reserves set aside for specific purposes. In 2011/12 reserve funds will be used to part fund the plant replacement program.

7. Strategic resource plan and key financial indicators

This section considers the long term financial projections of the Council. The Act requires a Strategic Resource Plan to be prepared covering both financial and non-financial resources, and including key financial indicators for at least the next four financial years to support the Council Plan.

7.1 Plan development

Council has prepared a Strategic Resource Plan (SRP) for the four years 2011/12 to 2014/15 as part of its ongoing financial planning to assist in adopting a budget within a longer term framework. The SRP takes the strategic objectives and strategies as specified in the Council Plan and expresses them in financial terms for the next four years.

The key objective, which underlines the development of the Plan, is financial sustainability in the medium to

- Maintain existing service levels
- Maintain a capital expenditure program of at least \$5 million per annum
- Achieve a balanced budget on a cash basis.

In preparing the SRP, the 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.

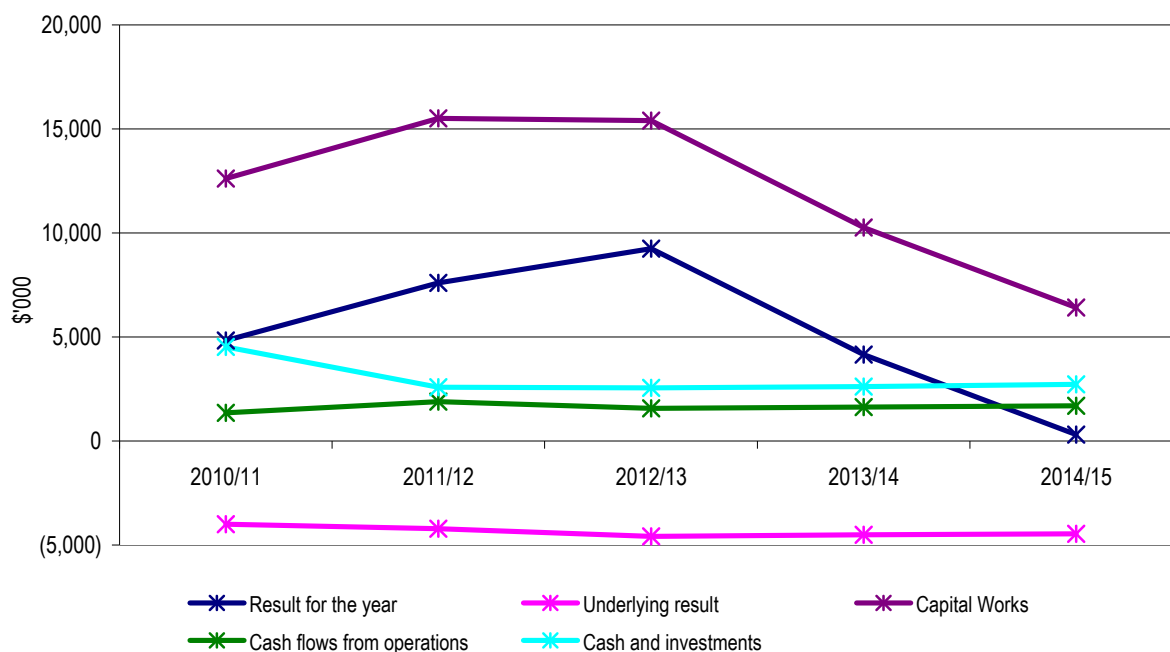
The Plan is updated annually through a rigorous process of consultation with Council service providers followed by a detailed sensitivity analysis to achieve the key financial objectives.

7.2 Financial resources

The following table summaries the key financial results for the next four years as set out in the SRP for years 2011/12 to 2014/15. Appendix A includes a more detailed analysis of the financial resources to be used over the four year period.

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Result for the year	4,837	7,607	9,249	4,148	302
Underlying result	(4,004)	(4,215)	(4,581)	(4,512)	(4,458)
Cash and investments	4,520	2,590	2,548	2,614	2,719
Cash flows from operations	1,353	1,898	1,567	1,636	1,690
Capital works	12,617	15,501	15,406	10,268	6,421

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



The key outcomes of the Plan are as follows:

- **Financial sustainability** - Cash and investments is forecast to remain steady over the four year period, which indicates a balanced budget on a cash basis in each year
- **Rating strategy** – Modest rate increases are forecast over the four years at an average of 7%.
- **Service delivery strategy** – Service levels have been maintained throughout the four year period. Despite this, operating surpluses are forecast in years 2011/12 to 2013/14 as a result of significant capital grant revenue being received to fund the flood recovery and restoration program. However, excluding the effects of non-operating items such as capital contributions, the underlying result is the deficit remaining steady over the four year period. The underlying result is a measure of financial sustainability and is an important measure as once-off items can often mask the operating result
- **Borrowing strategy** – Borrowings are forecast to reduce from \$2.7 million to \$1.2 million over the four year period. There are no new borrowings in 2011/12.
- **Infrastructure strategy** - Capital expenditure over the four year period will total \$47.6 million, including \$20.0 million of capital flood restoration works.

7.3 Non-financial resources

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

Indicator	Strategic Resource Plan				
	Budget	Budget	Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Employee costs	10,512	11,741	12,387	13,069	13,787
Full Time Equivalent Employees	164.9	180.0	180.0	180.0	180.0

It should be noted that these figures do not include employee costs or employees numbers for flood recovery operations.

8. Rating strategy

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

8.1 Strategy development

In developing the Strategic Resource Plan, rates and charges were identified as an important source of revenue, accounting for 32.6% of the total revenue to be received by Council in 2011/12. (This is lower than normal years, due to increased funding for flood recovery activities.) Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process.

However, it has also been necessary to balance the importance of rate revenue as a funding source with community sensitivity to increases.

8.2 Current year rate increase

In order to maintain service levels, a strong capital expenditure program, and fund several new initiatives, general rates will increase by 6.5% in 2011/12 raising a total rate revenue of \$10.8 million (\$12.7 million total rates and charges). This total includes the Municipal Charge, which will increase by \$7 per assessment. The following table sets out future proposed rate increases and total rates to be raised, based on the forecast financial position of Council as at 30 June 2011.

Year	Rate Increase %	Total Rates Raised \$'000
2010/11	7.9	11,741
2011/12	6.5	12,659
2012/13	7.0	13,545
2013/14	7.0	14,493
2014/15	7.0	15,508

Future rate increases have been set based on the requirement to meet projected cost increases to maintain service levels, however the final decision on the size of future rate increases rests with Council.

8.3 Rating structure

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

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

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

Council makes a further distinction within the property value component of rates based on the purpose for which the property is used, that is, whether the property is used for farming purposes or recreational and cultural purposes, in order to distribute the rate burden accordingly.

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

The existing rating structure comprises of a general rate and two differential rates (Farm and Recreational & Cultural). These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Act. Under the Cultural and Recreational Lands Act 1963, provision is made for a Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. The farming rate is set at 65% of the residential rate and the concession rate for recreational land is set at 58% of the residential rate. Council also has a municipal charge, a kerbside collection charge and a recycling charge as allowed under the Act.

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

Rate type	How applied	2010/11	2011/12
General rates	Cents/\$ CIV	0.6011	0.64020
Farm rates	Cents/\$ CIV	0.3907	0.41610
Recreational & Cultural rates	Cents/\$ CIV	0.3486	0.37130
Municipal charge	\$/ property	\$111.00	\$118.00
Kerbside collection charge - 80L	\$/ property	\$146.00	\$168.00
Kerbside collection charge - 120L	\$/ property	\$188.50	\$217.00
Kerbside collection charge - 240L	\$/ property	\$292.00	\$336.00
Recycling charge	\$/ property	\$68.00	\$78.00

8.4 General revaluation of properties

A general revaluation of all properties within the Council's municipal district occurs every two years, with the last general revaluation carried out as at 1 January 2010 and taking effect on 1 July, 2010. The distribution of rates and charges in the 2011/12 budget will not be impacted by the general revaluation. Council has not made any changes to the existing rate differential.

9. Other strategies

This section sets out the strategies that have been developed and incorporated into the Strategic Resource Plan including borrowings, infrastructure and service delivery.

9.1 Borrowings

In developing the Strategic Resource Plan SRP, borrowings were identified as an important funding source for capital works programs. In the past, Council has borrowed to finance large infrastructure projects.

For the 2011/12 year, Council has decided not to take out any new borrowings to fund the capital works program and therefore, after making loan repayments of \$0.53 million, will reduce its total borrowings from \$2.73 million to \$2.2 million as at 30 June 2012. However it is likely that in the long term, further borrowings will be required to fund future infrastructure initiatives. The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2011.

Year	New Borrowings \$'000	Principal Paid \$'000	Interest Paid \$'000	Balance 30 June \$'000
2010/11	1,100	430	136	2,728
2011/12	0	534	195	2,194
2012/13	0	383	160	1,811
2013/14	0	312	135	1,499
2014/15	0	275	113	1,224

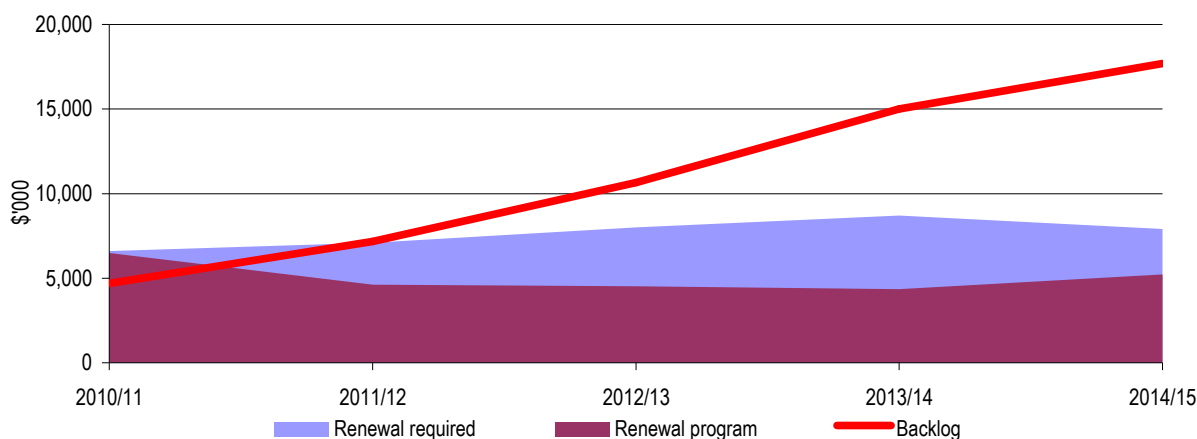
9.2 Infrastructure

The Council has developed an Asset Management Strategy based on the knowledge provided from the various Asset Management Plans, which sets out the capital expenditure requirements of the Council for the next 10 years by class of asset and is a key input to the long term financial plan. It predicts infrastructure consumption, renewal needs and considers infrastructure needs to meet future community service expectations. The Strategy has been developed through a rigorous process of consultation and evaluation. The key aspects of the process are as follows:

- Long term capital planning process which integrates with the Council Plan, Strategic Resource Plan and Annual Budget processes
- Identification of capital projects through the preparation of asset management plans
- Prioritisation of capital projects within classes on the basis of evaluation criteria
- Methodology for allocating annual funding to classes of capital projects
- Business Case template for officers to document capital project submissions.

A key objective of the Asset Management Strategy is to maintain or renew Council's existing assets at desired condition levels. If sufficient funds are not allocated to asset renewal then Council's investment in those assets will reduce, along with the capacity to deliver services to the community.

The graph below sets out the required and actual asset renewal over the life of the current SRP and the renewal backlog.



At present, Council is similar to most rural municipalities in that it is presently unable to fully fund asset renewal requirements identified in the Asset Management Strategy. While the Asset Management Strategy is endeavoring to provide a sufficient level of annual funding to meet ongoing asset renewal needs, the above graph indicates that in later years the required asset renewal is not being addressed creating an asset renewal gap and increasing the level of backlog. Backlog is the renewal works that Council has not been able to fund over the past years and is equivalent to the accumulated asset renewal gap. In the above graph the backlog at the beginning of the five year period was \$4.7 million and \$17.7 million at the end of the period.

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

Year	Total Capital	Grants &	Borrowings	Asset Sales	Cash Funds
	Program	Contributions			
	\$'000	\$'000	\$'000	\$'000	\$'000
2010/11	12,617	8,891	1,100	703	1,923
2011/12	15,501	11,857	0	350	3,294
2012/13	15,406	13,830	0	350	1,226
2013/14	10,268	8,660	0	350	1,258
2014/15	6,421	4,760	0	350	1,311

In addition to using cash generated from its annual operations, borrowings and external contributions such as government grants, Council has several cash or investment reserves. Reserves are either 'statutory' or 'discretionary' cash reserves. Statutory reserves relate to cash and investments held by Council that must be expended on a specific purpose as directed by legislation or a funding body. Discretionary cash reserves relate to those cash and investment balances that have been set aside by Council and can be used at Council's discretion, even though they may be earmarked for a specific purpose. Appendix A includes a Statement of Reserves which is a summary of the investment reserves for the year ending 30 June 2012.

9.3 Service delivery

The key objectives in Council's Strategic Resource Plan which directly impact the future service delivery strategy are to maintain existing service levels while meeting the increasing expectations of the community, and to achieve a breakeven operating result.

Appendices

The following appendices include voluntary and statutory disclosures of information which provide support for the analysis contained in sections 1 to 9 of this report.

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

The contents of the appendices are summarised below:

Appendix	Nature of information	Page
A	Budgeted standard statements	37
B	Statutory disclosures	43
C	Capital works program	47
D	Key strategic activities	50

Appendix A

Budgeted standard statements

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

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

The appendix includes the following budgeted information:

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

Budgeted Standard Income Statement

For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11		2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Activities					
Operating Revenue					
Rates & Charges	11,741	12,659	13,546	14,494	15,508
Grants - Capital	8,841	11,822	13,830	8,660	4,760
Grants - Operating	5,962	7,529	7,754	7,987	8,227
Fees & User Charges	2,232	2,800	2,912	3,029	3,150
Contributions - Capital	50	35	0	0	0
Contributions - Operating	641	647	702	723	745
Interest Revenue	268	221	229	239	248
Other Revenue	138	145	150	156	163
Operating Revenue	29,873	35,858	39,123	35,288	32,801
Operating Expenses					
Employee Benefits	10,473	11,742	12,387	13,069	13,787
Materials & Services	8,189	9,351	10,340	10,924	11,561
Depreciation	5,407	6,148	6,148	6,148	6,148
Borrowing Costs	136	195	160	135	113
Other Expenses	831	815	839	864	890
Operating Expenses	25,036	28,251	29,874	31,140	32,499
Flood Operating Activities					
Operating Grants	1,325	2,947	1,500	700	0
Flood Operating Revenue	1,325	2,947	1,500	700	0
Employee Benefits	180	195	100	50	0
Materials & Services	1,145	2,752	1,400	650	0
Flood Operating Expenses	1,325	2,947	1,500	700	0
Surplus (deficit) for the year	4,837	7,607	9,249	4,148	302

Budgeted Standard Balance Sheet

For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2,011		2,013	2,014	2,015
	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets					
Cash Assets	3,604	1,674	1,632	1,699	1,803
Receivables	1,195	1,195	1,195	1,195	1,195
Inventories	46	46	46	46	46
Prepayments	133	133	133	133	133
Total current assets	4,978	3,048	3,006	3,073	3,177
Non-current assets					
Receivables	0	0	0	0	0
Property, Plant & Equipment	253,370	262,374	271,282	275,052	274,976
Financial Assets	916	916	916	916	916
Other	583	583	583	583	583
Total non-current assets	254,869	263,873	272,781	276,551	276,475
Total assets	259,847	266,921	275,787	279,624	279,652
Current liabilities					
Payables	1,227	1,227	1,227	1,227	1,227
Interest Bearing Liabilities	534	383	312	274	206
Employee Benefits	2,282	2,282	2,282	2,282	2,282
Other	48	48	48	48	48
Total current liabilities	4,091	3,940	3,869	3,831	3,763
Non-current liabilities					
Interest Bearing Liabilities	2,193	1,810	1,498	1,224	1,018
Employee Benefits	197	197	197	197	197
Land Improvement Liability	275	275	275	275	275
Total non-current liabilities	2,665	2,282	1,970	1,696	1,490
Total liabilities	6,756	6,222	5,839	5,527	5,253
Net assets	253,091	260,699	269,948	274,097	274,399
Equity					
Accumulated Surplus	115,741	124,134	133,483	137,632	137,934
Asset Revaluation Reserve	135,177	135,177	135,177	135,177	135,177
General Reserves	2,173	1,388	1,288	1,288	1,288
Total equity	253,091	260,699	269,948	274,097	274,399

Budgeted Standard Cash Flow Statement

For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Cash flows from operating activities					
<i>Receipts</i>					
Rates & Charges	11,741	12,659	13,546	14,494	15,508
Operating Grants	5,962	7,529	7,754	7,987	8,227
Fees & User Charges	2,232	2,800	2,912	3,029	3,150
Contributions - operating	641	647	702	723	745
Interest Revenue	268	221	229	239	248
Other Revenue	138	145	150	156	163
	<u>20,982</u>	<u>24,001</u>	<u>25,293</u>	<u>26,628</u>	<u>28,041</u>
<i>Payments</i>					
Employee Benefits	(10,473)	(11,742)	(12,387)	(13,069)	(13,787)
Materials & Services	(8,189)	(9,351)	(10,340)	(10,924)	(11,561)
Borrowing Costs	(136)	(195)	(160)	(135)	(113)
Other Expenses	(831)	(815)	(839)	(864)	(890)
	<u>(19,629)</u>	<u>(22,103)</u>	<u>(23,726)</u>	<u>(24,992)</u>	<u>(26,351)</u>
Flood Operating Activities					
<i>Receipts</i>					
Operating Grants	1,325	2,947	1,500	700	0
	<u>1,325</u>	<u>2,947</u>	<u>1,500</u>	<u>700</u>	<u>0</u>
<i>Payments</i>					
Employee Benefits	(180)	(195)	(100)	(50)	0
Materials & Services	(1,145)	(2,752)	(1,400)	(650)	0
	<u>(1,325)</u>	<u>(2,947)</u>	<u>(1,500)</u>	<u>(700)</u>	<u>0</u>
Net cash provided by operating activities	<u>1,353</u>	<u>1,898</u>	<u>1,567</u>	<u>1,636</u>	<u>1,690</u>
Cash flows from investing activities					
Capital Expenditure	(9,049)	(7,523)	(7,406)	(6,268)	(6,421)
Capital Grants	5,273	3,844	5,830	4,660	4,760
Capital Income	703	350	350	350	350
Capital Contributions	50	35	0	0	0
Net cash used in investing activities	<u>(3,023)</u>	<u>(3,294)</u>	<u>(1,226)</u>	<u>(1,258)</u>	<u>(1,311)</u>
Cash flows from flood restoration investing activities					
Capital Expenditure	(3,568)	(7,978)	(8,000)	(4,000)	0
Capital Grants	3,568	7,978	8,000	4,000	0
Net cash used in flood investing activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash flows from financing activities					
Proceeds from borrowings	1,100	0	0	0	0
Repayment of borrowings	(430)	(534)	(383)	(312)	(274)
Net cash provided from financing activities	<u>670</u>	<u>(534)</u>	<u>(383)</u>	<u>(312)</u>	<u>(274)</u>
Net decrease in cash & cash equivalents	<u>(1,000)</u>	<u>(1,930)</u>	<u>(42)</u>	<u>66</u>	<u>105</u>
Cash & cash equivalents at beginning of year	5,520	4,520	2,590	2,548	2,614
Cash & cash equivalents at end of year	<u>4,520</u>	<u>2,590</u>	<u>2,548</u>	<u>2,614</u>	<u>2,719</u>

Budgeted Standard Capital Works Statement

For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11		2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital works areas					
Roads	9,709	9,511	8,274	6,158	3,664
Bridges & Culverts	216	1,850	2,120	670	280
Plant And Equipment	1,256	1,868	1,490	1,100	1,100
Buildings	851	1,020	2,945	2,045	1,032
Open Spaces	313	592	30	30	30
Drainage	82	482	482	200	250
Computer & Office Equipment	190	178	65	65	65
Total capital works	12,617	15,501	15,406	10,268	6,421
Represented by:					
Asset renewal	10,065	12,598	12,521	8,345	5,219
New assets	1,146	531	528	352	220
Asset expansion/upgrade	1,406	2,372	2,357	1,571	982
Total capital works	12,617	15,501	15,406	10,268	6,421

Reconciliation of net movement in property, plant and equipment

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11		2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Total capital works	12,617	15,501	15,406	10,268	6,421
Assets disposed	(703)	(350)	(350)	(350)	(350)
Depreciation	(5,407)	(6,148)	(6,148)	(6,148)	(6,148)
Net movement in property, plant & equipment	6,507	9,003	8,908	3,770	(77)

Budgeted Statement of Investment Reserves

For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2,011	2,012	2,013	2,014	2,015
	\$'000	\$'000	\$'000	\$'000	\$'000
Plant Replacement	1,618	1,033	933	933	933
St Arnaud Cemetery	29	29	29	29	29
Stawell Cemetery - Pleasant Crk	11	11	11	11	11
Gravel Pits Restoration	122	122	122	122	122
Community Loan Reserve	372	192	192	192	192
Heritage Verandah Restoration Reserve	20	0	0	0	0
Total reserves	2,172	1,387	1,287	1,287	1,287

Appendix B

Statutory disclosures

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

The appendix includes the following budgeted information:

- Borrowings
- Rates and charges
- Differential rates.

Statutory disclosures

1. Borrowings

	2010/11	2011/12
	\$	\$
New borrowings (other than refinancing)	1,100,000	0
Debt redemption	403,000	534,000

2. Rates and charges

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

Type of Property	2010/11	2011/12
	cents/\$CIV	cents/\$CIV
General rate for rateable residential properties	0.6011	0.6402
General rate for rateable industrial properties	0.6011	0.6402
General rate for rateable commercial properties	0.6011	0.6402
General rate for rateable farming properties	0.3907	0.4161
Rate concession for rateable recreational properties	0.3486	0.3713

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

Type of Property	2010/11	2011/12
	\$	\$
Residential	5,371,400	5,734,700
Industrial	56,100	60,000
Commercial	848,650	905,100
Farming	2,987,700	3,179,800
Recreational	10,000	10,600

2.3 The estimated total amount to be raised by rates

	2010/11	2011/12
	\$	\$
Total rates to be raised	9,273,850	9,890,200

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

Type of Property	2010/11	2011/12
	Change	Change
	%	%
Residential	2.9	6.5
Industrial	2.9	6.5
Commercial	2.9	6.5
Farming	2.9	6.5
Recreational	2.8	6.5

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

Type of Property	2010/11	2011/12
	\$	\$
Residential	6,269	6,273
Industrial	47	48
Commercial	514	512
Farming	2,328	2,324
Recreational	7	7
Total number of assessments	9,165	9,164

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

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

Type of Property	2010/11 \$	2011/12 \$
Residential	897,504,600	898,037,600
Industrial	9,436,000	9,550,000
Commercial	141,502,900	141,296,900
Farming	764,424,500	763,813,000
Recreational	2,863,200	2,863,200
Total	1,815,731,200	1,815,560,700

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

Type of Charge	Per Rateable Property 2010/11 \$	Per Rateable Property 2011/12 \$
Municipal	111.00	118.00
Kerbside collection 80 litre	146.00	168.00
Kerbside collection 120 litre	188.50	217.00
Kerbside collection 240 litre	292.00	336.00
Recycling	68.00	78.00

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

Type of Charge	2010/11 \$	2011/12 \$
Municipal	870,300	928,700
Kerbside collection	1,249,800	1,441,000
Recycling	346,750	399,400
Total	2,466,850	2,769,100

2.10 The estimated total amount to be raised by rates and charges:

	2010/11 \$	2011/12 \$
Rates revenue	9,273,850	9,890,200
Charges revenue	2,466,850	2,769,100
Total	11,740,700	12,659,300

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

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

3. Differential rates

3.1 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 100% (0.6402 cents in the dollar of CIV) for all rateable properties; and
- A farm rate of 65% (0.4161 cents in the dollar of CIV) for all rateable farm properties; and
- A general rate of 58% (0.3713 cents in the dollar of CIV) for all rateable recreational properties.

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

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

3.2 General Rate Land

General Rate Land means any rateable land which is not farm land or recreational and cultural land.

The purpose of the General Rate is to ensure that Council has adequate funding to undertake its strategic and statutory service provision and community services obligations.

3.3 Farm Rate Land

Farm Rate Land is any rateable land, which is all of the following:

- is 2 or more hectares in area;
- qualifies as a farm under the definition of Farm Land as prescribed in the Valuation of Land Act 1960;
- qualifies as a farm land in accordance with Council's Farm Rate Differential Policy.

Farm land under the Act, means land that it is not less than 2 hectares in area and is used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities.

In addition the Act clearly states that the property must be used by a business that has a significant and commercial purpose or character and seeks to make a profit on a continuous or repetitive basis from its activities on the land, and that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land.

Council's Farm Rate Differential Policy further states that some farm land could not be used as a substantial commercial purpose on small holdings and specifies property sizes for some types of farm activities.

The purpose of the Farm Rate is to assist farmers who, unlike other businesses, require a large amount of land to generate their income. Farm profitability is affected by the vagaries of weather and international markets and agricultural producers are unable to pass on increases in costs like other businesses. In this sense farms are seen to be more susceptible or fragile than other commercial and industrial operations.

3.4 Recreation & Cultural Rate Land

Recreational & Cultural Rate Land is any rateable land which:

- is within the Shire and eligible in accordance with the Cultural and Recreational Lands Act 1963.

Appendix C

Capital works program

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

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

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

- Non capital projects for 2011/12.

Capital works program

For the year ending 30 June 2012

Project Name	Project Cost	Grants	Other Contributions	Sale of Assets	Rate Revenue/ Transfer from Reserves
Buildings					
Stawell Leisure Complex Backwash & Water Harvesting Project	300	150			150
Halls Gap Community Hub	200	200			
Stawell CBD Linkage	150	150			
St Arnaud Pool Solar Heating system	100				100
Kara Kara Building Stage II	80	50			30
St Arnaud Hockey Club House (Carry Forward Project)	60	40	10		10
North Park Re-development	50	50			
St Arnaud Children's Precinct - Stage II	40				40
Stawell Entertainment Centre Extension	20				20
Community Access Plan Implementation	20				20
	\$1,020	\$640	\$10	\$0	\$370
Bridge & Major Culvert					
Bridge & Major Culverts (Flood Restoration)	1,500	1,500			
Drop Structure & Floodway Renewals	225	225			
Major Culvert Renewal Program	125	125			
	\$1,850	\$1,850	\$0	\$0	\$0
Computer & Office Equipment					
Hardware Replacement Program	47				47
Authority Version 6 Upgrade	47				47
Additional Licence for Micro station / Inroads (Flood Recovery)	45	45			
Plotter Printer (Flood Recovery)	18	18			
Office Furniture & Equipment Replacement	15				15
Security for Council Buildings	6				6
	\$178	\$63	\$0	\$0	\$115
Drainage Program					
Strengthening Basin Community Program Stage 2	282	160	25		97
Drainage Program	200				200
	\$482	\$160	\$25	\$0	\$297
Open Space					
Dam Restoration Works (Flood Restoration)	300	300			
North Park Recreation Reserve Improvements (C/forward Project)	112	112			
Cato Park Flood Mitigation (Flood Restoration)	75	75			
Community Plan Projects	75	40			35
Playground Upgrades	30				30
	\$592	\$527	\$0	\$0	\$65
Plant & Equipment					
Heavy Plant Replacement Program	1,485			200	1,285
Fleet Replacement	333			150	183
Minor Plant Replacement	50				50
	\$1,868	\$0	\$0	\$350	\$1,518

Project Name	Project Cost	Grants	Other Contributions	Sale of Assets	Rate Revenue/ Transfer from Reserves
Roads					
Roads & Street Networks (Flood Restoration)	6,000	6,000			
Resheeting Program	800	600			200
Transport Development Program	611	232			379
Final Seal Program	400	350			50
Major Rural Roads Program	400	400			
Resealing Program	350	200			150
Rehabilitation Program	250	200			50
St Arnaud Streetscape (Carry Forward Project)	250	150			100
Rural & Residential Program	150	150			
Urban Road Improvement Program	80	80			
Town Street Sealing Program	75	75			
B Double Route Upgrade	50	50			
Footpaths Program	40	40			
Kerb & Channel Program	30	30			
Special Charge Scheme	25	25			
	\$9,511	\$8,582	\$0	\$0	\$929
TOTAL CAPITAL WORKS	\$15,501	\$11,822	\$35	\$350	\$3,294
Major Projects					
Halls Gap Powerline Relocation	600	400			200
Greening St Arnaud	75				75
Beautification of Town Entrance Stawell	75				75
Website Development	30				30
Improved Street Numbering & Road Signage in the Shire	20				20
St Arnaud Basketball Stadium	10				10
Security for Queens Mary Garden	8				8
Northern Grampians Shire Exit & Entry Signs	5				5
	\$823	\$400	\$0	\$0	\$423
TOTAL CAPITAL WORKS & PROJECTS	\$16,324	\$12,222	\$35	\$350	\$3,717

Appendix D - Key Strategic Activities

The Key Strategic Activities (KSA) detailed below are derived from the Council Plan summarised in Section 2. The KSA's their performance measures, targets and results are audited at the end of the year and are included in the Performance Statement as required by the section 132 of the Local Government Act 1989. The Annual Report for 2011/12 will include the audited Performance Statement which is presented to the Minister for Local Government and the local community.

Strategic Activity	Performance Measure	Performance Target
Enhance Community Safety	Time: Security systems in place in key public spaces in the Shire	February 2012
	Quality: Incidents of vandalism and public property damage diminished	10% decrease

Strategic Activity	Performance Measure	Performance Target
Reduce the time taken to process planning applications	Quantity: The proportion of planning applications processed within 60 days	≥ 90%
	Quality: The proportion of Council decisions upheld at VCAT	≥ 90%

Strategic Activity	Performance Measure	Performance Target
Implement key strategies in industry sector plans	Time: Commence industrial land audit and investment strategy	By December 2011
	Quality: Enquiry from targeted industry reported to Council	≥ 10

Strategic Activity	Performance Measure	Performance Target
Implement an organisational culture and performance strategy	Time: Develop key actions for first stage implementation across the organisation	By April 2012
	Quality: Functional areas and work teams within each of the three Directorates implementing positive cultural change programs	3 improvement actions per Directorate