



# BULOKE SHIRE COUNCIL

## Strategic Resource Plan 2016 – 2020





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## 1 Introduction

Effective planning and reporting by local councils is essential for demonstrating to the community where funds are derived and expended.

The primary objective of a local council is to endeavour to achieve the best outcomes for its communities, whilst considering the long term and cumulative effects of the decisions it makes. Local councils often do this in partnership with local community organisations and in conjunction with or the support of other levels of government.

Buloke Shire Council (Council)

- Has functions and authority conferred on it by the Victorian Parliament
- Provides governance and leadership for the local community through advocacy, decision making and leadership
- Is accountable to the local community in the performance of its functions, the exercise of its authority and the use of its resources.

Council is responsible for many services, facilities, assets and infrastructure, which provide a range of benefits to the community.

These responsibilities are taken with transparency and accountability by preparing and reviewing our plans in consultation with the community and reporting on our performance on a monthly and annual basis.

One of these plans is the Strategic Resource Plan which Council reviews each year. The 2016 Strategic Resource Plan includes

**Overview:** This includes the statutory requirements and best practice guidance for preparing a Strategic Resource Plan.

**Strategies:** Which provides an explanation of how our financial strategies will deliver the Goals and Objectives of the Council Plan

**Statements:** The SRP is based on the 2016/17 budget, prepared in accordance with the Act and Regulations and in the format required by the Local Government Model Financial Report.

## 2 Overview

At Buloke Shire, the purpose of our Strategic Resource Plan is to assist Council to maintain the financial viability over the long term by:

- Adhering to principles of sound financial management;
- Providing strategies to guide Council's financial decision making; and
- Reviewing the long term financial statements on an annual basis

The principles of sound financial management are to:

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

To achieve the Goals and Objectives of the Council Plan, Council has developed the financial strategies described in this document.

The Strategic Resource Plan includes the financial and non-financial, which are required to achieve the Goals and Objectives of the Council Plan. It expresses these through financial statements and statements of non-financial resources.

The financial statements are our forecast of income, expenditure, assets, liabilities, equity, cash and capital works. They have been prepared in accordance with the Local Government Model Financial Report prepared by CPA Australia and issued by the Department of Environment Water and Land Planning (DELWP)

The assumed revenue, expenses, borrowings and capital works in the forecast will be subject to annual review and amendment as part of the process of preparing and adopting the Annual Budget each year.

### **Legislative Requirements**

The "Planning and Accountability" requirements are found in Part 6 of the *Local Government Act 1989*. In this part of the Act, councils are required to prepare a Council Plan, Strategic Resource Plan, Annual Budget and an Annual Report.

Amongst other things, Part 6 of the Act states that the Strategic Resource Plan is a plan of the resources required to achieve the Council Plan strategic objectives.

It must:

- Include financial statements describing the financial resources in respect of at least the next four financial years,
- Include statements describing the non-financial resources including human resources in respect of at least the next four financial years,
- Take into account services and initiatives contained in any plan adopted by Council and if the council proposes to adopt a plan to provide services or take initiatives, the resources must be consistent with the Strategic Resource Plan.

The Local Government (Planning and Reporting) Regulations 2014 were approved on 15 April 2014 and came into operation on 18 April 2014

In addition to Part 6 of the Act, Part 2 of the Regulations also prescribes further details which Council must include in the Strategic Resource Plan.

These are:

- Financial Statements including a Statement of Capital Works in the form set out in the Local Government Model Financial Report
- A summary of planned capital works expenditure in relation to non-current assets, classified in accordance with the asset classes and asset expenditure types specified in the Local Government Model Financial Report and a summary of funding sources in relation to the planned capital works expenditure
- A statement of human resources; and
- A summary of planned expenditure in relation to permanent human resources and a summary of the planned number of permanent full time equivalent staff by organisational structure

### 3 Strategies

In developing the Strategic Resource Plan, council must consider several factors which potentially will impact on Plan and ultimately the financial sustainability of Council. For each of these factors Council has developed a position, along with principles on how it can best support this position.

#### 3.1 Borrowings

##### 3.1.1 Long Term Borrowing and intergenerational Equity

Subject to the principles of sound financial management, councils may borrow money to perform the functions and responsibilities required of them under the *Local Government Act 1989*.

The use of borrowed money (debt) to fund capital investment in an asset is an effective mechanism of linking the payment for the asset to future users who will receive the benefits the asset provides. This matching concept is frequently referred to as “intergenerational equity” because the costs of servicing the debt over the long term (which is usually ten years) by the revenue from rates and customer fees/charges enables the original cost of the asset to be matched with the benefits from consumption of the services provided by the asset, thereby promoting intergenerational equity.

In determining an appropriate debt level, the following factors are seen as important –

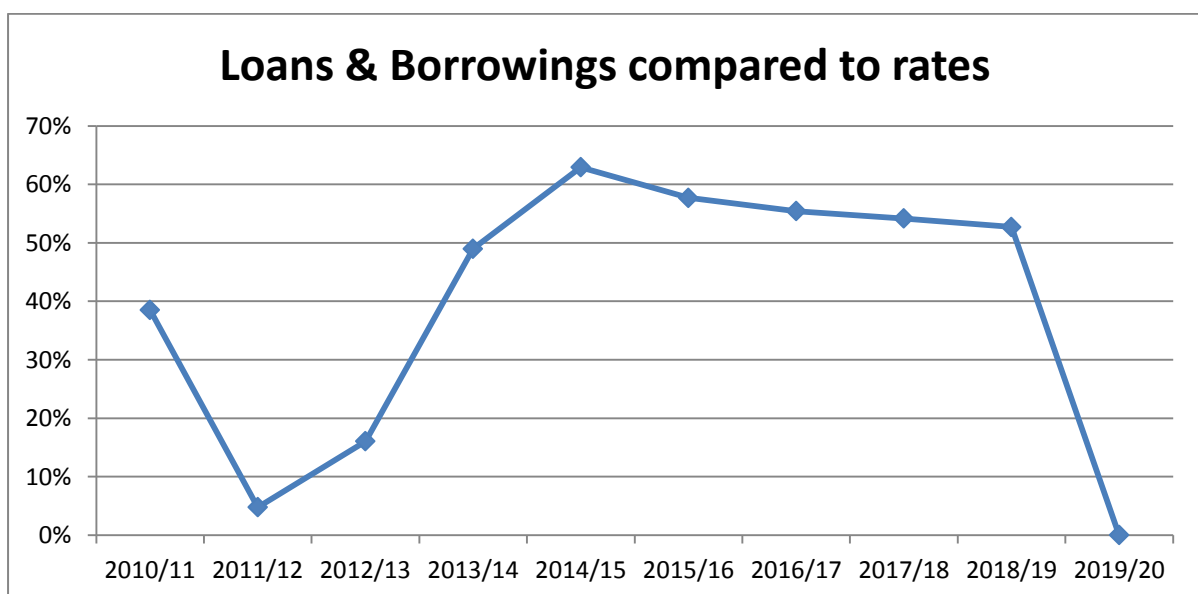
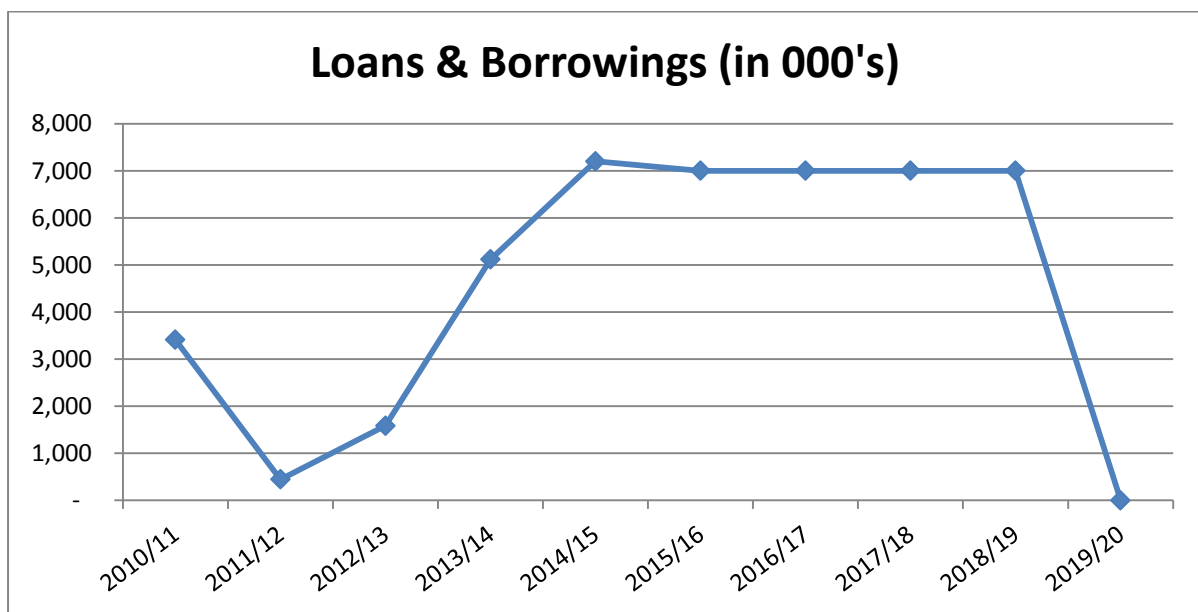
- level of debt servicing costs as a proportion of rate revenue;
- ability to raise revenue in addition to rates;
- level of realisable assets to support the indebtedness;
- achieving the right mix of capital projects and debt commitments;
- population growth and demographics; and

- community needs.

In Buloke's case Council currently has borrowings of \$7M which is in the form of an interest only loan which is due and payable in July 2019. Repayments on this loan are currently \$300k per annum.

### 3.1.2 Future Debt Level

Council has a 5 Year Capital Plan which is updated annually. The Plan aligns with the Strategic Resource Plan financial assumptions with respect to expenditure and revenue. Where projects are identified as being intergenerational in nature, Council is willing to borrow money to fund capital investment. The following graph shows the estimated debt levels. It is expected that in the medium term the debt level will remain at \$7M until November 2019 when the loan is repaid. Repayment of the principle for the \$7M loan has been factored into rate increases since the loan was activated.





Council's annual repayment commitments as a percentage of rate revenue are reflected in the above graph.

For large capital projects where there is a grant component the determination on whether they proceed will depend upon circumstances at that time, particularly the availability of government grants. If a grant becomes available, it may allow a project to proceed and if Council determines to proceed with a project it may also determine to borrow money to do so. In this case then based on the principle of intergenerational equity, repayment of the borrowings would occur over a specified period of time, which is usually at least ten years.

### **3.1.3 Debt Principles**

Council will borrow funds for investment in assets, which have a long term life cycle.

1. Council will borrow funds for investment in assets, which have a long term life cycle.
2. Council will retain its debt commitment (interest and principal repayments) at or below 6% of rate revenue.
3. Council will ensure its debt level does not exceed 40% of its rate revenue following the payment of existing \$7M loan.

## **3.2 Investment**

Due to the public nature of Council's activities, prudent management of its monetary assets is essential to mitigate against unnecessary risk. For this reason Council needs to have a conservative and risk adverse approach.

The Buloke Shire Council needs to take advantage of the interest earning potential of its surplus funds while reducing its exposure to financial risk and ensuring sufficient funds are kept available to meet cash requirements. Council funds also need to be invested in accordance with its legislative and common law responsibilities.

All investments shall comply with Section 143 of the *Local Government Act 1989* and relevant regulations and Ministerial guidelines.

The investment types permitted are

- Bank accepted/endorsed bank bills
- Bank negotiable certificate of deposits
- Bank interest bearing deposits
- State or Commonwealth Government bonds
- Authorised deposit taking institutions
- Deposits with an eligible money market dealer within the meaning of the *Corporations Act*
- Any other many approved by the Minister

Buloke will invest in short term (1 year or less) investments with an S&P rating of no less than A2.

## 3.3 Capital Works

### 3.3.1 Introduction

Capital expenditure is an investment in assets such as land, buildings, roads, drains, open spaces, playgrounds and major plant and equipment.

Capital investment is primarily on the construction of buildings, roads, drains, footpaths, kerbs and bridges. It also includes the purchase of land, buildings, facilities, major equipment, trucks, other plant, vehicles, IT systems and playgrounds.

Council has a five year Capital Plan to assist our planning and decision making. It is a plan to ensure that, in the future, we will be able to continue to meet new community needs whilst still maintaining existing assets to a proper standard.

Despite the Plan, our capital expenditure fluctuates from year to year mainly due to the fluctuating availability of government grants. Although we cannot control the availability of grants we can control our own sources of revenue which is rates and in certain circumstances borrowings. A further income source which can assist with funding capital projects is community contributions. Council has previously allowed for income of \$2 million each year from rate revenue. It is imperative that this amount be indexed in line with increases to rate revenue so that the proportion of rate revenue being used for capital investment remains the same. To not do this would see an even greater widening of the asset renewal gap.

Council will continue to invest \$2M of rate income into its capital program until the year 2020/21 when this amount will be increased to \$5M. It will remain at \$5M for subsequent years to allow Council to reduce the asset renewal gap.

### 3.3.2 Asset Expenditure

Managing assets is fundamental to achieving the goal of long-term financial sustainability. This requires the recognition of all “life-cycle” costs associated with asset ownership including creation or acquisition, operations, maintenance, renewal, depreciation and disposal. In some cases, such as landfill sites, the “life-cycle” cost also includes rehabilitation.

Asset expenditure may be one of three types, as follows –

- new;
- renewal;
- upgrade
- expansion.

New is capital expenditure on a new asset.

Expansion is expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. It is discretionary expenditure, which increases future operations and maintenance costs, because it increases the organisation’s asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or

road network, the provision of an oval or park in a new suburb for new residents.

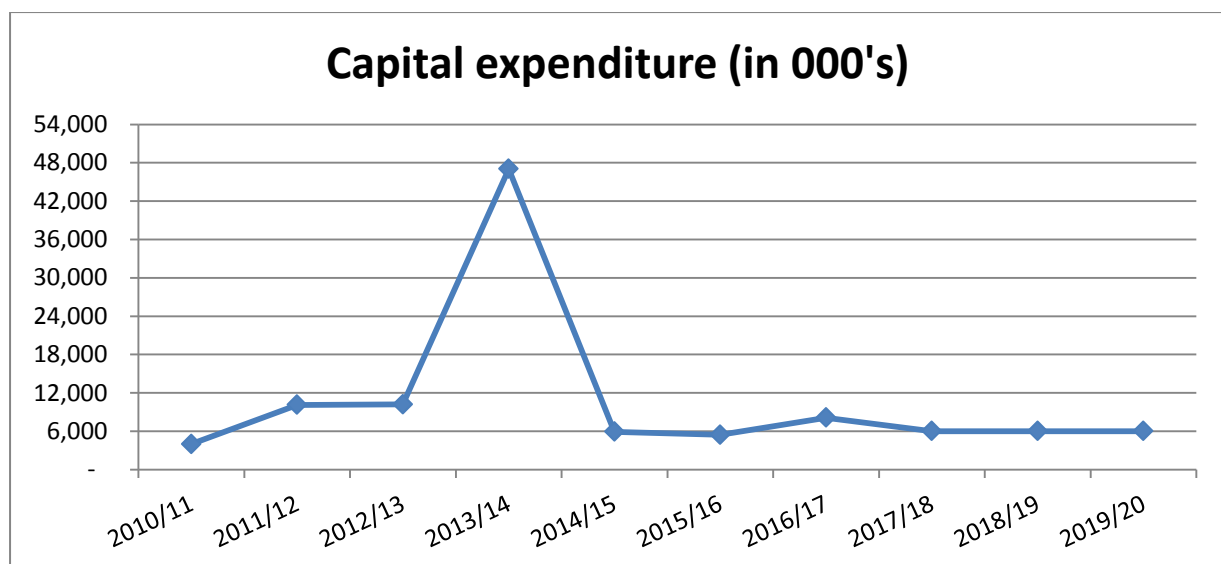
Renewal is expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed.

As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

Upgrade is expenditure which enhances an existing asset to provide a higher level of service. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

New is expenditure which creates a new asset providing a new service/output that does not currently exist. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

The graph below shows the estimated levels of capital expenditure.



### 3.3.3 Asset Renewal

Council is facing the problem of aging assets that are in need of renewal. This problem is common to local government throughout Victoria. To avoid the situation where assets are unable to provide the standard and level of service, which is expected from them, Council gives priority to capital expenditure on asset renewal.

### 3.3.4 Long Term Capital Plan

The Long Term Capital Plan is reviewed annually and in accordance with the following parameters –

- Capital expenditure shall align with the financial assumptions in the SRP;
- Large one-off projects flagged in subsequent years shall require accurate costing to be undertaken and their timing and priority finalised;
- Income assumptions shall remain conservative given they are less predictable; and
- Roads to Recovery income shall be assumed to continue at current level and shall be spread across relevant projects within the Roads Program.

### 3.3.5 Asset Revaluations

It is critical that asset revaluations occur on a regular basis. Current valuations allow council to accurately determine its depreciation. Likewise it these valuations will be important for determining the asset renewal gap.

Council will undertake periodic revaluation of all non-current assets owned and managed by Council in accordance with relevant Australian Accounting Standards and State Government guidelines.

Council also review the financial valuation of Council owned or controlled non- current asset classes as at 30 June every year, including assessment of impairment.

The following is the schedule of asset class and when they are scheduled for revaluations.

<b>Asset Class</b>	<b>Next Revaluation</b>	<b>Cycle</b>
Buildings	30 June 2016	2 years
Land	30 June 2017	3 years
Roads	30 June 2016	3 years
Bridges	30 June 2016	3 years
Drainage	30 June 2017	3 years
Other Infrastructure	30 June 2017	3 years
Waste Management	30 June 2017	3 years
Recreation, Leisure and Community Facilities	30 June 2017	3 years
Parks, Open Space and Streetscapes	30 June 2017	3 years
Plant Machinery and Equipment	Not Revalued	
Computers and Telecommunication	Not Revalued	

In accordance with accounting standards, all assets within an asset class (as defined above) will be revalued at the same time.

All changes made to the carrying amounts of assets as a result of the revaluation will be recognised in the financial accounts of the Shire as required by the relevant accounting standard. In addition, details of the timing of any revaluations and the organisation conducting the revaluations will also be included in a note to the audited financial statements.

### 3.3.6 Asset Capitalisation

Council is required to responsibly and consistently determine items that need to be classified as assets and to capitalise assets that meet the Shire's asset capitalisation criteria. Council capitalises/recognises/measures its assets in accordance with relevant Australian Accounting Standards and State Government Policy.

One of the principal issues in accounting for property, plant and equipment is when should an item be recognised as an asset (Capitalised) rather than be expensed in the year of operation.

The Shire will capitalise assets when all of the following criteria are met:

- Assets purchased, built or leased have useful lives of one year or more. Operating leases are not to be capitalised.
- The cost of the assets (including installation) is \$1,000 or more. Multiple assets whose cost is less than \$1,000 but the aggregate requestor total is \$1,000 or more are capitalised
- The cost of renovating the asset is \$1,000 or more and prolongs the life of the asset

Costs associated with software maintenance and customer support are considered expenditures and will not be capitalised.

Other considerations:

Repairs & Maintenance - Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

<i>Asset recognition thresholds and depreciation periods</i>	<b>Depreciation Period</b>	<b>Threshold Limit \$'000</b>
Property		
land	-	All
land under roads	-	All
land improvements	-	All
Buildings		
buildings - non-specialised	50 years	All
Plant and Equipment		
plant, machinery and equipment	3-13 years	1
fixtures, fittings and furniture	4-13 years	1
computers and telecommunications	3-6 years	1
Infrastructure		
road formation	100 years	All
sealed road pavements	60 years	All
unsealed road pavements	25 years	All
sealed road surfaces	13 - 15 years	All
bridges	50 years	All
footpaths and cycleways	45-50 years	All
drainage	100 years	All
recreational, leisure and community facilities	10 - 50 years	All
waste management	10 - 50 years	All
parks, open space and streetscapes	10 - 50 years	All
off street car parks	10 - 50 years	All
aerodromes	10 - 50 years	All

### 3.3.7 Asset depreciation

One of the principal issues in accounting for property, plant and equipment is how a capitalised asset is to be depreciated, taking into account its cost, useful life, any residual value at the conclusion of its useful life and the depreciation method by which the consumption of the assets economic benefits are consumed. This can have significant implications on the operating result of the Shire.

Depreciation is the systematic allocation of the depreciable amount of a capital asset over its estimated useful life.

Buildings, land improvements, plant and equipment, heritage assets and other assets having limited useful lives must be systematically depreciated over their useful lives in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are to be made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are to be reviewed annually.

Any material changes of the projected useful lives of assets within an asset class will facilitate a revaluation of that asset class, provided that the change in the useful life is expected to materially impact on the fair value of the asset class.

Where infrastructure assets have separate identifiable components that are subject to regular replacement, these components must be assigned distinct useful lives and residual values and a separate depreciation rate is to be determined for each component.

### **3.3.8 Strategies**

1. Council will annually review and adjust its Long Term Capital Plan to strengthen its position when targeting and focussing on grants that align with its overall strategic direction.
2. To address the renewal gap, Council aims to increase the level of capital spending from the 2020/21 budget by an additional \$3M per annum.
3. Council may sell assets, which are unused or underutilised.

## **3.4 . Council Services**

### **3.4.1 Introduction**

Council's current range of services is a result of its statutory functions and obligations under the *Local Government Act 1989*. The level (quantity) and standard (quality) of services, which Council is capable of providing, and needs to provide in order to meet community expectations is both diverse and complex.

Council currently provides a range of services, including community services, recreation services and asset related services such as roads, buildings, drains and open space.

Council also provides a range of planning and development services including community development, economic development and infrastructure planning. A full description of our services is provided each year in our Annual Report.

### **3.4.2 Service Planning and Provision**

One of the key objectives of the SRP is to ensure that Council has the ability and capacity to maintain service levels which meet community demands whilst maintaining a financially sustainable position.

As part of the preparation for the 2014/15 budget Council conducted Service Reviews examining services offered and whether the level of service was sustainable given Council's financial situation. As a result of this there were some significant reductions in services. These reductions have been implemented over the 2014/15 and 2015/16 years.

Council is committed to continuous improvement and has embarked in a three plan to conduct Service Plans. These Service Plans are developed by Managers and presented to Council with Action Plans. A key component to many of the services will be

benchmarking against other Councils.

### **3.4.3 Rural Living**

Buloke Shire Council launched the Rural Living Campaign in May 2015. The aim of the campaign was to seek a long-term solution to provide equal services for rural people. The first phase of the campaign is to gain recognition by all sides of government that service inequality exists.

Once agreement is reached, Rural Living will seek a commitment from government for more sustainable funding structures that will enable rural communities to receive the services they are entitled to.

Sustainability of rural councils and communities is a shared solution between Local Government and the community, but at the same time the State and Federal Governments need to understand it is not acceptable to have disadvantaged people just a few hours out of Melbourne.

The program has the support of the Municipal Association of Victoria and the Victorian Farmers Federation as well as involving 19 Councils across the State.

### **3.4.4 Strategies**

1. Council will annually determine the range and level of service provision through the budget process based on an assessment of organisational capacity and financial capability.
2. Wherever possible, if a service directly benefits identifiable individuals Council will recover all or part of the costs of the service directly from the users of the service.
3. Council will continue to advocate through the Rural Living Campaign for better funding of services from State and Federal Governments.

## **3.5 Rating Strategy**

### **3.5.1 Introduction**

Rates and charges are recognised as a significant source of revenue, planning for rate increases is therefore an important part of the resource planning process. However, it is also necessary to balance the importance of rate revenue as a funding source with community sensitivity to increases, particularly given fluctuations in property valuations used for rating purposes, which are recorded in the biennial General Valuations.

This Rating Strategy establishes a framework by which rates and charges will be shared by the community.

### **3.5.2 Rating Strategy**

Council will continue to provide a full range of facilities and services in accordance with its statutory and community service obligations.



The appropriate setting of rates and customer fees (fee for service) is essential for the efficient recovery of the costs of providing services.

If a service does not directly benefit identifiable individuals only then the costs are allocated to the community as a whole through the application of rates. In simple terms our total expenditure minus our total revenue from all sources such as customer fees, grants and borrowings is the amount that we need to raise from rates (including the municipal charge).

### **3.5.3 Rating Structure**

Council has established a rating structure, which is comprised of three key elements –

- Property rates; which are based on property value.
- Municipal Charge, which reflects a common contribution to the governance costs of Council.
- Waste service charges, which reflect the Ratepayers use of kerb side waste collection.

The legislative basis for these charges can be found in Council's Budget Report each year.

### **3.5.4 Rating Differentials**

Striking a proper balance between these elements provides equity in the distribution of rates and charges across ratepayers. Council makes a further distinction, within the property value element, which is a differential rate. That is, rates based on the purpose for which the property is used. This distinction is based on the concept that property owners should pay a fair and equitable contribution to rates taking into account the benefit that their property type may derive from the services Council provides.

Section 161 of the *Local Government Act 1989* allows a council to raise rates by a differential rate. Council determined to apply three Differential Rates. The general rate applies to all rateable properties except land that is used for commercial and agriculture purposes. The commercial rate is set at the same as the general rate. The agricultural land rate set at 2% less than the general rate.

Council's Statement of Differential Rates (in accordance with section 161 of the Local Government Act) can be found in the Appendices of the Budget Report.

### **3.5.5 Property Valuations**

Valuations are conducted under the *Valuation of Land Act* and are carried out using Valuation Best Practice Principles as set down by the Victorian Government Valuer General. A General Valuation of all properties is required every two years and a common date of 1 January is used.

A General Valuation establishes the value of a property relative to all other properties, that is, its market relativity. The relativity of property values changes over time depending

upon fluctuations in the demand for property. For example, the price of a typical residential dwelling in one town may rise by 5% over a two year period whereas a similar dwelling in another town may rise by 3% over the same period.

The General Valuation as at 1 January 2016 applies for 2 financial years from 1 July 2016.

The General Valuation does not in itself produce rate income. The level of rate income required by Council is determined through the budget process. The General Valuation of all rateable properties within the Shire determines how the rate income is "shared" throughout the Shire based on the valuation of each property. As a result of each General Valuation, some property owners may be required pay more in rates and others will be required to pay less, depending on the new valuation of their property, relative to others. The greater the change in the property valuation between valuations; the greater will be the change in the rate bill.

There are three methods of valuation that Council is required to calculate. However, Council only uses the capital improved method of valuation (CIV) for rating purposes. The CIV is the market value of a property including the land, the buildings and other improvements such as swimming pools and fences. CIV is considered to be the fairest method of valuation because it is the most equitable.

Supplementary valuations are made during the financial year when a significant change occurs. The most common causes for supplementary valuations are:

- construction of a new dwelling or building;
- subdivision of a property; or
- consolidation of properties.

As a result of a supplementary valuation, a rate notice is issued to reflect any change in rates. Council presently undertakes this task on a quarterly basis.

### **3.5.6 Waste Service Charges**

Council levies a per bin charge for the kerbside collection and disposal of waste (that is, domestic garbage and recyclable material) on each separate occupancy within the collection district. The purpose of these charges is to fully recover the costs of collection and disposal for all benefitting properties within the collection district.

### **3.5.7 Strategies**

1. Council will continue to use the Capital Improved Value (CIV) as its valuation base.
2. Subject to budgetary challenges Council may increase rates and the municipal charge by 3.05%, 2.85%, 2.8%, 2.8% for the period of the SRP.
3. Council will continue to levy a municipal charge to ensure there is an equitable contribution from each Ratepayer (regardless of their property value).
4. Council will continue to ensure that the revenue from waste collection and disposal charges is sufficient to fully cover all direct and indirect costs of waste services including collection, sorting and disposal of garbage, recyclable materials, and green waste.

5. Council will continue to apply Differential Rates based on the purpose for which the property is used.

## Financial performance indicators

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

Indicator	Measure	Notes	Strategic Resource Plan Projections				Trend +/-
			Budget 2016/17	2017/18	2018/19	2019/20	
<b>Operating position</b>							
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	9.28%	-1.83%	-2.11%	-1.53%	+
<b>Liquidity</b>							
Working Capital	Current assets / current liabilities	2	280.3%	370.0%	154.0%	349.8%	+
Unrestricted cash	Unrestricted cash / current liabilities		195.7%	269.1%	119.6%	246.1%	+
<b>Obligations</b>							
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	55.4%	54.2%	52.7%	0.0%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		2.4%	2.3%	2.2%	52.2%	+
Indebtedness	Non-current liabilities / own source revenue		54.5%	53.2%	3.4%	3.3%	+
Asset renewal	Asset renewal expenditure / depreciation	4	92.4%	90.8%	90.8%	90.8%	-
<b>Stability</b>							
Rates concentration	Rate revenue / adjusted underlying revenue	5	51.2%	58.0%	58.5%	58.9%	o
Rates effort	Rate revenue / CIV of rateable properties in the municipality		1%	1%	1%	1%	o
<b>Efficiency</b>							
Expenditure level	Total expenditure / no. of property assessments		\$3,610	\$3,657	\$3,735	\$3,789	+
Revenue level	Residential rate revenue / No. of residential property assessments		\$839	\$863	\$887	\$912	+
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year	6	10%	10.0%	10.0%	10.0%	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 –**

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.

An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives.

The 2016/17 adjusted underlying result is higher than the trend due to the additional of Roads to Recovery annual allocation (capital recurrent grant) which is part of the underlying revenue.

For the out-years, the Roads to Recovery annual allocation is expected to be \$1.1 million.

**2 Working Capital** – The proportion of current liabilities represented by current assets. Working capital is expected to increase gradually up to 2018/19 in order to build up sufficient cash resources to repay the \$7 million loan borrowing in November 2019.

**3 Debt compared to rates** - Trend indicates Council's reducing reliance on debt against its annual rate revenue. Council's current loan borrowing stands at \$7 million which is due for repayment in November 2019.

**4 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 expenditure in excess of its depreciation charge.

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

**6 Workforce turnover** - This indicator includes positions which are filled internally and hence the resignations that this causes

## Comprehensive Income Statement

For the four years ending 30 June 2020

	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
<b>Income</b>				
Rates and charges	12,630	12,922	13,278	13,643
Statutory fees and fines	135	138	142	145
User fees	731	749	768	787
Grants - Operating (Recurrent)	6,871	6,981	7,012	7,043
Grants - Operating (Non-Recurrent)	276			
Grants - Capital (Recurrent)	3,630	1,100	1,100	1,128
Grants - Capital (Non-Recurrent)	1,809	3,000	3,000	3,000
Contributions - monetary	286	121	121	121
Contributions - non-monetary	-	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	10	10	10
Fair value adjustments for investment property	-	-	-	-
Share of net profits/(losses) of associates and joint ventures	-	-	-	-
Other income	250	259	266	273
<b>Total income</b>	<b>26,618</b>	<b>25,280</b>	<b>25,697</b>	<b>26,150</b>
<b>Expenses</b>				
Employee costs	9,022	9,338	9,665	10,003
Materials and services	5,391	5,689	5,831	5,977
Bad and doubtful debts	5	5	5	5
Depreciation and amortisation	6,605	6,610	6,610	6,610
Borrowing costs	297	297	297	124
Other expenses	1,077	748	767	786
<b>Total expenses</b>	<b>22,397</b>	<b>22,687</b>	<b>23,175</b>	<b>23,505</b>
<b>Surplus/(deficit) for the year</b>	<b>4,221</b>	<b>2,593</b>	<b>2,522</b>	<b>2,645</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to surplus or deficit in future periods:</b>				
Net asset revaluation increment /(decrement)	-	-	-	-
Share of other comprehensive income of	-	-	-	-
<b>Items that may be reclassified to surplus or deficit in future periods</b>				
(detail as appropriate)				
<b>Total comprehensive result</b>	<b>4,221</b>	<b>2,593</b>	<b>2,522</b>	<b>2,645</b>

## **KEY ASSUMPTIONS**

In developing the Strategic Resource Plan, rates and charges were identified as an important source of revenue, accounting for approximately 52% of the total revenue received by Council annually. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process. The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the community.

Council has been successful in its application to the Essential Services Commission for the higher cap of 3.05% for 2016/17. Rate increases forecast over the following three years is at 2.85%, 2.8% and 2.8% with full cost recovery of kerbside garbage and recycling charges.

External grants are used to fund both capital and operating expenditure. The level of VGC grants to Victorian Councils has been effected by Commonwealth Government's decision to pause indexation for three years commencing in 2014-15. It is assumed that the three year freeze will end 2016/17 and a 3% increase has been applied to 2017/18.

Employee benefits are expected to increase by 3.50% factoring in the Council's 2014/15 Enterprise Bargaining Agreement (EBA) wage increase of 2.50% for 2016 and 2017 and annual movement in banding levels.

Council's staff numbers are expected to stabilise at 113 - 114 EFT which is a reduction from 138 EFT in 2013/14.

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 2.5% due to external factors such as CPI.

Borrowing cost relates to interest on the \$7.0 million loan borrowing in 2014/15 under the Local Government Funding Vehicle at a fixed interest rate of 4.24% p.a. to reduce Council's reliance on a higher interest overdraft facility. This loan is due for repayment in November 2019.

## Balance Sheet

For the four years ending 30 June 2020

	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7,034	9,670	12,757	8,957
Trade and other receivables	2,455	3,043	3,109	3,186
Other financial assets	-	-	-	-
Inventories	150	150	150	150
Non-current assets classified as held for sale	-	-	-	-
Other assets	263	263	263	263
<b>Total current assets</b>	<b>9,902</b>	<b>13,126</b>	<b>16,279</b>	<b>12,556</b>
<b>Non-current assets</b>				
Trade and other receivables	-	-	-	-
Investments in regional library corporation	221	221	221	221
Property, infrastructure, plant & equipment	177,890	177,274	176,664	176,053
Investment property	-	-	-	-
Intangible assets	-	-	-	-
<b>Total non-current assets</b>	<b>178,111</b>	<b>177,495</b>	<b>176,885</b>	<b>176,274</b>
<b>Total assets</b>	<b>188,013</b>	<b>190,621</b>	<b>193,164</b>	<b>188,830</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	888	903	924	945
Trust funds and deposits	121	121	121	121
Provisions	2,524	2,524	2,524	2,524
Interest-bearing loans and borrowings	-	-	7,000	-
<b>Total current liabilities</b>	<b>3,533</b>	<b>3,548</b>	<b>10,569</b>	<b>3,590</b>
<b>Non-current liabilities</b>				
Provisions	485	485	485	485
Interest-bearing loans and borrowings	7,000	7,000	-	-
<b>Total non-current liabilities</b>	<b>7,485</b>	<b>7,485</b>	<b>485</b>	<b>485</b>
<b>Total liabilities</b>	<b>11,018</b>	<b>11,033</b>	<b>11,054</b>	<b>4,075</b>
<b>Net assets</b>	<b>176,995</b>	<b>179,588</b>	<b>182,110</b>	<b>184,755</b>
<b>Equity</b>				
Accumulated surplus	91,370	93,963	96,485	99,130
Reserves	85,625	85,625	85,625	85,625
<b>Total equity</b>	<b>176,995</b>	<b>179,588</b>	<b>182,110</b>	<b>184,755</b>



## Statement of Changes in Equity

For the four years ending 30 June 2020

	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
Balance at beginning of the financial year	172,773	87,148	85,625	-
Surplus/(deficit) for the year	4,221	4,221	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	-	-	-
Transfer from other reserves	-	-	-	-
<b>Balance at end of the financial year</b>	<b>176,994</b>	<b>91,369</b>	<b>85,625</b>	<b>-</b>
<b>2018</b>				
Balance at beginning of the financial year	176,994	91,369	85,625	-
Surplus/(deficit) for the year	2,593	2,593	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	-	-	-
Transfer from other reserves	-	-	-	-
<b>Balance at end of the financial year</b>	<b>179,587</b>	<b>93,962</b>	<b>85,625</b>	<b>-</b>
<b>2019</b>				
Balance at beginning of the financial year	179,587	93,962	85,625	-
Surplus/(deficit) for the year	2,522	2,522	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	-	-	-
Transfer from other reserves	-	-	-	-
<b>Balance at end of the financial year</b>	<b>182,109</b>	<b>96,484</b>	<b>85,625</b>	<b>-</b>
<b>2020</b>				
Balance at beginning of the financial year	182,109	96,484	85,625	-
Surplus/(deficit) for the year	2,645	2,645	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	-	-	-
Transfer from other reserves	-	-	-	-
<b>Balance at end of the financial year</b>	<b>184,754</b>	<b>99,129</b>	<b>85,625</b>	<b>-</b>

## Statement of Cash Flows

For the four years ending 30 June 2020

	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>				
Rates and charges	12,440	12,293	13,206	13,573
Statutory fees and fines	133	138	141	145
User fees	720	751	767	786
Grants - operating	7,147	6,981	7,012	7,043
Grants - capital	5,439	4,100	4,100	4,128
Contributions - monetary	285	121	121	121
Interest received	130	135	138	141
Other receipts	115	125	127	130
Net GST refund / payment	-	-	-	-
Employee costs	(9,022)	(9,329)	(9,652)	(9,990)
Materials and services	(5,522)	(5,644)	(5,820)	(5,978)
Other payments	(1,086)	(748)	(766)	(785)
<b>Net cash provided by/(used in) operating activities</b>	<b>10,779</b>	<b>8,923</b>	<b>9,374</b>	<b>9,314</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, infrastructure, plant and equipment	99	10	10	10
Payments for property, infrastructure, plant and equipment	(8,104)	(6,000)	(6,000)	(6,000)
Payments for investments	-	-	-	-
Proceeds from sale of investments	-	-	-	-
Loan and advances made	-	-	-	-
Payments of loans and advances	-	-	-	-
<b>Net cash provided by/ (used in) investing activities</b>	<b>(8,005)</b>	<b>(5,990)</b>	<b>(5,990)</b>	<b>(5,990)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(297)	(297)	(297)	(124)
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	-	-	-	(7,000)
<b>Net cash provided by/(used in) financing activities</b>	<b>(297)</b>	<b>(297)</b>	<b>(297)</b>	<b>(7,124)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>2,477</b>	<b>2,636</b>	<b>3,087</b>	<b>(3,800)</b>
Cash and cash equivalents at the beginning of the financial year	4,557	7,034	9,670	12,757
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7,034</b>	<b>9,670</b>	<b>12,757</b>	<b>8,957</b>

## Statement of Capital Works

For the four years ending 30 June 2020

	Budget	Strategic Resource Plan Projections		
	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000
<b>Property</b>				
Land	-			
Land improvements	-			
<b>Total land</b>	-	-	-	-
Buildings	573	1,000	1,000	1,000
Heritage buildings	-			
Building improvements	-			
Leasehold improvements	-			
<b>Total buildings</b>	573	1,000	1,000	1,000
<b>Total property</b>	573	1,000	1,000	1,000
<b>Plant and equipment</b>				
Heritage plant and equipment	-			
Plant, machinery and equipment	692	760	760	760
Fixtures, fittings and furniture	-			
Computers and telecommunications	176	150	150	150
Library books	-			
<b>Total plant and equipment</b>	868	910	910	910
<b>Infrastructure</b>				
Roads	3,727	3,590	3,590	3,590
Bridges	-			
Footpaths and cycleways	89			
Drainage	1,024			
Recreational, leisure and community facilities	407			
Waste management	395	300	300	300
Parks, open space and streetscapes	406			
Aerodromes	-			
Off street car parks	-			
Other infrastructure	615	200	200	200
<b>Total infrastructure</b>	6,663	4,090	4,090	4,090
<b>Total capital works expenditure</b>	8,104	6,000	6,000	6,000
<b>Represented by:</b>				
New asset expenditure	1,063			
Asset renewal expenditure	6,102	6,000	6,000	6,000
Asset upgrade expenditure	939			
Asset expansion expenditure	-			
<b>Total capital works expenditure</b>	8,104	6,000	6,000	6,000
<b>Funding Sources</b>				
Grants	5,940	4,100	4,100	4,128
Community Contributions	122	-	-	-
Council Funds	2,042	1,900	1,900	1,872
Borrowings	-	-	-	-
<b>Total</b>	8,104	6,000	6,000	6,000

Council has a five year Capital Plan to assist our planning and decision making. It is a Plan to ensure that, in the future, we will be able to continue to meet new community needs whilst still maintaining existing assets to a proper standard.

Despite the Plan, our capital expenditure fluctuates from year to year mainly due to the fluctuating availability of government grants. Although we cannot control the availability of grants we can control our own sources of revenue which is rates and in certain circumstances borrowings. A further income source which can assist with funding capital projects is community contributions.

## Other Information

For the four years ending 30 June 2020

### 2. Summary of planned human resources expenditure

	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000
<b>Governance</b>				
Permanent - Full time	231	239	247	256
Permanent - Part time	102	106	109	113
<b>Total Governance</b>	<b>333</b>	<b>345</b>	<b>357</b>	<b>369</b>
<b>Community Services</b>				
Permanent - Full time	517	535	554	573
Permanent - Part time	767	794	822	850
<b>Total Community Services</b>	<b>1,284</b>	<b>1,329</b>	<b>1,375</b>	<b>1,424</b>
<b>Corporate Services</b>				
Permanent - Full time	1,106	1,145	1,185	1,226
Permanent - Part time	245	254	262	272
<b>Total Corporate Services</b>	<b>1,351</b>	<b>1,398</b>	<b>1,447</b>	<b>1,498</b>
<b>Planning &amp; Community Support</b>				
Permanent - Full time	448	464	480	497
Permanent - Part time	208	215	223	231
<b>Total Planning &amp; Community Support</b>	<b>656</b>	<b>679</b>	<b>703</b>	<b>727</b>
<b>Risk &amp; Human Resources</b>				
Permanent - Full time	171	177	183	190
Permanent - Part time	177	183	190	196
<b>Total Risk &amp; Human Resources</b>	<b>348</b>	<b>360</b>	<b>373</b>	<b>386</b>
<b>Works &amp; Technical Services</b>				
Permanent - Full time	4,379	4,532	4,691	4,855
Permanent - Part time	270	279	289	299
<b>Total Works &amp; Technical Services</b>	<b>4,649</b>	<b>4,812</b>	<b>4,980</b>	<b>5,154</b>
<b>Total Casuals and other expenditure</b>	<b>401</b>	<b>415</b>	<b>430</b>	<b>445</b>
<b>Total capital employee expenditure</b>	<b>268</b>	<b>192</b>	<b>192</b>	<b>192</b>
<b>Total staff expenditure</b>	<b>9,290</b>	<b>9,530</b>	<b>9,857</b>	<b>10,195</b>

	2016/17	2017/18	2018/19	2019/20
	FTE	FTE	FTE	FTE
<b>Governance</b>				
Permanent - Full time	1.00	1.00	1.00	1.00
Permanent - Part time	0.95	0.95	0.95	0.95
<b>Total Governance</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>
<b>Community Services</b>				
Permanent - Full time	5.00	5.00	5.00	5.00
Permanent - Part time	10.28	10.28	10.28	10.28
<b>Total Community Services</b>	<b>15.28</b>	<b>15.28</b>	<b>15.28</b>	<b>15.28</b>
<b>Corporate Services</b>				
Permanent - Full time	12.00	12.00	12.00	12.00
Permanent - Part time	3.24	3.24	3.24	3.24
<b>Total Corporate Services</b>	<b>15.24</b>	<b>15.24</b>	<b>15.24</b>	<b>15.24</b>
<b>Planning &amp; Community Support</b>				
Permanent - Full time	5.00	5.00	5.00	5.00
Permanent - Part time	2.34	2.34	2.34	2.34
<b>Total Planning &amp; Community Support</b>	<b>7.34</b>	<b>7.34</b>	<b>7.34</b>	<b>7.34</b>
<b>Risk &amp; Human Resources</b>				
Permanent - Full time	2.00	2.00	2.00	2.00
Permanent - Part time	1.80	1.80	1.80	1.80
<b>Total Risk &amp; Human Resources</b>	<b>3.80</b>	<b>3.80</b>	<b>3.80</b>	<b>3.80</b>
<b>Works &amp; Technical Services</b>				
Permanent - Full time	62.00	61.00	61.00	61.00
Permanent - Part time	3.88	3.88	3.88	3.88
<b>Total Works &amp; Technical Services</b>	<b>65.88</b>	<b>64.88</b>	<b>64.88</b>	<b>64.88</b>
<b>Total Casuals</b>	<b>4.86</b>	<b>4.86</b>	<b>4.86</b>	<b>4.86</b>
<b>Total staff numbers</b>	<b>114.35</b>	<b>113.35</b>	<b>113.35</b>	<b>113.35</b>

## Statement of Human Resources

For the four years ending 30 June 2020

	2016/17	2017/18	2018/19	2019/20
	\$'000	\$'000	\$'000	\$'000
<b>Staff expenditure</b>				
Employee costs - operating	9,022	9,338	9,665	10,003
Employee costs - capital	268	192	192	192
<b>Total staff expenditure</b>	<b>9,290</b>	<b>9,530</b>	<b>9,857</b>	<b>10,195</b>
	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>
<b>Staff numbers</b>				
Employees	114.35	113.45	113.45	113.45
<b>Total staff numbers</b>	<b>114.35</b>	<b>113.45</b>	<b>113.45</b>	<b>113.45</b>