

**DRAFT SRP – COVER PAGE PENDING  
FROM COMMUNICATIONS**

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**Note:** in March 2020 Council began the process of moving from four directorates to three, and the Community Wellbeing Directorate was removed from the structure and replaced on an interim basis with the Transition Directorate. However, the Community Wellbeing Directorate is still referenced in this document to allow comparisons to the prior year.

# Introduction

Effective planning and reporting by local councils is essential for showing the community where the councils funding comes from and how it is spent.

The primary objective of a local council is to endeavour to achieve the best outcomes for the local community having regard to the long-term and cumulative effects of decisions. Local councils often do this in partnership with local community organisations and in conjunction with or with the support of other levels of government.

Macedon Ranges Shire Council [Council] –

- has functions and authority conferred upon us 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 our functions, the exercise of our authority and the use of our resources.

We are responsible for many services, facilities, assets and infrastructure, which provide a range of everyday benefits to the community.

These responsibilities are undertaken with transparency and accountability by preparing and reviewing our plans each year in consultation with the community and reporting on our performance on a quarterly and annual basis.

One of those plans is the Strategic Resource Plan, which Council prepares each year. The 2020/21 Strategic Resource Plan includes –

**Planning and Accountability Framework:** provides an overview of the relationship between the key planning and reporting documents in the Act.

**Overview:** provides an overview of the statutory requirements and best practice guidance for preparing a Strategic Resource Plan.

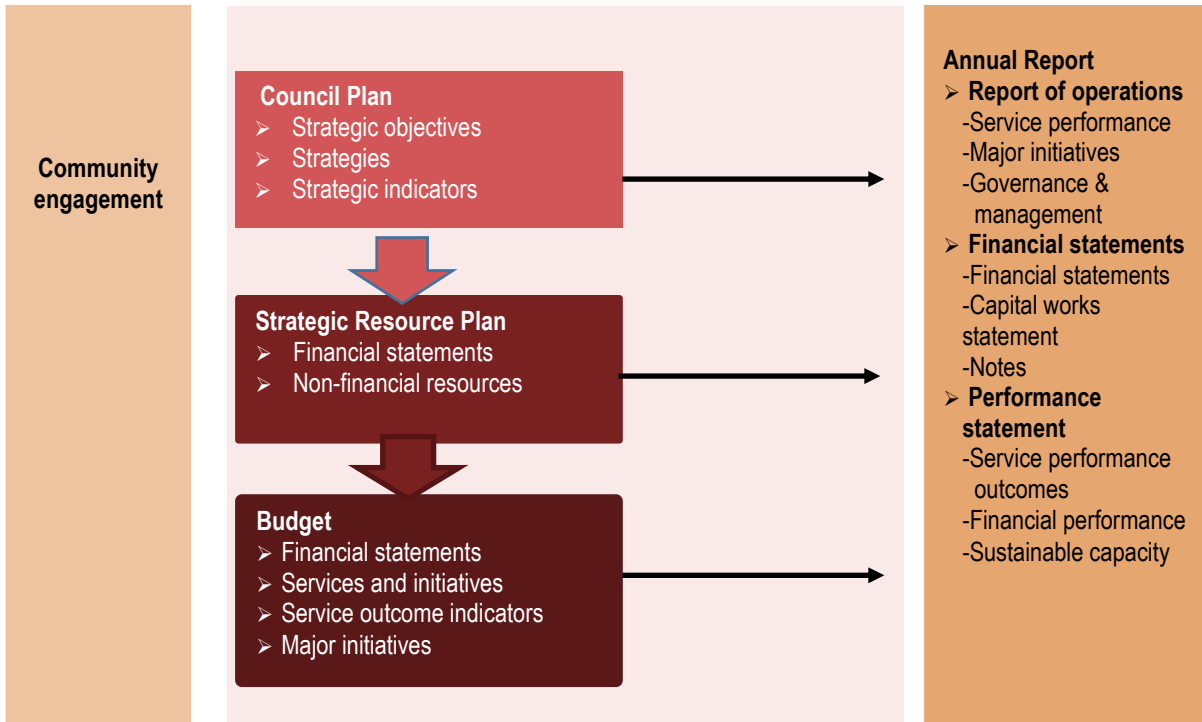
**Strategies:** provides an explanation of how our financial strategies will deliver the goals and objectives in the Council Plan. The 2020/21 document also includes coverage of organisation strategies, beyond our specific financial strategies, in order to disclose further correlation of how we will achieve the priorities in the Council Plan.

**Statements:** provides the financial statements for the next four years prepared in accordance with the Act, Regulations and in the format required by the Local Government Model Financial Report.

**Financial Assumptions:** these are key assumptions on income and expense growth that underpin the financial statements.

# 1. Planning and Accountability Framework

The following diagram shows the relationships between the key planning and reporting documents as well as the opportunity for community engagement during the planning cycle.



The **Council Plan** sets out Council’s vision and priorities. The draft Council Plan 2017-2027 – year four (2020/21) has been adopted by Council and it will be reviewed annually, when we set new actions against which we will measure the achievement of those priorities.

The **Strategic Resource Plan** includes our financial plan and our financial strategies to achieve the goals and objectives. It also includes the financial and non-financial resources that we require to achieve those goals and it is reviewed annually.

The **Budget** is the short-term plan which specifies the resources required to fund our services and initiatives over the next 12 months.

The **Quarterly Report** is not shown in the diagram, however, it is produced four times during each financial year and provides the community with a report on the progress we have made in the previous 3 months.

The **Annual Report** is published each year and provides the community with a comprehensive report of our operations and finances during the previous financial year.

## 2. Strategic Resource Plan – Legislative Requirements

The “Planning and Accountability” requirements are found in Part 6 of the *Local Government Act 1989*. In this Part of the Act, the Victorian Parliament requires local councils to prepare a Council Plan; a Strategic Resource Plan (SRP); a Budget and an Annual Report. Further requirements are set out under the Local Government Amendment (Performance Reporting and Accountability) Act 2014.

Amongst other things, Part 6 of the *Local Government Act 1989* states that the Strategic Resource Plan is a plan of the resources required to achieve the council plan strategic objectives. It must –

- include the 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 undertake initiatives, the resources required must be consistent with the SRP.

In addition to Part 6 of the Act, Part 2 of the Local Government (Planning and Reporting) Regulations 2014 also prescribe that the SRP must include –

- 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.

Under the Fair Go Rates System, local councils are not able to increase the average ratepayers rates and municipal charge by more than the average rate cap (unless they successfully apply to the Essential Services Commission for a higher cap).

The Victorian Government has set the 2020/21 average rate cap at 2.0% based on the change in the consumer price index over the financial year, plus or minus any adjustment, which may take into account factors such as wage pressures or efficiency dividends. Council has not chosen to apply for a higher cap for 2020/21.

It is noted that the new *Local Government Act 2020* will apply for the 2021/22 financial year.

### 3. Strategic Resource Plan – Overview

At Macedon Ranges, the purpose of our Strategic Resource Plan (SRP) has been and still is to assist us to maintain financial viability over the long term by –

- adhering to principles of sound financial management;
- providing strategies to guide our 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 priorities of the Council Plan, we have developed the financial strategies described in sections 4 to 6 inclusive and 8. We have adopted a number of other strategies upon which the SRP provides resources to deliver. These strategies are outlined in section 7.

The SRP includes strategies and resources, which we will need to achieve our priorities in the Council Plan. It expresses these through financial statements and statements of non-financial resources in section 9.

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 Chartered Accountants Australia and New Zealand and issued by the Department of Treasury and Finance.

Our financial assumptions are described in section 10. 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 Budget Report each year.

Our SRP does not replicate information, which is found in the Council Plan or the Budget Report; neither does it replicate information that is found in more appropriate documents. For example, detail on the management of assets can be found in the Asset Management Policy, Asset Management Strategy and the Asset Management Plans.

## 4. Rating Strategy

### 4.1 Introduction

Rates and charges are recognised as a significant source of revenue for our council. Planning for rate increases is therefore an important part of the resource planning process. This Rating Strategy establishes a framework by which rates and charges will be shared by the community.

### 4.2 Rating Strategy

We will continue to provide a full range of facilities and services in accordance with our 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 will raise from rates (including the municipal charge), within the State Government rate cap.

Section 10 contains more information on the rate increases assumed in the 4 year financial projections.

### 4.3 Rating Structure

We have 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 recovers the cost of waste management

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

### 4.4 Rating Differentials

Striking a proper balance between these elements provides equity in the distribution of rates and charges across ratepayers. We make 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 we provide.

Section 161 of the *Local Government Act 1989* allows a council to raise rates by a differential rate. Council determined to apply five Differential Rates. The general rate applies to all rateable properties except land that is used for business, agriculture; not for profit low income residential housing; and recreation. The business rate is set at 20% more than the general rate. The agricultural land rate set at 20% less than the general rate. The rate concession for land used by Not for Profit Organisations to provide low income residential housing is 50%. Under the Cultural and Recreational

## 4. Rating Strategy (Continued)

Lands Act 1963 residential housing is 50%. Under the Cultural and Recreational Lands Act 1963, we grant a rate concession of 50% to any “recreational lands” which meet the test of being “rateable land” under the Act. Our Statement of Differential Rates (in accordance with section 161 of the Local Government Act 1989) can be found in the Budget Report.

### 4.5 Environmental Rebates

We provide funds for environmental protection of private land, by applying rate rebates to properties, which are registered with the Trust for Nature.

Properties registered with the Trust for Nature are assessed and monitored by the Trust, and a covenant is placed on the property title to safeguard the environmentally significant areas. Covenants normally cover part of a property.

The rebate will be calculated on the Site Value of the proportion of the property which is subject to the covenant. That is, the rebate = (Site Value) x (% Covenanted) x (Rate in Dollar).

### 4.6 Property Valuations

Valuations are conducted in accordance with the Valuation of Land Act 1960 and are carried out using Valuation Best Practice Specifications Guidelines as prescribed by the Valuer-General Victoria.

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% annually over a year whereas a similar dwelling in another town may rise by 3% over the same period.

The General Valuation sets the level of property values that apply for the 2020/21 financial year. The valuation date is as at 1 January 2020.

The General Valuation does not in itself produce rate income. The level of rate income required is determined through the budget process within the constraints of the State Government rate cap. 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 rates payable.



## 4. Rating Strategy (Continued)

There are three methods of valuation we are required to calculate. However, we only use 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 equitable for the industrial, commercial and retail sectors; and it has the flexibility to apply an unlimited range of rating differentials.

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. We presently undertake this task on a regular basis.

### 4.7 Waste Service Charges

We levy a per bin charge for the kerbside collection and disposal of waste on each separate occupancy within the collection district. The purpose of these charges is to fully recover all the direct and indirect costs of waste services including landfill rehabilitation, collection, sorting and disposal of garbage, recyclable materials including glass, and food organics garden organics (FOGO) along with all associated administration costs.

### 4.8 Rate Revenue compared to demand for services.

Based on recent historical evidence, our long term forecast is that there will be a 1.5% growth each year in rate revenue due to new subdivisions and new constructions.

The corresponding increase in population leads to an increase in the demand for our services. Experience has shown that the cost to Council in providing services to meet the increased demand is greater than the corresponding growth in rate revenue.

The Fair Go Rates System (see Section 2) restricts our ability to increase income to meet the increase in community demands for services and facilities. However, the system allows us to seek approval for a variation to the cap if there is sufficient justification. The variation process is managed by the Essential Services Commission (ESC).

### 4.9 Strategies

1. We will continue to use the Capital Improved Value (CIV) as the valuation base.
2. For the next four years it is planned that rate increases will be in line with the rate cap set by the Victorian Government. However, we will annually review the funding needed to meet community demands and asset renewal requirements. If it is found that the rate cap generates insufficient rate revenue to meet these demands and requirements, then we may seek a variation.

We will continue to levy a municipal charge to ensure there is an equitable contribution from each Ratepayer (regardless of their property value). The municipal charge is not increasing in 2020/21.

## 4. Rating Strategy (Continued)

3. We 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 landfill rehabilitation, collection, sorting and disposal of garbage, recyclable materials, and FOGO along with all associated administration costs and overheads.
4. We will continue to apply Differential Rates based on the purpose for which the property is used.

### Correlation of Strategic Resource Plan Rating Strategies to Council Priorities

*These strategies predominantly assist us achieve our priorities of:*

**Protect the Natural Environment:**

through provision of appropriate environmental rebates and collection of revenue to provide for management of waste;

**Enhance the Social and Economic Environment:**

through levying a municipal charge reflective of an equitable ratepayer contribution and the use of differential rate; and

**Deliver Strong and Reliable Government:**

through ensuring compliance with our external regulatory obligations to Victorian Government to have rate increases in line with the rate cap.

# 5. Capital Investment Strategy

## 5.1 Introduction

Capital expenditure is an investment in assets, such as land, buildings, recreation facilities, 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.

We have a long term capital works guide to assist our planning and decision making. It is a plan to ensure that, in the future, we will be able to afford what we would like to do.

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, user fees, borrowings and financial reserves.

From time to time our revenue also includes the net proceeds from the sale of vacant land, including “non open space” assets which become surplus to requirements and from which we invest the proceeds from the sale in specified community facilities or assets.

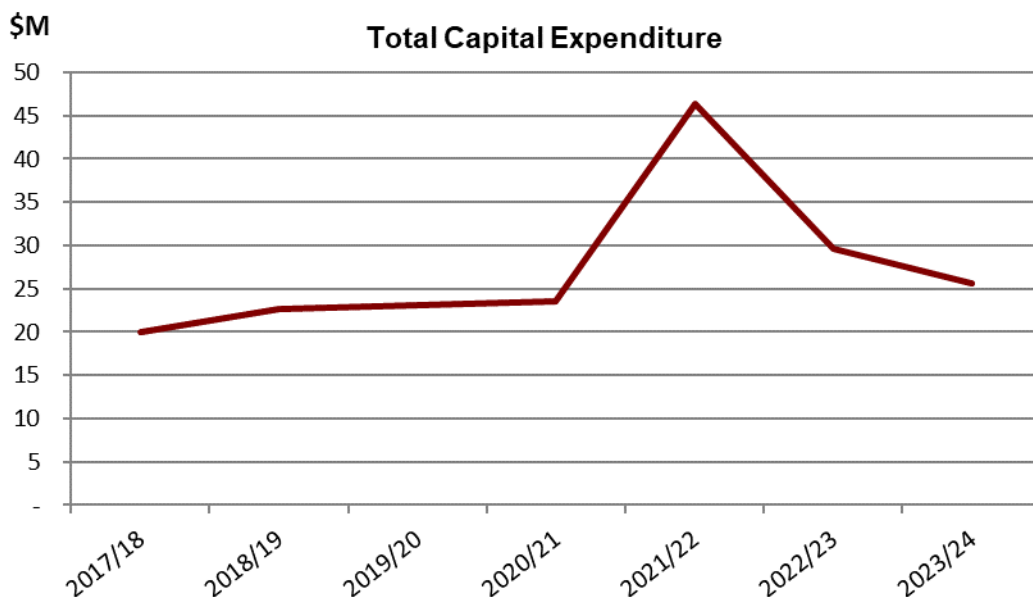
Council plans to undertake several significant capital works projects over the next four years which are provided for in our long term capital works guide including:

- Macedon Ranges Regional Sports Precinct
- Kyneton Early Learning Centre
- Major walking and cycling trails
- Romsey Ecotherapy Park
- Implementation of the Hanging Rock Strategic Plan

These planned works will result in new and/or upgraded community assets that will be used by the community for many years to come. While much of the funding for these projects will come from government grants, a significant level of Council funding will also be required. As a result, Council intends to increase its borrowings in years 2 and 3 of the plan to assist in meeting funding requirements (see section 8).

The following graph shows the actual (through to 2018/19) and planned levels of capital expenditure (2019/20 to 2023/24). It is expected that in the medium term the level of capital expenditure will peak in 2021/22 as the major projects listed above are delivered.

## 5. Capital Investment Strategy (Continued)



While the total capital varies each year, our underlying allocation of rate revenue to capital works is planned to increase by 4% each year. The total capital expenditure may be higher than projected if we are successful in obtaining higher grant funding.

### 5.2. 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 (capital) expenditure may be one of three types, as follows –

- New - capital expenditure on a new asset.
- Renewal - capital expenditure on an existing asset (or replacing an existing asset) that returns the service capability of the asset to its original capability.
- Upgrade/expansion - capital expenditure that (a) upgrades an existing asset to provide a better quality of service; or (b) extends the life of the asset beyond its original life (and as such provides benefits to new users at the same standard as is provided to existing users).

### 5.3 Asset Renewal

We are facing a challenge in regard to ageing assets that are in need of renewal. This issue 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, we give priority to capital expenditure on asset renewal.

## 5. Capital Investment Strategy (Continued)

In addition to our infrastructure assets (roads, footpaths, etc), we own or manage around 280 buildings, the majority of which were constructed many years ago. We will continue to review the usage of our buildings to ensure they are still required as the needs of our community change.

### 5.4 Long Term Capital Planning

The long term capital works guide is reviewed annually and in accordance with the following parameters –

- Capital expenditure shall align with the financial assumptions in section 10 of the SRP;
- Large one-off projects flagged in subsequent years may 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 the level advised by the Federal Government and shall be spread across relevant projects within the Roads Program.

### 5.5 Strategies

1. We will annually review and adjust our long term capital works guide to strengthen our position when targeting and focussing on grants that align with our overall strategic direction. As part of this process we will continue to maintain the balance between meeting renewal requirements and constructing new infrastructure to meet the needs of our growing population.
2. We will regularly monitor our asset renewal gap and to address the gap, we aim to increase the level of spending on underlying asset renewal by an average of at least 5% per annum.
3. We will continue to review our existing community facilities to seek opportunities to divest and/or consolidate unused or underutilised assets to assist in meeting the renewal gap and to ensure that expenditure is directed to community assets that are widely utilised.

#### Correlation of Strategic Resource Plan Capital Investment Strategies to Council Priorities

*These strategies predominantly assist us achieve our priorities of:*

**Improve the Built Environment:**

through ensuring a focus on asset renewal and investment of funds from unused or underutilised assets back into community facilities or assets; and

**Deliver Strong and Reliable Government:**

through sound long term capital planning.

## 6. Council Services Strategy

### 6.1 Introduction

Our current range of services is a result of our statutory functions, obligations under the legislation and the needs of our community. The level (quantity) and standard (quality) of services, which we are capable of providing, and need to provide in order to meet community expectations is both diverse and complex.

We currently provide a range of services, including aged and disability services, preschools, libraries, youth services, arts & culture, environmental services, recreation services and asset related services such the maintenance of roads, buildings, drains, buildings and open space. We also provide 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 the Budget Report.

### 6.2 Operating Expenditure and Revenue

A description and analysis of our operating expenditure and revenue is provided each year in our Budget Report.

### 6.3 Service Planning and Provision

One of the key objectives of the Strategic Resource Plan is to ensure that we have the ability and capacity to maintain existing service levels and maintain a satisfactory financial position.

We understand that we need Asset Management Plans and Service Plans to provide information and direction to help us to deliver reasonable standards and levels of services, efficiently and effectively while keeping rate increases within required levels.

We have developed Asset Management Plans for roads, buildings, bridges, kerb and channel, drainage and open space assets. The Asset Management Plans are reviewed and updated on a three year cycle.

We have Service Plans in place for our services and programs. The plans are periodically reviewed and the cost, level (quantity) and standard (quality) of our services as well as the benefits that are derived by ratepayers and residents are considered as part of the review.

### 6.4 Strategies

1. We 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 we will recover all or part of the costs of the service directly from the users of the service. Our Fees and Charges Policy outlines the principles for the setting of these fees.
3. Where infrastructure costs are directly attributable to individual property owners, we will recover all or part of those costs through the application of special charges and developer contributions.
4. We will continue to identify efficiencies to reduce the growth in operating expenditure (to improve the underlying position) and increase the allocation of rate revenue to capital works.

## 6. Council Service Strategy (Continued)

### Correlation of Strategic Resource Plan Council Services Strategy to Council Priorities

*These strategies predominantly assist us achieve our priorities of:*

**Improve the Built Environment:**

through ensuring property owners make appropriate contributions for required infrastructure; and

**Deliver Strong and Reliable Government:**

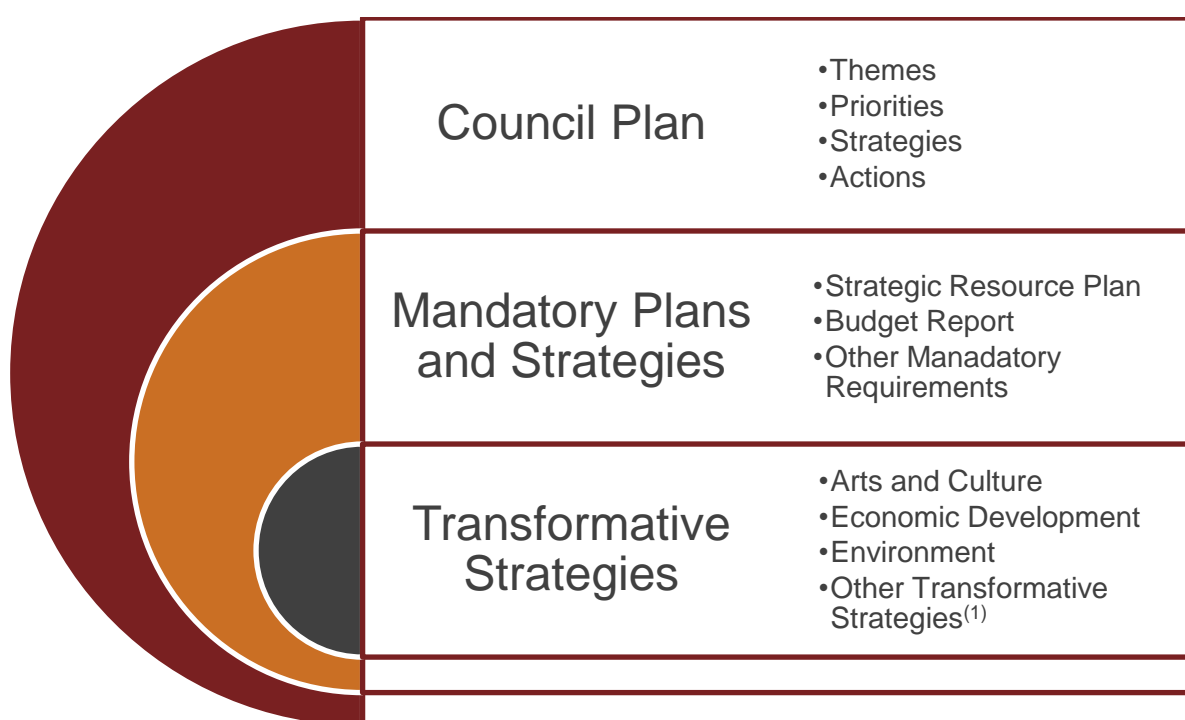
through the identification of efficiencies and provision of customer services to the best of our capacity and capability.

## 7. Other Council Strategies

Besides the financial strategies outlined within the Strategic Resource Plan, Council has adopted a number of other strategies which assist in achieving the outcomes within the Council Plan. Council has a mandatory obligation to maintain and update a number of strategies and plans under existing regulatory requirements.

The Strategic Resource Plan is a mandatory requirement under the *Local Government Act 1989* and outlines the financial and non-financial capacity that will be required to deliver the Council Plan. Other optional strategies adopted by Council outside of its mandatory strategy and planning requirements, provide a lower level of detail regarding how Council will achieve its Council Plan priorities.

This framework is demonstrated in the diagram below, noting further plans (including strategic land management plans) and strategies exist at an operational level below this structure.



(1) As outlined in the transformative strategies table below.

These optional (or transformative) strategies outline more specific actions to be achieved to deliver on the themes, priorities and strategies which encompass the overall objective to deliver the Council Plan.

Transformative strategies are long-range in perspective and transformative in nature. They introduce new activity to Council, change strategic direction, recommend major change to Council property, alter the way services are delivered or impact the annual budget. Transformative strategies of Council are premised on the principle that actions within them are subject to financial and non-financial resources being available to deliver the action successfully and as such are subject to funding being confirmed in the annual budget. For visibility these other transformative strategies are as follows:



## 7. Other Council Strategies (Continued)

| <b>Transformative Strategies</b>  | <b>Adopted</b> | <b>Duration</b> |
|---|----------------|-----------------|
| <b>Promote Health and Wellbeing</b>   |                |                 |
| Arts & Culture Strategy<br><i>Guides how we will promote, support and invest in arts and culture in the Macedon Ranges over the next decade</i>   | 2018           | 10 years        |
| Open Space Strategy*<br><i>Provides direction to Council for the planning and provision of open space within the shire in an ongoing manner over the next ten or more years</i>   | 2013           | Ongoing         |
| Sport and Active Recreation Strategy<br><i>Guide Council's future resource priorities, and major projects and initiatives to support participation in community sport and active recreation</i>   | 2018           | 10 years        |
| Walking & Cycling Strategy<br><i>Aims to increase walking and cycling opportunities in the shire and promote healthy active lifestyles</i>  | 2014           | 10 years        |
| Youth Strategy<br><i>Provides overall direction for Council's Youth Development unit and guide the programs, initiatives, advocacy and support work for young people and their families</i>   | 2018           | 10 years        |
| <b>Protect the Natural Environment</b>  |                |                 |
| Biodiversity Strategy<br><i>Establishes a shared vision between Council, the community and other stakeholders for the protection and enhancement of biodiversity values across the shire</i>  | 2018           | 10 years        |
| Environment Strategy<br><i>Council's key environmental policy document, guiding work across Council to achieve objectives for climate change, biodiversity, catchment management and resource efficiency (revised 2018)</i>                       | 2016           | Ongoing         |
| Waste Management Strategy*<br><i>Steers Council and its community towards reducing the amount of waste going to landfill and increasing the recovery and recycling of valuable resources. Development of a new strategy will commence in 2020</i> | 2015           | 5 years         |
| <b>Improve the Built Environment</b>  |                |                 |
| Nil   |                |                 |
| <b>Enhance the Social &amp; Economic Environment</b>  |                |                 |
| Economic Development Strategy*<br><i>Sets out actions and priorities for business and economic development in the Macedon Ranges, taking into account technological advances, the ever changing consumer and globalisation</i>                    | 2009           | 10 years        |
| Visitor Economy Strategy<br><i>Intends to set the long-term vision and strategic direction to support the sustainable growth of the future visitor economy</i>  | 2019           | 10 years        |

## 7. Other Council Strategies (Continued)

### Deliver Strong and Reliable Government

|  |      |         |
|--|------|---------|
| Asset Management Strategy*   | 2014 | Ongoing |
| <i>Ensures that Council's assets are capable of providing services in a sustainable manner for present and future generations.</i> |      |         |

\* Under review in 2020/2021

Besides the outlined strategies above Council also has adopted a number of plans and policies which outline the steps we will take in delivering on our strategies and the guiding principles we follow when decisions are made. Significant plans that are not outlined above within our strategies include our Climate Change Action Plan, the Early Years Plan, the Early Years Infrastructure Plan, the Settlement Strategy, the Heritage Strategy, the Weed and Pest Animal Strategy, the Communications Strategy, the Positive Ageing Plan, the Community Access and Inclusion Plan and our Age Friendly Communities Action Plan, Kyneton Saleyards Plan and the Hanging Rock Strategic Plan, which was developed jointly with the Victorian Government.

When a new strategy or plan is proposed, or an existing strategy or plan is reviewed, Council officers will continue to identify where they can be consolidated into existing documents to reduce the administrative burden and duplication of effort.

Key actions and initiatives from the strategies, the Council Plan and other plans that have a financial component between 2020/21 and 2023/24 have been taken into account in the Strategic Resource Plan financials in section 9. In some cases our strategies include aspirational goals that are subject to further investigation/planning. The implementation of these goals will require a separate endorsement by Council in the future. Funding for these aspirational goals is not included in our forward financial projections.

### Correlation of Strategic Resource Plan Other Strategies to Council Priorities

*These strategies predominantly assist us achieve our priorities of:*

|   |  |
|---|--|
| <b>Promote Health and Wellbeing:</b>                | through provision of strategies which focus in on walking and cycling, sport and active recreation, youth and plans which focus in on early years, positive ageing, community access and inclusion and age friendly communities; |
| <b>Protect the Natural Environment:</b>             | through provision of strategies which focus on the environment and the climate change action plan;   |
| <b>Improve the Built Environment:</b>               | through provision of strategies which focus in on asset management, heritage and settlements; and  |
| <b>Enhance the Social and Economic Environment:</b> | through provision of strategies which focus in on economic development.  |

## 8. Borrowing and Investment Strategies

### 8.1 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 –

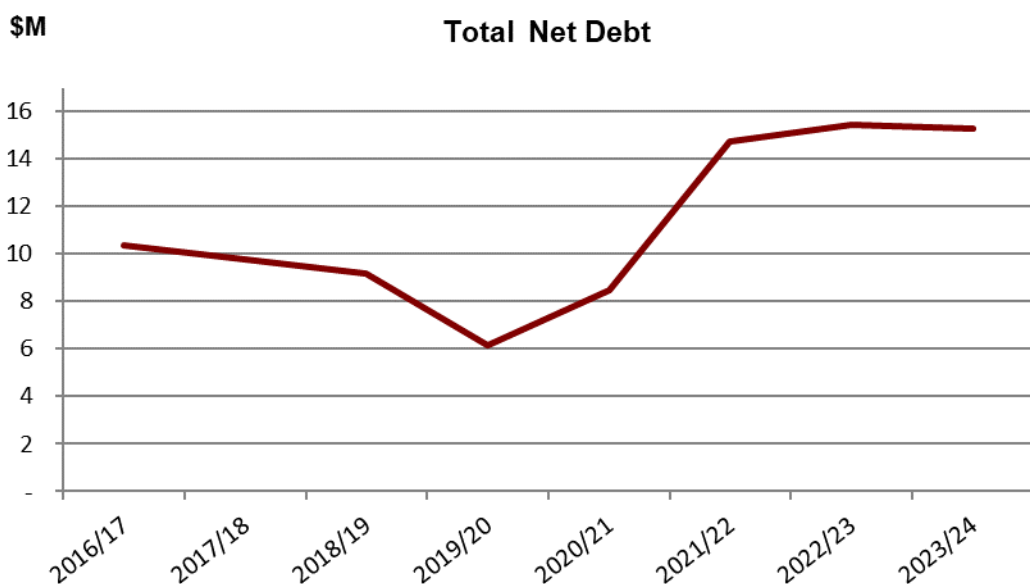
- level of debt servicing costs as a proportion of rate revenue;
- ability to raise revenue in addition to rates;
- level of realisable assets to support the indebtedness;
- achieving the right mix of capital projects and debt commitments;
- population growth and demographics; and
- community needs.

## 8.2 Future Debt Level

We have a long term capital works guide which covers a 10 year period and is updated annually. The plan aligns with the SRP financial assumptions in section 10 with respect to expenditure and revenue. The plan predicts that in order to respond to the growing population there will be substantial capital investment in community buildings, community facilities and open space.

Because of the intergenerational nature of this type of capital investment, we are willing to borrow money to fund capital investment. As noted in section 5, Council plans to undertake a number of significant projects over the next four years. In order to fund these long term community assets an increase in borrowings will be required.

The following graph shows the estimated debt levels. It is expected that in the medium term the debt level will peak in 2022/23 in line with funding requirements for planned capital works projects. The graph below shows gross debt levels in line with our projected balance sheet. We set aside funds to repay principal only loans which are not included in the graph.



## 8. Borrowings and Investment Strategies (Continued)

The estimated debt levels in the preceding graph are based on the assumption that all projects within the long term capital works guide will proceed.

Whether all projects proceed or not 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 we determine to proceed with a project we may also determine to borrow money to do so. If this occurs, 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.

### 8.3 Investments

Council's investment policy has been developed to provide staff a framework to manage Council's investments and cash flow to meet operational requirements. The purpose of the policy is to safeguard Council's investments while maximising returns. The Council is given authority to undertake investments under section 143 of the *Local Government Act 1989* which outlines the types of investments in which Council can invest.

Council will give preference to investing its funds in banks and financial institutions that do not invest in or finance the fossil fuel industry, providing that they meet the criteria for risk management, investment diversification and return on investment.

### 8.4 Strategies

1. We will borrow funds for investment in assets, which have a long term life cycle.
2. We will retain the debt commitment (interest and principal repayments) at or below 6% of rate revenue on average.

We will ensure the net debt level does not exceed \$16 million over the financial forecast. Net debt is inclusive of funds set aside to assist in the debt repayment reserve. Note – this reserve funding is not shown against borrowings in the balance sheet in section 9.

#### Correlation of Strategic Resource Plan Borrowing and Investment Strategies to Council Priorities

*These strategies predominantly assist us achieve our priorities of:*

|  |  |
|--|--|
| <b>Protect the Natural Environment:</b>        | through investment strategies that do not invest in or finance the fossil fuel industry;                     |
| <b>Improve the Built Environment:</b>          | through investments in assets which have a long term life cycle; and   |
| <b>Deliver Strong and Reliable Government:</b> | through efficient use of debt financing while ensuring sound targets for our debt commitment and debt level. |

# 9. Financial Statements

## 9.1 Comprehensive Income Statement

For the four years ending 30 June 2024

|   | Adopted         | Budget          | Strategic Resource Plan |                 |                 |
|---|-----------------|-----------------|-------------------------|-----------------|-----------------|
|   | Budget          |                 | Projections             |                 |                 |
|   | 2019/20         |                 | 2021/22                 | 2022/23         | 2023/24         |
|   | \$'000          | \$'000          | \$'000                  | \$'000          | \$'000          |
| <b>Income</b>   |                 |                 |                         |                 |                 |
| Rates and charges   | 50,600          | 52,915          | 54,820                  | 57,013          | 59,293          |
| Statutory fees and fines  | 4,035           | 4,133           | 4,298                   | 4,470           | 4,649           |
| User fees   | 7,253           | 7,295           | 7,569                   | 7,871           | 8,186           |
| Grants - Operating  | 11,756          | 11,386          | 11,698                  | 12,047          | 12,407          |
| Grants - Capital  | 8,304           | 5,977           | 22,257                  | 12,691          | 8,873           |
| Contributions - monetary  | 680             | 186             | 190                     | 195             | 200             |
| Contributions - non-monetary  | 8,700           | 7,920           | 8,316                   | 8,732           | 9,168           |
| Other income  | 2,113           | 2,063           | 2,287                   | 2,351           | 2,418           |
| <b>Total Income</b>   | <b>93,441</b>   | <b>91,875</b>   | <b>111,435</b>          | <b>105,370</b>  | <b>105,194</b>  |
| <b>Expenses</b>   |                 |                 |                         |                 |                 |
| Employee costs  | (34,706)        | (36,257)        | (37,775)                | (39,356)        | (41,003)        |
| Materials and services  | (23,275)        | (24,477)        | (24,325)                | (25,268)        | (26,247)        |
| Depreciation and amortisation   | (14,532)        | (14,917)        | (15,437)                | (16,037)        | (16,437)        |
| Borrowing costs   | (259)           | (187)           | (253)                   | (472)           | (541)           |
| Other expenses  | (3,122)         | (3,176)         | (3,425)                 | (3,508)         | (3,594)         |
| <b>Total Expenses</b>   | <b>(75,894)</b> | <b>(79,014)</b> | <b>(81,215)</b>         | <b>(84,641)</b> | <b>(87,822)</b> |
| <b>Surplus/(deficit) for the year</b>   | <b>17,547</b>   | <b>12,861</b>   | <b>30,220</b>           | <b>20,729</b>   | <b>17,372</b>   |
| <b>Other comprehensive income</b>   |                 |                 |                         |                 |                 |
| <i>Items that will not be reclassified to surplus/deficit in future periods</i> |                 |                 |                         |                 |                 |
| Net asset revaluation increment / (decrement)                                   | 7,150           | 1,500           | 17,258                  | 17,903          | 12,462          |
| <b>Total comprehensive result</b>   | <b>24,697</b>   | <b>14,361</b>   | <b>47,478</b>           | <b>38,632</b>   | <b>29,834</b>   |

## 9.2 Balance Sheet

For the four years ending 30 June 2024

|   | Adopted<br>Budget<br>2019/20<br>\$'000 | Budget<br>2020/21<br>\$'000 | Strategic Resource Plan<br>Projections |                   |                   |
|---|--|-----------------------------|--|-------------------|-------------------|
|   |  |                             | 2021/22<br>\$'000                      | 2022/23<br>\$'000 | 2023/24<br>\$'000 |
| <b>Assets</b>                               |  |                             |  |                   |                   |
| <b>Current assets</b>                       |  |                             |  |                   |                   |
| Cash and cash equivalents                   | 8,668                                  | 9,622                       | 9,752                                  | 9,770             | 9,776             |
| Trade and other receivables                 | 5,933                                  | 6,333                       | 6,673                                  | 6,238             | 6,178             |
| Other financial assets                      | 18,085                                 | 15,656                      | 13,026                                 | 13,482            | 13,347            |
| Other assets                                | 519                                    | 411                         | 411                                    | 411               | 411               |
| <b>Total current assets</b>                 | <b>33,205</b>                          | <b>32,022</b>               | <b>29,862</b>                          | <b>29,901</b>     | <b>29,712</b>     |
| <b>Non-current assets</b>                   |  |                             |  |                   |                   |
| Other financial assets                      | 21                                     | 21                          | 21                                     | 21                | 21                |
| Investment in associates                    | 1,201                                  | 1,223                       | 1,235                                  | 1,248             | 1,260             |
| Property, infrastructure, plant & equipment | 1,136,335                              | 1,150,495                   | 1,206,551                              | 1,246,307         | 1,276,634         |
| Investment property                         | 3,291                                  | 2,854                       | 2,954                                  | 3,054             | 3,154             |
| Intangible assets                           | 130                                    | 140                         | 134                                    | 125               | 119               |
| <b>Total non-current assets</b>             | <b>1,140,978</b>                       | <b>1,154,733</b>            | <b>1,210,895</b>                       | <b>1,250,755</b>  | <b>1,281,188</b>  |
| <b>Total assets</b>                         | <b>1,174,183</b>                       | <b>1,186,755</b>            | <b>1,240,757</b>                       | <b>1,280,656</b>  | <b>1,310,900</b>  |
| <b>Liabilities</b>                          |  |                             |  |                   |                   |
| <b>Current liabilities</b>                  |  |                             |  |                   |                   |
| Trade and other payables                    | 8,027                                  | 8,312                       | 8,298                                  | 8,621             | 8,933             |
| Trust funds and deposits                    | 3,386                                  | 3,735                       | 3,810                                  | 3,886             | 3,964             |
| Provisions                                  | 6,887                                  | 6,288                       | 6,350                                  | 6,415             | 6,478             |
| Interest-bearing loans and borrowings       | 655                                    | 535                         | 845                                    | 1,510             | 1,545             |
| <b>Total current liabilities</b>            | <b>18,955</b>                          | <b>18,870</b>               | <b>19,303</b>                          | <b>20,432</b>     | <b>20,920</b>     |
| <b>Non-current liabilities</b>              |  |                             |  |                   |                   |
| Provisions                                  | 4,842                                  | 5,042                       | 5,143                                  | 5,245             | 5,351             |
| Interest-bearing loans and borrowings       | 5,495                                  | 7,914                       | 13,904                                 | 13,939            | 13,754            |
| <b>Total non-current liabilities</b>        | <b>10,337</b>                          | <b>12,956</b>               | <b>19,047</b>                          | <b>19,184</b>     | <b>19,105</b>     |
| <b>Total liabilities</b>                    | <b>29,292</b>                          | <b>31,826</b>               | <b>38,350</b>                          | <b>39,616</b>     | <b>40,025</b>     |
| <b>Net assets</b>                           | <b>1,144,891</b>                       | <b>1,154,929</b>            | <b>1,202,407</b>                       | <b>1,241,040</b>  | <b>1,270,875</b>  |
| <b>Equity</b>                               |  |                             |  |                   |                   |
| Accumulated surplus                         | 656,668                                | 670,759                     | 705,585                                | 726,113           | 744,135           |
| Reserves                                    | 488,223                                | 484,170                     | 496,822                                | 514,927           | 526,740           |
| <b>Total equity</b>                         | <b>1,144,891</b>                       | <b>1,154,929</b>            | <b>1,202,407</b>                       | <b>1,241,040</b>  | <b>1,270,875</b>  |

## 9.3 Statement of Changes in Equity

For the four years ending 30 June 2024

|  | <b>Total<br/>\$'000</b> | <b>Accumulated<br/>Surplus<br/>\$'000</b> | <b>Revaluation<br/>Reserve<br/>\$'000</b> | <b>Other<br/>Reserves<br/>\$'000</b> |
|--|-------------------------|---|---|--------------------------------------|
| <b>2020/21</b>                                 |                         |   |   |                                      |
| Balance at beginning of the financial year     | 1,140,568               | 656,892                                   | 472,976                                   | 10,700                               |
| Surplus/(deficit) for the year                 | 12,861                  | 12,861                                    | -   | -                                    |
| Net asset revaluation<br>increment/(decrement) | 1,500                   | -   | 1,500                                     | -                                    |
| Transfer (to)/from reserves                    | -                       | 1,005                                     | -   | (1,005)                              |
| <b>Balance at end of financial year</b>        | <b>1,154,929</b>        | <b>670,758</b>                            | <b>474,476</b>                            | <b>9,695</b>                         |
| <b>2021/22</b>                                 |                         |   |   |                                      |
| Balance at beginning of the financial year     | 1,154,929               | 670,758                                   | 474,476                                   | 9,695                                |
| Surplus/(deficit) for the year                 | 30,220                  | 30,220                                    | -   | -                                    |
| Net asset revaluation<br>increment/(decrement) | 17,258                  | -   | 17,258                                    | -                                    |
| Transfer (to)/from reserves                    | -                       | 4,606                                     | -   | (4,606)                              |
| <b>Balance at end of financial year</b>        | <b>1,202,407</b>        | <b>705,584</b>                            | <b>491,734</b>                            | <b>5,089</b>                         |
| <b>2022/23</b>                                 |                         |   |   |                                      |
| Balance at beginning of the financial year     | 1,202,407               | 705,584                                   | 491,734                                   | 5,089                                |
| Surplus/(deficit) for the year                 | 20,729                  | 20,729                                    | -   | -                                    |
| Net asset revaluation<br>increment/(decrement) | 17,903                  | -   | 17,903                                    | -                                    |
| Transfer (to)/from reserves                    | 1                       | (201)                                     | -   | 202                                  |
| <b>Balance at end of financial year</b>        | <b>1,241,040</b>        | <b>726,112</b>                            | <b>509,637</b>                            | <b>5,291</b>                         |
| <b>2023/24</b>                                 |                         |   |   |                                      |
| Balance at beginning of the financial year     | 1,241,040               | 726,112                                   | 509,637                                   | 5,291                                |
| Surplus/(deficit) for the year                 | 17,372                  | 17,372                                    | -   | -                                    |
| Net asset revaluation<br>increment/(decrement) | 12,462                  | -   | 12,462                                    | -                                    |
| Transfer (to)/from reserves                    | 1                       | 651                                       | -   | (650)                                |
| <b>Balance at end of financial year</b>        | <b>1,270,875</b>        | <b>744,135</b>                            | <b>522,099</b>                            | <b>4,641</b>                         |



## 9.4 Statement of Cash Flows

For the four years ending 30 June 2024

|   | Adopted         | Budget          | Strategic Resource Plan |                 |                 |
|---|-----------------|-----------------|-------------------------|-----------------|-----------------|
|   | Budget          | Budget          | Projections             |                 |                 |
|   | 2019/20         | 2020/21         | 2021/22                 | 2022/23         | 2023/24         |
|   | \$'000          | \$'000          | \$'000                  | \$'000          | \$'000          |
| <b>Cash flows from operating activities</b>                       |                 |                 |                         |                 |                 |
| Rates and charges   | 50,182          | 53,478          | 55,447                  | 58,132          | 60,271          |
| Statutory fees and fines  | 4,034           | 4,133           | 4,347                   | 4,558           | 4,726           |
| User fees   | 7,130           | 7,576           | 7,655                   | 8,026           | 8,321           |
| Grants - operating  | 11,756          | 11,386          | 11,831                  | 12,284          | 12,612          |
| Grants - capital  | 8,303           | 5,978           | 22,511                  | 12,940          | 9,019           |
| Contributions - monetary  | 680             | 186             | 190                     | 195             | 200             |
| Interest received   | 659             | 503             | 505                     | 510             | 515             |
| Trust funds and deposits taken                                    | 1,450           | 1,450           | 1,525                   | 1,524           | 1,528           |
| Other receipts  | 1,981           | 2,135           | 2,151                   | 2,235           | 2,295           |
| Net GST refund  | 3,288           | 3,591           | 3,236                   | 3,336           | 3,380           |
| Employee costs  | (34,648)        | (35,700)        | (39,377)                | (40,825)        | (42,543)        |
| Materials and services  | (22,800)        | (25,080)        | (25,357)                | (26,211)        | (27,233)        |
| Trust funds and deposits repaid                                   | (1,600)         | (1,600)         | (1,450)                 | (1,448)         | (1,450)         |
| Other payments  | (6,948)         | (7,292)         | (5,890)                 | (5,963)         | (6,055)         |
| <b>Net cash provided by/(used in) operating activities</b>        | <b>23,467</b>   | <b>20,744</b>   | <b>37,324</b>           | <b>29,293</b>   | <b>25,586</b>   |
| <b>Cash flows from investing activities</b>                       |                 |                 |                         |                 |                 |
| Net (increase)/decrease in other financial assets                 | (885)           | (1,145)         | 2,680                   | (406)           | 185             |
| Payments for property, infrastructure, plant and equipment        | (22,579)        | (22,438)        | (46,489)                | (29,667)        | (25,646)        |
| Proceeds from sale of property, infrastructure, plant and equip   | 400             | 400             | 568                     | 570             | 572             |
| <b>Net cash provided by/(used in) investing activities</b>        | <b>(23,064)</b> | <b>(23,183)</b> | <b>(43,241)</b>         | <b>(29,503)</b> | <b>(24,889)</b> |
| <b>Cash flows from financing activities</b>                       |                 |                 |                         |                 |                 |
| Finance costs   | (259)           | (187)           | (253)                   | (472)           | (541)           |
| Proceeds from borrowings  | 1,645           | 4,465           | 7,500                   | 1,900           | 1,050           |
| Repayment of borrowings   | (4,689)         | (520)           | (1,200)                 | (1,200)         | (1,200)         |
| <b>Net cash provided by/(used in) financing activities</b>        | <b>(3,303)</b>  | <b>3,758</b>    | <b>6,047</b>            | <b>228</b>      | <b>(691)</b>    |
| <b>Net increase/(decrease) in cash &amp; cash equivalents</b>     | <b>(2,900)</b>  | <b>1,319</b>    | <b>130</b>              | <b>18</b>       | <b>6</b>        |
| Cash and cash equivalents at the beginning of the financial year  | 11,568          | 8,303           | 9,622                   | 9,752           | 9,770           |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>8,668</b>    | <b>9,622</b>    | <b>9,752</b>            | <b>9,770</b>    | <b>9,776</b>    |

## 9.5 Statement of Capital Works

For the four years ended 30 June 2024

|  | Adopted Budget | Budget        | Strategic Resource Plan |               |               |
|--|----------------|---------------|-------------------------|---------------|---------------|
|  | 2019/20        |               | 2020/21                 | Projections   | 2022/23       |
|  | \$'000         | \$'000        | \$'000                  | \$'000        | \$'000        |
| <b>Property</b>                                |                |               |                         |               |               |
| Buildings and building improvements            | 4,516          | 5,540         | 4,680                   | 4,385         | 4,885         |
| Land and land improvements                     |                | 250           | 600                     | -             | -             |
| <b>Total property</b>                          | <b>4,516</b>   | <b>5,790</b>  | <b>5,280</b>            | <b>4,385</b>  | <b>4,885</b>  |
| <b>Plant and equipment</b>                     |                |               |                         |               |               |
| Computers and telecommunications               | 417            | 593           | 271                     | 305           | 201           |
| Plant, machinery and equipment                 | 1,863          | 1,646         | 2,125                   | 2,173         | 2,238         |
| <b>Total plant and equipment</b>               | <b>2,280</b>   | <b>2,239</b>  | <b>2,396</b>            | <b>2,478</b>  | <b>2,439</b>  |
| <b>Infrastructure</b>                          |                |               |                         |               |               |
| Bridges  | 960            | 460           | 460                     | 465           | 470           |
| Drainage                                       | 876            | 570           | 528                     | 601           | 627           |
| Footpaths and cycleways                        | 1,318          | 1,379         | 3,545                   | 3,998         | 6,317         |
| Other infrastructure                           | 838            | 1,814         | 909                     | 400           | 400           |
| Parks, open space and streetscapes             | 1,612          | 962           | 2,183                   | 1,127         | 580           |
| Recreational, leisure and community facilities | 1,817          | 2,877         | 21,360                  | 7,035         | 1,014         |
| Roads  | 8,837          | 7,473         | 9,768                   | 9,178         | 8,914         |
| <b>Total infrastructure</b>                    | <b>16,258</b>  | <b>15,535</b> | <b>38,753</b>           | <b>22,804</b> | <b>18,322</b> |
| <b>Total capital works expenditure</b>         | <b>23,054</b>  | <b>23,564</b> | <b>46,429</b>           | <b>29,667</b> | <b>25,646</b> |
| <b>Represented by:</b>                         |                |               |                         |               |               |
| New asset expenditure                          | 4,588          | 5,974         | 27,632                  | 11,353        | 5,867         |
| Asset renewal expenditure                      | 14,215         | 15,779        | 15,241                  | 15,523        | 16,354        |
| Asset upgrade expenditure                      | 4,251          | 1,811         | 3,556                   | 2,791         | 3,425         |
| <b>Total capital works expenditure</b>         | <b>23,054</b>  | <b>23,564</b> | <b>46,429</b>           | <b>29,667</b> | <b>25,646</b> |
| <b>Funding</b>                                 |                |               |                         |               |               |
| Borrowings                                     | 460            | 2,820         | 7,500                   | 1,900         | 500           |
| Contributions                                  | 472            | 60            | -                       | -             | -             |
| Council Contribution                           | 13,819         | 14,706        | 16,672                  | 15,076        | 16,273        |
| Grants   | 8,303          | 5,978         | 22,257                  | 12,691        | 8,873         |
| <b>Total capital works expenditure</b>         | <b>23,054</b>  | <b>23,564</b> | <b>46,429</b>           | <b>29,667</b> | <b>25,646</b> |

## 9.6 Summary of Capital Works Program

For the four years ended 30 June 2024

| <b>2020/21</b>                                 | <b>Capital<br/>Expenditure<br/>(\$'000)</b> | <b>New<br/>(\$'000)</b> | <b>Renewal<br/>(\$'000)</b> | <b>Upgrade<br/>(\$'000)</b> | <b>Grant and<br/>contributions<br/>(\$'000)</b> | <b>Borrowings<br/>(\$'000)</b> | <b>Reserve<br/>transfer<br/>(\$'000)</b> | <b>Asset<br/>sales<br/>(\$'000)</b> | <b>Council<br/>contribution<br/>(\$'000)</b> |
|--|---|-------------------------|-----------------------------|-----------------------------|---|--------------------------------|--|-------------------------------------|--|
| Land   | 250   | 250                     | -                           | -                           | -   | -                              | 250                                      | -                                   | -  |
| Buildings                                      | 5,540                                       | 1,600                   | 3,794                       | 146                         | 200   | 1,520                          | 660                                      | -                                   | 3,160  |
| <b>Total property</b>                          | <b>5,790</b>                                | <b>1,850</b>            | <b>3,794</b>                | <b>146</b>                  | <b>200</b>                                      | <b>1,520</b>                   | <b>910</b>                               | <b>-</b>                            | <b>3,160</b>                                 |
| Plant and equipment                            | 1,646                                       | -                       | 1,646                       | -                           | -   | -                              | 1,200                                    | 400                                 | 46   |
| Computers and telecommunications               | 593   | -                       | 593                         | -                           | -   | -                              | -  | -                                   | 593  |
| <b>Total plant and equipment</b>               | <b>2,239</b>                                | <b>-</b>                | <b>2,239</b>                | <b>-</b>                    | <b>-</b>  | <b>-</b>                       | <b>1,200</b>                             | <b>400</b>                          | <b>639</b>                                   |
| Roads  | 7,473                                       | 100                     | 5,902                       | 1,471                       | 3,801   | -                              | 800                                      | -                                   | 2,872  |
| Bridges  | 460   | -                       | 460                         | -                           | -   | -                              | -  | -                                   | 460  |
| Drainage                                       | 570   | 115                     | 338                         | 117                         | -   | -                              | -  | -                                   | 570  |
| Footpaths and cycleways                        | 1,379                                       | 1,052                   | 327                         | -                           | -   | -                              | 70                                       | -                                   | 1,309  |
| Recreational, leisure and community facilities | 2,877                                       | 1,300                   | 1,577                       | -                           | 1,068   | 1,300                          | 194                                      | -                                   | 315  |
| Parks, open space and streetscapes             | 962   | 882                     | 80                          | -                           | 310   | -                              | 571                                      | -                                   | 81   |
| Other infrastructure                           | 1,814                                       | 675                     | 1,062                       | 77                          | 659   | -                              | 77                                       | -                                   | 1,078  |
| <b>Total infrastructure</b>                    | <b>15,535</b>                               | <b>4,124</b>            | <b>9,746</b>                | <b>1,665</b>                | <b>5,838</b>                                    | <b>1,300</b>                   | <b>1,712</b>                             | <b>-</b>                            | <b>6,685</b>                                 |
| <b>Total capital expenditure</b>               | <b>23,564</b>                               | <b>5,974</b>            | <b>15,779</b>               | <b>1,811</b>                | <b>6,038</b>                                    | <b>2,820</b>                   | <b>3,822</b>                             | <b>400</b>                          | <b>10,484</b>                                |

| <b>2021/22</b>                                 | <b>Capital Expenditure (\$'000)</b> | <b>New (\$'000)</b> | <b>Renewal (\$'000)</b> | <b>Upgrade (\$'000)</b> | <b>Grant and contributions (\$'000)</b> | <b>Borrowings (\$'000)</b> | <b>Reserve transfer (\$'000)</b> | <b>Asset sales (\$'000)</b> | <b>Council contribution (\$'000)</b> |
|--|-------------------------------------|---------------------|-------------------------|-------------------------|---|----------------------------|----------------------------------|-----------------------------|--------------------------------------|
| Land   | 600                                 | 600                 | -                       | -                       | -                                       | -                          | -                                | -                           | 600                                  |
| Buildings                                      | 4,680                               | 100                 | 4,480                   | 100                     | -                                       | 650                        | 680                              | -                           | 3,350                                |
| <b>Total property</b>                          | <b>5,280</b>                        | <b>700</b>          | <b>4,480</b>            | <b>100</b>              | <b>-</b>                                | <b>650</b>                 | <b>680</b>                       | <b>-</b>                    | <b>3,950</b>                         |
| Plant and equipment                            | 2,125                               | -                   | 2,125                   | -                       | 400                                     | -                          | 1,200                            | 500                         | 25                                   |
| Computers and telecommunications               | 271                                 | 20                  | 251                     | -                       | -                                       | -                          | -                                | -                           | 271                                  |
| <b>Total plant and equipment</b>               | <b>2,396</b>                        | <b>20</b>           | <b>2,376</b>            | <b>-</b>                | <b>400</b>                              | <b>-</b>                   | <b>1,200</b>                     | <b>500</b>                  | <b>296</b>                           |
| Roads  | 9,768                               | 690                 | 6,182                   | 2,896                   | 3,860                                   | -                          | 1,300                            | -                           | 4,608                                |
| Bridges  | 460                                 | -                   | 460                     | -                       | -                                       | -                          | -                                | -                           | 460                                  |
| Drainage                                       | 528                                 | 60                  | 383                     | 85                      | -                                       | -                          | -                                | -                           | 528                                  |
| Footpaths and cycleways                        | 3,545                               | 3,195               | 350                     | -                       | 2,000                                   | -                          | -                                | -                           | 1,545                                |
| Recreational, leisure and community facilities | 21,360                              | 21,250              | 110                     | -                       | 15,000                                  | 6,850                      | 500                              | -                           | (990)                                |
| Parks, open space and streetscapes             | 2,183                               | 1,558               | 400                     | 225                     | 338                                     | -                          | 1,036                            | -                           | 809                                  |
| Other infrastructure                           | 909                                 | 159                 | 500                     | 250                     | 659                                     | -                          | -                                | -                           | 250                                  |
| <b>Total infrastructure</b>                    | <b>38,753</b>                       | <b>26,912</b>       | <b>8,385</b>            | <b>3,456</b>            | <b>21,857</b>                           | <b>6,850</b>               | <b>2,836</b>                     | <b>-</b>                    | <b>7,210</b>                         |
| <b>Total capital expenditure</b>               | <b>46,429</b>                       | <b>27,632</b>       | <b>15,241</b>           | <b>3,556</b>            | <b>22,257</b>                           | <b>7,500</b>               | <b>4,716</b>                     | <b>500</b>                  | <b>11,456</b>                        |

| <b>2022/23</b>                                 | <b>Capital Expenditure (\$'000)</b> | <b>New (\$'000)</b> | <b>Renewal (\$'000)</b> | <b>Upgrade (\$'000)</b> | <b>Grant and contributions (\$'000)</b> | <b>Borrowings (\$'000)</b> | <b>Reserve transfer (\$'000)</b> | <b>Asset sales (\$'000)</b> | <b>Council contribution (\$'000)</b> |
|--|-------------------------------------|---------------------|-------------------------|-------------------------|---|----------------------------|----------------------------------|-----------------------------|--------------------------------------|
| Land   | -                                   | -                   | -                       | -                       | -                                       | -                          | -                                | -                           | -                                    |
| Buildings                                      | 4,385                               | -                   | 4,385                   | -                       | 200                                     | -                          | 85                               | -                           | 4,100                                |
| <b>Total property</b>                          | <b>4,385</b>                        | <b>-</b>            | <b>4,385</b>            | <b>-</b>                | <b>200</b>                              | <b>-</b>                   | <b>85</b>                        | <b>-</b>                    | <b>4,100</b>                         |
| Plant and equipment                            | 2,173                               | -                   | 2,173                   | -                       | 400                                     | -                          | 1,213                            | 550                         | 10                                   |
| Computers and telecommunications               | 305                                 | 21                  | 284                     | -                       | -                                       | -                          | -                                | -                           | 305                                  |
| <b>Total plant and equipment</b>               | <b>2,478</b>                        | <b>21</b>           | <b>2,457</b>            | <b>-</b>                | <b>400</b>                              | <b>-</b>                   | <b>1,213</b>                     | <b>550</b>                  | <b>315</b>                           |
| Roads  | 9,178                               | 1,085               | 6,237                   | 1,856                   | 3,921                                   | -                          | -                                | -                           | 5,257                                |
| Bridges  | 465                                 | -                   | 465                     | -                       | -                                       | -                          | -                                | -                           | 465                                  |
| Drainage                                       | 601                                 | 60                  | 431                     | 110                     | -                                       | -                          | -                                | -                           | 601                                  |
| Footpaths and cycleways                        | 3,998                               | 3,470               | 418                     | 110                     | 2,300                                   | -                          | 200                              | -                           | 1,498                                |
| Recreational, leisure and community facilities | 7,035                               | 5,950               | 485                     | 600                     | 5,450                                   | 1,900                      | -                                | -                           | (315)                                |
| Parks, open space and streetscapes             | 1,127                               | 767                 | 245                     | 115                     | 420                                     | -                          | 956                              | -                           | (249)                                |
| Other infrastructure                           | 400                                 | -                   | 400                     | -                       | -                                       | -                          | -                                | -                           | 400                                  |
| <b>Total infrastructure</b>                    | <b>22,804</b>                       | <b>11,332</b>       | <b>8,681</b>            | <b>2,791</b>            | <b>12,091</b>                           | <b>1,900</b>               | <b>1,156</b>                     | <b>-</b>                    | <b>7,657</b>                         |
| <b>Total capital expenditure</b>               | <b>29,667</b>                       | <b>11,353</b>       | <b>15,523</b>           | <b>2,791</b>            | <b>12,691</b>                           | <b>1,900</b>               | <b>2,454</b>                     | <b>550</b>                  | <b>12,072</b>                        |

| <b>2023/24</b>                                 | <b>Capital Expenditure (\$'000)</b> | <b>New (\$'000)</b> | <b>Renewal (\$'000)</b> | <b>Upgrade (\$'000)</b> | <b>Grant and contributions (\$'000)</b> | <b>Borrowings (\$'000)</b> | <b>Reserve transfer (\$'000)</b> | <b>Asset sales (\$'000)</b> | <b>Council contribution (\$'000)</b> |
|--|-------------------------------------|---------------------|-------------------------|-------------------------|---|----------------------------|----------------------------------|-----------------------------|--------------------------------------|
| Land   | -                                   | -                   | -                       | -                       | -                                       | -                          | -                                | -                           | -                                    |
| Buildings                                      | 4,885                               | -                   | 4,885                   | -                       | 500                                     | -                          | 85                               | -                           | 4,300                                |
| <b>Total property</b>                          | <b>4,885</b>                        | <b>-</b>            | <b>4,885</b>            | <b>-</b>                | <b>500</b>                              | <b>-</b>                   | <b>85</b>                        | <b>-</b>                    | <b>4,300</b>                         |
| Plant and equipment                            | 2,238                               | -                   | 2,238                   | -                       | 400                                     | -                          | 1,278                            | 550                         | 10                                   |
| Computers and telecommunications               | 201                                 | 21                  | 180                     | -                       | -                                       | -                          | -                                | -                           | 201                                  |
| <b>Total plant and equipment</b>               | <b>2,439</b>                        | <b>21</b>           | <b>2,418</b>            | <b>-</b>                | <b>400</b>                              | <b>-</b>                   | <b>1,278</b>                     | <b>550</b>                  | <b>211</b>                           |
| Roads  | 8,914                               | 5                   | 6,569                   | 2,340                   | 4,023                                   | -                          | -                                | -                           | 4,891                                |
| Bridges  | 470                                 | -                   | 470                     | -                       | -                                       | -                          | -                                | -                           | 470                                  |
| Drainage                                       | 627                                 | 60                  | 457                     | 110                     | -                                       | -                          | -                                | -                           | 627                                  |
| Footpaths and cycleways                        | 6,317                               | 5,631               | 386                     | 300                     | 3,600                                   | 500                        | 200                              | -                           | 2,017                                |
| Recreational, leisure and community facilities | 1,014                               | 100                 | 414                     | 500                     | 350                                     | -                          | 352                              | -                           | 312                                  |
| Parks, open space and streetscapes             | 580                                 | 50                  | 355                     | 175                     | -                                       | -                          | 550                              | -                           | 30                                   |
| Other infrastructure                           | 400                                 | -                   | 400                     | -                       | -                                       | -                          | -                                | -                           | 400                                  |
| <b>Total infrastructure</b>                    | <b>18,322</b>                       | <b>5,846</b>        | <b>9,051</b>            | <b>3,425</b>            | <b>7,973</b>                            | <b>500</b>                 | <b>1,102</b>                     | <b>-</b>                    | <b>8,747</b>                         |
| <b>Total capital expenditure</b>               | <b>25,646</b>                       | <b>5,867</b>        | <b>16,354</b>           | <b>3,425</b>            | <b>8,873</b>                            | <b>500</b>                 | <b>2,465</b>                     | <b>550</b>                  | <b>13,258</b>                        |

## 9.7 Statement of Human Resources

For the four years ending 30 June 2024

|                                | Budget            | Strategic Resource Plan Projections |                   |                   |
|--------------------------------|-------------------|-------------------------------------|-------------------|-------------------|
|                                | 2020/21<br>\$'000 | 2021/22<br>\$'000                   | 2022/23<br>\$'000 | 2023/24<br>\$'000 |
| <b>Staff expenditure</b>       |                   |                                     |                   |                   |
| Employee costs - operating     | 36,257            | 37,775                              | 39,356            | 41,003            |
| Employee costs - capital       | 1,060             | 1,104                               | 1,151             | 1,199             |
| <b>Total staff expenditure</b> | <b>37,317</b>     | <b>38,879</b>                       | <b>40,506</b>     | <b>42,202</b>     |
|                                | <b>EFT</b>        | <b>EFT</b>                          | <b>EFT</b>        | <b>EFT</b>        |
| <b>Staff numbers</b>           |                   |                                     |                   |                   |
| Employees                      | 391               | 396                                 | 401               | 406               |
| <b>Total staff numbers</b>     | <b>391</b>        | <b>396</b>                          | <b>401</b>        | <b>406</b>        |

## 9.8 (a) Summary of Planned Human Resources Expenditure

For the four years ended 30 June 2024

| Directorate                             | Budget            | Strategic Resource Plan Projections |                   |                   |
|---|-------------------|-------------------------------------|-------------------|-------------------|
|   | 2020/21<br>\$'000 | 2021/22<br>\$'000                   | 2022/23<br>\$'000 | 2023/24<br>\$'000 |
| <b>Chief Executive</b>                  |                   |                                     |                   |                   |
| Permanent Full Time                     | 2,217             | 2,310                               | 2,406             | 2,507             |
| Permanent Part Time                     | 328               | 342                                 | 356               | 371               |
| <b>Total Chief Executive</b>            | <b>2,545</b>      | <b>2,652</b>                        | <b>2,763</b>      | <b>2,878</b>      |
| <b>Assets &amp; Operations:</b>         |                   |                                     |                   |                   |
| Permanent Full Time                     | 9,899             | 10,313                              | 10,745            | 11,195            |
| Permanent Part Time                     | 1,523             | 1,587                               | 1,653             | 1,722             |
| <b>Total Assets &amp; Operations</b>    | <b>11,422</b>     | <b>11,900</b>                       | <b>12,398</b>     | <b>12,917</b>     |
| <b>Community Wellbeing</b>              |                   |                                     |                   |                   |
| Permanent Full Time                     | 3,473             | 3,618                               | 3,770             | 3,928             |
| Permanent Part Time                     | 7,043             | 7,338                               | 7,645             | 7,965             |
| <b>Total Community Wellbeing</b>        | <b>10,516</b>     | <b>10,956</b>                       | <b>11,415</b>     | <b>11,893</b>     |
| <b>Planning &amp; Environment</b>       |                   |                                     |                   |                   |
| Permanent Full Time                     | 4,114             | 4,286                               | 4,466             | 4,653             |
| Permanent Part Time                     | 852               | 888                                 | 925               | 964               |
| <b>Total Planning &amp; Environment</b> | <b>4,966</b>      | <b>5,174</b>                        | <b>5,390</b>      | <b>5,616</b>      |
| <b>Corporate Services</b>               |                   |                                     |                   |                   |
| Permanent Full Time                     | 3,491             | 3,637                               | 3,789             | 3,948             |
| Permanent Part Time                     | 908               | 946                                 | 986               | 1,027             |
| <b>Total Corporate Services</b>         | <b>4,399</b>      | <b>4,583</b>                        | <b>4,775</b>      | <b>4,975</b>      |
| Casuals & Other                         | 3,161             | 3,293                               | 3,431             | 3,574             |
| <b>Total</b>                            | <b>37,009</b>     | <b>38,558</b>                       | <b>40,172</b>     | <b>41,853</b>     |
| Add: Other expenditure (1)              | 308               | 321                                 | 334               | 349               |
| Less: Capitalised Labour costs          | (1,060)           | (1,104)                             | (1,151)           | (1,199)           |
| <b>Total operating employee costs</b>   | <b>36,257</b>     | <b>37,775</b>                       | <b>39,356</b>     | <b>41,003</b>     |

(1) Other expenditure includes allowances and fringe benefits tax

## 9.8 (b) Summary of Planned Human Resources employee numbers

For the four years ended 30 June 2024

| Directorate                             | Budget         | Strategic Resource Plan Projections |                |                |
|---|----------------|-------------------------------------|----------------|----------------|
|   | 2020/21<br>EFT | 2021/22<br>EFT                      | 2022/23<br>EFT | 2023/24<br>EFT |
| <b>Chief Executive</b>                  |                |                                     |                |                |
| Permanent Full Time                     | 18             | 18                                  | 18             | 18             |
| Permanent Part Time                     | 4              | 4                                   | 5              | 5              |
| <b>Total Chief Executive</b>            | <b>22</b>      | <b>22</b>                           | <b>23</b>      | <b>23</b>      |
| <b>Assets &amp; Operations</b>          |                |                                     |                |                |
| Permanent Full Time                     | 109            | 110                                 | 111            | 112            |
| Permanent Part Time                     | 20             | 20                                  | 21             | 21             |
| <b>Total Assets &amp; Operations</b>    | <b>129</b>     | <b>130</b>                          | <b>132</b>     | <b>133</b>     |
| <b>Community Wellbeing</b>              |                |                                     |                |                |
| Permanent Full Time                     | 31             | 32                                  | 32             | 33             |
| Permanent Part Time                     | 85             | 86                                  | 87             | 87             |
| <b>Total Community Wellbeing</b>        | <b>116</b>     | <b>118</b>                          | <b>119</b>     | <b>120</b>     |
| <b>Planning &amp; Environment</b>       |                |                                     |                |                |
| Permanent Full Time                     | 38             | 39                                  | 39             | 40             |
| Permanent Part Time                     | 9              | 9                                   | 9              | 9              |
| <b>Total Planning &amp; Environment</b> | <b>47</b>      | <b>48</b>                           | <b>48</b>      | <b>49</b>      |
| <b>Corporate Services</b>               |                |                                     |                |                |
| Permanent Full Time                     | 33             | 33                                  | 34             | 34             |
| Permanent Part Time                     | 11             | 11                                  | 11             | 12             |
| <b>Total Corporate Services</b>         | <b>44</b>      | <b>44</b>                           | <b>45</b>      | <b>46</b>      |
| Casuals & Other                         | 33             | 33                                  | 34             | 34             |
| <b>Total EFT</b>                        | <b>391</b>     | <b>396</b>                          | <b>401</b>     | <b>406</b>     |
| Less: Capitalised Labour costs          | (11)           | (11)                                | (11)           | (11)           |
| <b>Total operating EFTs</b>             | <b>380</b>     | <b>385</b>                          | <b>390</b>     | <b>395</b>     |



## 9.9 Financial Performance Indicators and Measures

For the four years ended 30 June 2024

| Indicator                           | Measure  | Actuals<br>2018/19 | Adopted<br>Budget<br>2019/20 | Budget<br>2020/21 | Strategic Resource Plan<br>Projections |         |         | Trend<br>+/- |
|-------------------------------------|--|--------------------|------------------------------|-------------------|--|---------|---------|--------------|
|                                     |  |                    |                              |                   | 2021/22                                | 2022/23 | 2023/24 |              |
| <b>Operating position</b>           |  |                    |                              |                   |  |         |         |              |
| Adjusted underlying result          | Adjusted underlying surplus (deficit) / Adjusted underlying revenue  | 7.6%               | 4.6%                         | 4.1%              | 4.5%                                   | 5.1%    | 4.2%    | (0.4)%       |
| <b>Liquidity</b>                    |  |                    |                              |                   |  |         |         |              |
| Working capital <sup>(1)</sup>      | Current assets / Current liabilities   | 205.2%             | 175.2%                       | 169.7%            | 150.0%                                 | 144.8%  | 143.3%  | (31.9)%      |
| Unrestricted cash <sup>(1)</sup>    | Unrestricted cash / Current liabilities  | 105.9%             | 105.4%                       | 112.0%            | 94.7%                                  | 92.6%   | 91.9%   | (13.4)%      |
| <b>Obligations</b>                  |  |                    |                              |                   |  |         |         |              |
| Loans and borrowings <sup>(2)</sup> | Interest bearing loans and borrowings / rate revenue   | 18.9%              | 12.2%                        | 16.0%             | 26.7%                                  | 26.9%   | 25.7%   | 13.5%        |
| Loans and borrowings <sup>(3)</sup> | Interest and principal repayments on interest bearing loans and borrowings / rate revenue                  | 2.1%               | 9.8%                         | 1.3%              | 2.7%                                   | 3.0%    | 2.9%    | (6.9)%       |
| Indebtedness                        | Non-current liabilities / own source revenue   | 15.0%              | 16.2%                        | 19.5%             | 27.0%                                  | 27.1%   | 26.0%   | 9.9%         |
| Asset renewal <sup>(4)</sup>        | Asset renewal expenditure / Depreciation   | 89.8%              | 91.3%                        | 105.8%            | 97.7%                                  | 97.1%   | 97.7%   | 6.3%         |
| <b>Stability</b>                    |  |                    |                              |                   |  |         |         |              |
| Rates concentration                 | Rate revenue / adjusted underlying revenue   | 61.1%              | 64.1%                        | 64.7%             | 64.7%                                  | 64.9%   | 65.0%   | 0.9%         |
| Rates effort                        | Rate revenue / CIV of rateable properties in the municipality  | 0.4%               | 0.3%                         | 0.3%              | 0.3%                                   | 0.3%    | 0.3%    | o            |
| <b>Efficiency</b>                   |  |                    |                              |                   |  |         |         |              |
| Expenditure level                   | Total expenditure / no. of property assessments  | \$3,220            | \$3,291                      | \$3,419           | \$3,370                                | \$3,431 | \$3,521 | \$58         |
| Revenue level                       | Residential rate revenue / no. of residential property assessments   | \$2,082            | \$2,179                      | \$2,262           | \$2,318                                | \$2,375 | \$2,434 | \$64         |
| Workforce turnover                  | No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year | 21.2%              | 10.0%                        | 10.0%             | 10.0%                                  | 10.0%   | 10.0%   | o            |

(1) Working capital and Unrestricted cash reduces due to higher current liabilities and lower cash as a result of increased borrowings to fund higher capital works expenditure.

(2) As noted in section 4, borrowings will increase significantly in 2020/21 and 2021/22 to fund a number of planned large capital works projects.

(3) The ratio was abnormally high in 2019/20 due to the repayment of a principal only loan (\$4.1m).

(4) The level of asset renewal expenditure varies from year to year depending on the capital program which is influenced by the availability of government grants. number of large new community assets will be constructed (see section 6) between 2021/22 and 2022/23 which will partly restrict our capacity to meet renewal targets. It is expected that the level of renewal expenditure will increase to meet renewal targets in the years following the delivery of these assets.

# 10. Financial Assumptions

## 10.1 Introduction

The following dynamic variables may influence the financial statements in section 9 –

- Rating levels and supplementary rate income;
- Government grant revenue (both recurrent and capital);
- Contributed assets (both monetary and non-monetary);
- Asset revaluations (major impact on fixed asset value and depreciation);
- Asset sales;
- Mix of income and expenditure on capital investment compared to new initiatives;
- Level of development and population growth; and
- Level of demand, that is, the growth in demand as applied to services and expenditure.

As outlined in the 2020/21 Budget document, there is uncertainty regarding the impact of COVID-19 pandemic that has necessitated new ways of thinking by Council in regards to what may realistically be achieved during and after the pandemic. Information in the 2020/21 Strategic Resource Plan has been presented on the basis required by our regulatory guidelines but year one of the plan (2020/21) may be reassessed when the full impact of the pandemic is understood.

## 10.2 Modelling Methodology

The financial statements in section 9 are reproduced from data within an industry developed long term financial software model.

## 10.3 Financial Assumptions

Consumer Price Index (CPI)

The Victorian Treasury has forecast that Melbourne CPI for the next financial year will be 2.0% for 2020/21, 2.25% for 2021/22 and 2.5% in 2022/23. A 2.5% increase has been assumed for 2023/24. It is noted that the inflation forecast is likely to decrease as a result of the COVID-19 pandemic. However, any reduction in income as a result of lower inflation would in the main be offset by lower increases in the cost of contracts, materials and capital projects.

### 10.3.1 Employee costs

Increases in employee costs are composed of four elements –

- Enterprise Agreement outcomes,
- Position classification increments,
- New positions, and
- Increases in casual hours due to service demand

On average we are forecasting a 4.2% increase for the four years of the SRP for the four combined elements of employee costs.

### 10.3.2 Depreciation

Depreciation estimates have been based on the projected increases in the fixed assets.

### 10.3.3 Materials and services

Materials and services relate to operational expenditures, which do not result in the creation of an asset. It is assumed that the quantity and standard of materials and contracts will be generally maintained at their current levels throughout the life of the SRP. However, it is expected that there will be some increases in current costs due to increases in the shire's population resulting in increased service demand and increases in assets that need to be maintained.

It has been assumed in the SRP that materials and services will increase in line with the CPI forecast and that there will be a further 1.4% growth on top of CPI for increases in service demand, e.g. additional bin collections, new initiatives, higher maintenance costs for new assets constructed by us and those transferred to us following subdivisions, etc.

The 2020/21 budget includes funding to support community and business recover from the pandemic. This funding has been removed to calculate the forecast expenditure for 2021/22.

### 10.3.4 Other expenses including special projects and new initiatives

One-off expenditures that do not constitute the creation of an asset and have been maintained at constant levels throughout the life of the SRP, i.e. there is funding in each year of the budget for one off projects, while the type of projects may vary from year to year, it is assumed the amount of funding available will remain the same. There has been some minor adjustments for known variations between the years, e.g. council election costs are in the 2020/21 budget.

Some new operating initiatives are ongoing and have been factored into the annual growth in employee costs and materials and services.

### 10.3.5 Debt servicing and redemption

Debt servicing (interest payments) and redemption (principal repayments) has been calculated according to the bank's loan repayment schedules.

In 2014 the Local Government Funding Vehicle (LGFV) was developed by the Municipal Association of Victoria (MAV). The LGFV operates in a similar way to government treasury departments which raise funds through issuing bonds. Money raised through the LGFV requires interest repayments only during the term, the full amount of the principal shall be repaid when the repayment falls due. Funds will be put aside in the debt repayment financial reserve to ensure sufficient funds are available to repay these borrowings.

### 10.3.6 Rate and charges income

The Victorian Government imposed annual rate capping is based on the Victorian Government's CPI forecast for the next financial year (subject to any efficiency factor). The rate increase for 2020/21 has been aligned to the 2.0% rate cap advised by the Victorian Government. For the following years it has been assumed that the rate cap (and CPI) will remain in line with the Treasury Inflation forecast. Growth in the rate base from new subdivisions and new constructions also contribute to the growth in rate income. Based on historical evidence, it is expected that there will be a 1.5% growth in rate revenue in addition to the increase allowable under the rate cap.

### **10.3.7 Waste collection income (included under rates and charges in the income statement)**

Our Rating Strategy states that we will ensure that the revenue from waste collection and disposal charges is sufficient to fully cover the costs of waste services including collection and disposal of garbage, collection and sorting of recyclable materials, collection of FOGO waste, rehabilitation of Landfills, payment to the Victorian Government for the EPA Landfill Levy and management, administration and overhead costs associated with waste services.

The first year of the plan is based on the budget, our financial assumption for years 2-4 of the plan is that total kerbside collection revenue will increase by around 4.0% per annum. This is made up of CPI plus 1.5% growth in services.

### **10.3.8 Grants - operating**

The largest component of the operating grants is the Federal Financial Assistance Grant (administered by the Victoria Grants Commission). Other major operating grants are for kindergarten and community support.

An annual increase in operating grants of 2-2.5% has been assumed in line with CPI forecasts as outlined under 10.3 plus a slight allowance for service growth of 0.5%.

### **10.3.9 Grants - capital**

Capital grant revenue has been forecast in accordance with the projects that have been included in the long term capital works guide and our recurrent grant funding for roads.

As outlined in section 5, grant funds above or below the forecast amount will directly impact on the level of capital expenditure achievable.

### **10.3.10 User fees (Council service fees and charges)**

Our financial assumption is that revenue from fees, charges and contributions will increase by 2.5% per annum based on forecast CPI plus an additional 1.5% for service growth.

### **10.3.11 Statutory fees and fines**

We have no control over the amount we may charge for many statutory fees, which are prescribed by the Victorian Government including town planning, building, local laws and the animal pound. Therefore, the financial assumption has been based on historical averages.

In so far as fines are concerned, our practice is based on the principal of education and promotion in the first instance. Revenue from on-the-spot fines is not significant. Therefore, the financial assumption has been based on forecast CPI increases plus an additional 1.5% for service growth.

### **10.3.12 Contributions – Non monetary assets**

Non-monetary assets are those handed over to us following the completion of a subdivision. These include land, roads, footpaths, kerb, channel and drainage.

While these assets add to our overall asset base, they do not generate revenue, however, they generate an expense due to the obligation to maintain them and replace them at the end of their useful lives.

Historical averages have been used to forecast granted assets in the future.

### **10.3.13 Interest on investments (under other income in the income statement)**

Interest on investments has been estimated based on predicted interest rates and cash flow. For many years, interest rates have been at low levels, consequently our revenue from interest on investments is based on the financial assumption that interest rates will remain at the current (low) level.

### **10.3.14 Capital expenditure**

The capital expenditure in our forecast financial statements is a reflection of the long term capital works guide which is reviewed and adjusted each year as part of the annual budget preparation process.

Expenditure invested in capital projects includes new assets, asset upgrades and asset renewal.

To address the “asset renewal gap” and to improve our financial sustainability ratios it is our strategy to increase the level of spending on underlying asset renewal by an average of 5% per annum.

As outlined in section 5, in the four year horizon there will be a significant increase in capital works expenditure to construct several large community assets. While renewal expenditure is forecast to increase on average over the next four years, the planned construction of large new community assets will partly restrict our capacity to meet ratio renewal targets. It is expected that the level of renewal expenditure will increase to meet renewal ratio targets in the years following the delivery of these assets.

## **10.4 Conclusion**

Our assumptions are included in the long term financial model and are depicted in the financial statements. Our assumptions (and strategies) will be reviewed annually through the budget process and, if required they will be adjusted in the SRP.

Based on the assumptions above, the Macedon Ranges Shire Council will remain in a sustainable financial position in the coming years.

# 11. Glossary

|  |   |
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| Act                                    | means the <i>Local Government Act 1989</i>  |
| Annual report                          | means a report of the activities of the previous financial year and contains a report of operations, audited financial statements and an audited performance statement  |
| Asset expansion expenditure            | means expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to existing beneficiaries   |
| Asset expenditure type                 | means the following types of asset expenditure:<br>asset renewal expenditure;<br>new asset expenditure;<br>asset upgrade expenditure; and<br>asset expansion expenditure  |
| Asset renewal expenditure              | means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability  |
| Asset upgrade expenditure              | means expenditure that:<br>enhances an existing asset to provide a higher level of service; or<br>increases the life of the asset beyond its original life  |
| Australian Accounting Standards (AASB) | means the accounting standards published by the Australian Accounting Standards Board   |
| Budget                                 | means a plan setting out the services and initiatives to be funded for the financial year and how they will contribute to achieving the strategic objectives specified in the council plan  |
| Capital works expenditure              | means expenditure on non-current assets and includes new assets, asset renewal, asset expansion and asset upgrade   |
| Council                                | The local government entity comprising of staff and councillors. Inclusive terms such as we, our and us are regularly used to represent Council.  |
| Council plan                           | means a plan setting out the medium-term strategic objectives, strategies, strategic indicators and resources reflecting vision and aspirations of the community for the next ten years (2017-2027)   |
| Fair Go Rates system                   | Victorian Government legislation that restricts Council rate revenue increases to a specified “cap” on the average increase in rates and municipal charge   |
| Financial resources                    | means income, expenditure, assets, liabilities, equity, cash and capital works required to deliver the services and initiatives in the budget   |
| Financial statements                   | means the financial statements and notes prepared in accordance with the Australian Accounting Standards as they apply to the general purpose financial reports of local governments and a statement of capital works and included in the annual report |
| Financial year                         | means the period of 12 months ending on 30 June each year   |
| Human resources                        | means the staff employed by a council   |
| Indicator                              | means what will be measured to assess performance   |
| Initiatives                            | means actions that are one-off in nature and/or lead to improvements in service   |
| Major initiatives                      | means significant initiatives that will directly contribute to the achievement of the council plan during the current year and have a major focus in the budget   |
| Minister                               | means the Minister for Local Government   |

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| Model budget                                   | means the <i>Victorian City Council Model Budget</i> prepared annually by the Institute of Chartered Accountants in Australia   |
| New asset expenditure                          | means expenditure that creates a new asset that provides a service that does not currently exist  |
| Non-financial resources                        | means the resources other than financial resources required to deliver the services and initiatives in the budget   |
| Non-recurrent grant                            | means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a Council's Strategic Resource Plan   |
| Planning and accountability framework          | means the key statutory planning and reporting documents that are required to be prepared by councils to ensure accountability to local communities in the performance of functions and exercise of powers under the Act                  |
| Performance statement                          | means a statement including the results of the prescribed service outcome indicators, financial performance indicators and sustainable capacity indicators for the financial year and included in the annual report                       |
| Recurrent grant                                | means a grant other than a non-recurrent grant  |
| Regulations (LGR)                              | means the Local Government (Planning and Reporting) Regulations 2014  |
| Report of operations                           | means a report containing a description of the operations of the council during the financial year and included in the annual report  |
| Services                                       | means assistance, support, advice and other actions undertaken by a council for the benefit of the local community  |
| Statement of capital works                     | means a statement which shows all capital expenditure of a council in relation to non-current assets and asset expenditure type prepared in accordance with the model statement of capital works in the Local Government Financial Report |
| Strategic objectives                           | means the outcomes a council is seeking to achieve over the next four years and included in the council plan  |
| Strategic resource plan                        | means a plan of the financial and non-financial resources for at least the next four years required to achieve the strategic objectives in the council plan   |
| Strategies                                     | means high level actions directed at achieving the strategic objectives in the council plan   |
| Statement of human resources                   | means a statement which shows all council staff expenditure and numbers of full time equivalent council staff   |
| Statements of non-financial resources          | means a statement which describes the non-financial resources including human resources   |
| Summary of planned capital works expenditure   | means a summary of capital works expenditure in relation to non-current assets classified according to the model statement of capital works in the Local Government Financial Report, by asset expenditure type and funding source        |
| Summary of planned human resources expenditure | means a summary of permanent council staff expenditure and numbers of full time equivalent council staff categorised according to the organisational structure of the council   |