COUNCIL PLAN IN ACTION

GREATER SHEPPARTON CITY COUNCIL

STRATEGIC RESOURCE PLAN 2016/17 - 2019/20

GREATER SHEPPARTON

Contents

1. Executive Summary

INTRODUCTION

Greater Shepparton is required under Section 125(1) of the *Local Government Act (1989),* to prepare a Strategic Resource Plan (SRP). The SRP outlines the resources required to achieve the Council's strategic objectives expressed in the Greater Shepparton Council Plan.

Section 126 of the Act states that:

a. The SRP is a plan of the resources to achieve the Council Plan objectives;

b. The SRP must include:

  i. the financial statements describing the financial resources in respect of at least the next four financial years;

  ii. statements describing the financial resources in respect of at least the next four financial years;

  iii. statements describing the non-financial resources including the human resources in respect of the next four financial years;

  iv. services and initiatives contained in any plan adopted by Council and if the Council proposes to adopt a plan to provide services or take initiatives ,the resources required must be consistent with the SRP;

  v. Council must review the SRP during the preparation of the Council Plan and must adopt the SRP no later than 30 June each year and a copy must be available for public inspection at the Council office and internet web site.

c. Significant changes to this revised SRP 2016/17 are:

- The introduction of Rates Capping, which will see Council increase municipal rates, by 2.5 per cent in the 2016/17 financial year, excluding supplementaries;
- Capital Expenditure of $45.62 million in 2016/17; and
- New borrowings of $5.064 million in 2016/17.

2. Long Term Financial Plan

This Long Term Financial Plan is prepared as part of the Strategic Resource Plan to reflect the financial resources required to achieve the strategic objectives included in the Council Plan.

The assumptions detailed in this Long Tern Financial Plan are to be read in conjunction with Appendix B which details Council's Standard Statements which form part of this Long Term Financial Plan.

Medium-term planning is important for ensuring that Council remains financially sustainable into the future. This Long Term Financial Plan goes beyond the minimum standards required by the Act and is intended to have a 10 year time frame to enable consideration of the strategic direction for Council to meet the funding and investment challenges that lie ahead as many of Council's assets have long lives.

The Long Term Financial Plan is a rolling plan that is subject to an annual review. There are a number of dynamic variables that may influence the outcomes expressed in this Long Term Financial Plan. They include:

- The annual rate capping framework;
- Renewal of assets to maintain services;
- Granted assets / new and upgrade of assets;
- Projected increases of government grants revenue being less than the cost of maintaining services; and
- Growth in the number of properties and impact on the cost of delivering existing services.

The Strategic Resource Plan establishes a framework for Council to benchmark its performance. The base point used for financial modelling has been the 2015/16 March Quarter Budget review with year 1 being the proposed 2016/17 Council Budget. The Standard Statements (financial statements) are included in Appendix B of this document.

Financial Assumptions

The long term financial plan is determined using a base point; typically the current budget or forecast as the starting point with long term assumptions applied as indexation throughout the life of the plan. This ensures, as much as possible, the plan is realistic in its reflection of the future financial position of the Council.

It should be noted that even within the Local Government sector, specific Councils' are likely to face differing cost structures leading to different assumptions in estimates for long term planning.

It is important to note that when determining a cost index for Local Government it is not as simple as applying the Consumer Price Index (CPI), which measures the change in prices associated with household expenditure. As noted by the Municipal Association of Victoria (MAV), the CPI is a weighted basket of household goods and services, however, council services are directed more towards providing infrastructure and social and community services.

As such, MAV publish a Local Government Cost Index that provides a more realistic reflection of the cost of inputs for councils and acknowledges the impacts of movements in construction costs and wage prices above normal CPI.

The table below projects combined inflation and growth applied to key revenue and expenditure types.

Description	Ref	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Rates & Charges Revenue	1	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Waste Services Charges	2	4.5%	4%	4%	4%	4%	4%	2.5%	2.5%	2.5%	2.5%
Fees & Charges – Council		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Fees & Charges – Statutory		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Investment Income		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Employee Costs	3	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Materials and Contracts		0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Utilities		0.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Depreciation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Table 1: Key financial assumptions summary table – inflation and growth combined

Ref 1 – Assumes rate cap without seeking any variations. This does not include efficiency factors or allow for supplementary growth.

Ref 2 – Waste Service Charges include contribution to Cosgrove Landfill Capital Works.

Ref 3 – From 2021/22 onwards the increase of 0.5 per cent is as a result of the additional Superannuation Guarantee requirements.

3. Revenue Strategy

Greater Shepparton City Council raises the majority of its revenue from its own sources which includes rates and charges and sales of goods and services (user fees and charges). In 2016/17 over 74 per cent of Council's revenue is budgeted to come from these sources.

The remaining 26 per cent is from discretionary and non-discretionary grants from the State and Federal Governments. This includes the annual allocation of Federal Financial Assistance Grants comprising a general purpose component as well as a local roads component.

A key challenge for Council's revenue strategy is determining the type and proportion of each revenue source to fund the services provided by Council. A basic requirement of Council is to ensure a revenue stream to meet its costs.

The *Local Government Better Practice Guide 2014 Revenue and Rating Strategy* notes that it is more appropriate for councils to recover the cost of services that have predominantly private goods and services characteristics (services to specific groups or individuals such as leisure centres) through user pay charges and use the property rates to offset the cost of public services and benefits (eg. roads).

As part of the annual budget process, Council determines what the level of subsidisation will be for each service. Council's Program Budget included as an Appendix to the Annual Budget document gives an indication of the level of subsidisation each year.

The introduction of rate capping in 2016/17 has required Council to review its revenue mix and the level of subsidisation of services. Prior to seeking any variation to the rate cap, Councils will be required to investigate alternate sources of income (own source revenue) including lowering the levels of subsidy for services derived from rates.

OWN-SOURCE REVENUE

The below chart demonstrates that compared to similar councils (such as Ballarat, Greater Bendigo and Greater Geelong) Greater Shepparton has a lower reliance on rate revenue and therefore a higher range of revenue sources.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
53.32%	55.48%	57.46%

Table 2: Rates as a percentage of adjusted underlying revenue

Source: www.knowyourcouncil.vic.gov.au

Furthermore Greater Shepparton also has a higher level of own-source revenue per head of municipal population than both similar councils and all Victorian councils.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
$1,385.23	$1,275.82	$1,320.27

Table 3: Own-source revenue per head of municipal population

Source: www.knowyourcouncil.vic.gov.au

Higher percentages of own source revenue (rates, user charges, recurrent grants) as a proportion of total revenue represents greater financial independence and financial sustainability. Higher rates, however, would only be obtainable if Council sought a variation to the rate cap.

RATES

This Strategic Resource Plan and Long Term Financial Plan assumes no variations to the rate cap in the next 10 years, however, should the need arise for a variation Council will engage with the community.

Irrespective of the rate cap, Council's rating strategy determines how Council will raise money from properties within the municipality, in other words how much each property will contribute. No significant changes are proposed from 2015/16 to 2016/17 however in future years any changes to the rating strategy may impact individual ratepayer groups.

Any such review will take into consideration the community's capacity to pay. The table below shows that in 2014/15 when compared to similar councils Greater Shepparton had a slightly higher amount of rates revenue as a percentage of capital improved value.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
0.74%	0.62%	0.45%

Table 4: Rates compared to property values

Source: www.knowyourcouncil.vic.gov.au

To further assess Council's current rating revenue strategy a comparison of the average residential rate per residential property assessment also shows that Greater Shepparton is below the average of similar councils but above the state wide average.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
$1,439.41	$1,467.60	$1,409.36

Table 5: Average residential rate per residential property assessment

Source: www.knowyourcouncil.vic.gov.au

USER FEES AND CHARGES

Greater Shepparton includes in its annual budget a schedule of fees and charges. The services that Council has identified as having operations that are not pure public services and should generate income on a "user pays" system.

Where there is not any state or federal government legislation or funding conditions prohibiting or setting ceilings for pricing Greater Shepparton will look to a level of cost recovery.

At this point in time cost recovery is based mainly on direct costs for the services in question; however, with the introduction of rate capping consideration will be given to incorporating indirect costs into the calculation for future years.

For 2016/17 Council has used a generic assumption of 5 per cent per annum increases in user charges reflecting a greater focus towards cost recovery.

GRANTS

In reviewing the amount of Government grants expected to be received on an ongoing basis for the year per head of municipal population, Greater Shepparton compares on par with similar councils but is below the state wide average.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
$429.48	$436.37	$536.10

Table 6: Recurrent grants per head of municipal population

Source: www.knowyourcouncil.vic.gov.au

Council will continue to seek non-recurrent grants, particularly for capital works. Through the establishment of a longer term capital works program, Council will target grants that align with its strategic direction.

4. Strategic Asset Management

Introduction

The Local Government sector has focussed heavily on asset management in recent times, with the key reasons for this captured in the Victorian Auditor-General's report, "Asset Management and Maintenance by Councils", presented to the Victorian Parliament in February 2014. The report was primarily looking at Victorian Councils long term sustainability, highlighting the quantum of aging infrastructure assets, and the cost to renew them into the future.

Greater Shepparton City Council has an asset portfolio worth $1.37 billion. The chart below shows the breakup of the asset values between asset categories.

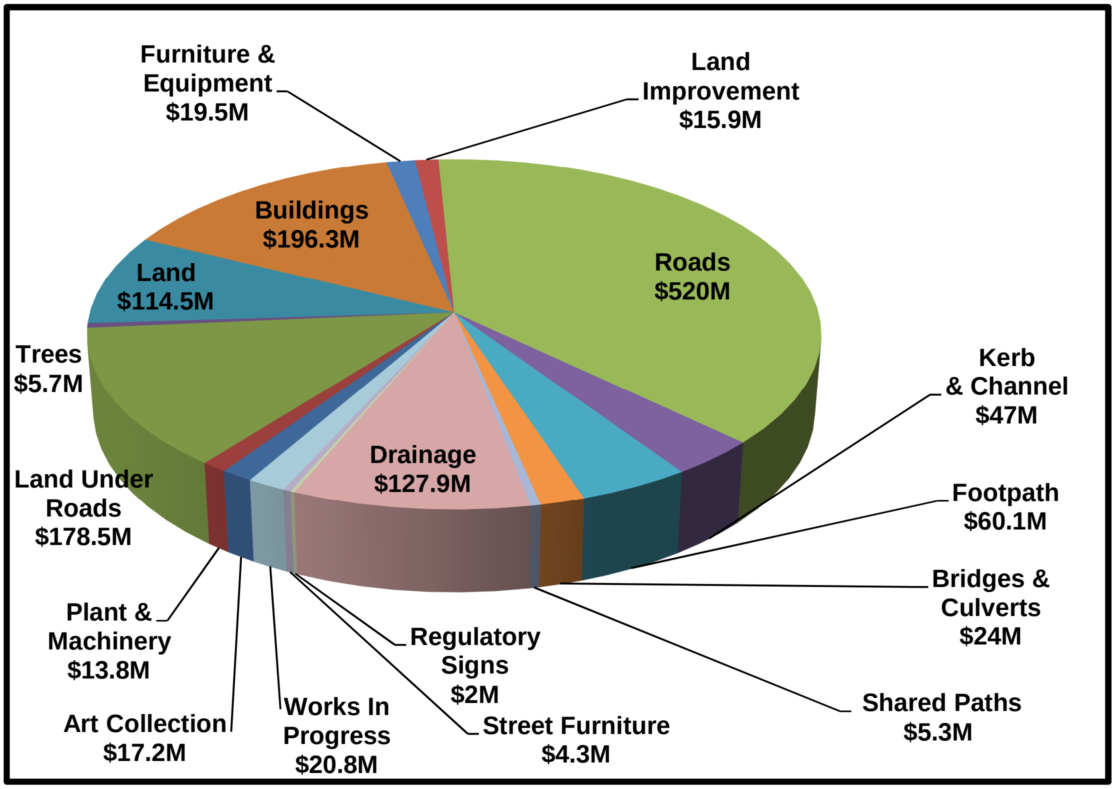

Chart 1: Council's asset value distribution as part of the overall $1.37 billion total value

A large asset portfolio such as this will require significant investment (asset renewal) to ensure the ongoing levels of service provided by the assets to the community are maintained. In 2016/17 Council's depreciation expense is forecast to be $22.0 million. The measure of Council's ability to address its asset renewal demand is based on our depreciation expense in any given year.

The table below shows the level of renewal investment against depreciation since 2011/12.

2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Forecast	2016/17 Budget
99%	78%	61%	74%	89%	112%

Table 7: Renewal investment as a percentage of depreciation expense

In 2013/14, where possible Council moved away from funding renewal of assets as a percentage of depreciation to a funding model based more on asset condition. At this point in time Council does not have condition data for all asset categories so depreciation remains the default measure for a number of assets. As depreciation is largely governed by useful life, or consumption of the asset, we need to be better able to ascertain the useful life of our assets such that the actual condition of assets is better aligned with depreciation.

Services and Councils Assets

As a service delivery organisation, Council's goal is to provide a level of service that satisfies needs and expectations of the community. This is far from straight forward and there are varying and competing community expectations; and Council must still have a dialogue with the community to determine what the service expectations are.

Council owns and manages assets for the specific purpose of service delivery, and therefore our assets are critical in this equation. Council must manage the condition of its asset portfolio so that the assets are able to complement service delivery. From this perspective Council measures asset condition as 0 (new) to 10 (failed) with the objective of ensuring the overall condition of an asset category remains in a state that does not impact negatively on the service experience of the community.

Monitoring Asset Condition

In practice asset deterioration is more variable than straight line depreciation with peaks and troughs in demand across asset categories. A good example of this is a bridge where in a 10 year period, the financial spend is only required in years 6 and 7, not split across the decade, but the bridge will continue to depreciate each year. This is where it does prove challenging to match depreciation as a measure, and condition as a measure, to renewal funding.

A condition based approach to asset renewal relies on good condition data, which Council is continuously improving on. Council has a high quality Asset Management System which is well resourced to capture, monitor and update asset information on a regular basis. This includes the capture of condition data from surveys carried out on distinct asset categories on a cyclical basis.

Critically, wherever an asset survey is undertaken to assess condition of the overall asset category, we also use the exercise to re-evaluate the assets remaining useful life. The physical deterioration of assets is not always easy to predict. For example, climate can play a part in influencing the longevity of assets, such as drought, which reduces deterioration of sealed roads and drainage infrastructure. Conversely, very wet seasonal conditions can impact negatively on these assets, increasing asset deterioration rates.

The aforementioned scoring system (0-10) is constructed around estimated useful life and deterioration rates of assets. Where an asset is new it is zero, where it fails to meet service expectations it is generally an 8, and an asset is considered to have fully failed and is regarded as unserviceable at 10.

Many of Council's assets have useful lives that span multiple decades; for Council this is 33 years for asphalt roads, 60 years for concrete footpaths, 80 years for steel bridges. These age profiles rely on engineering assumptions, but they also attempt to factor in local environmental conditions.

Greater Shepparton is unique in that it has a large network of irrigation channels which often run in or next to the road reserve, creating a risk to the road pavement from ingress of water. Our pavements are often built on a clay sub-base which is prone to soften if wet which will accelerate failure. For this reason Shepparton has on average a shorter useful life for road pavement than many other Councils in different geographical areas.

As part of condition based assessment Council now asks the question, “what is the assets remaining useful life” (viewed from the asset category level e.g. concrete footpaths)? Where an asset category useful life can be extended beyond what has been its current measure, this will impact favourably on Councils asset renewal demand and overall sustainability. Where the asset category life may be shortened, this will have the opposite effect.

For most asset categories, Council will intervene to renew a failing asset at condition 8. This will be the point where the asset is detracting from customer service experience, but the asset has not quite failed. As such we need to manage assets to intervention, not to end of useful life.

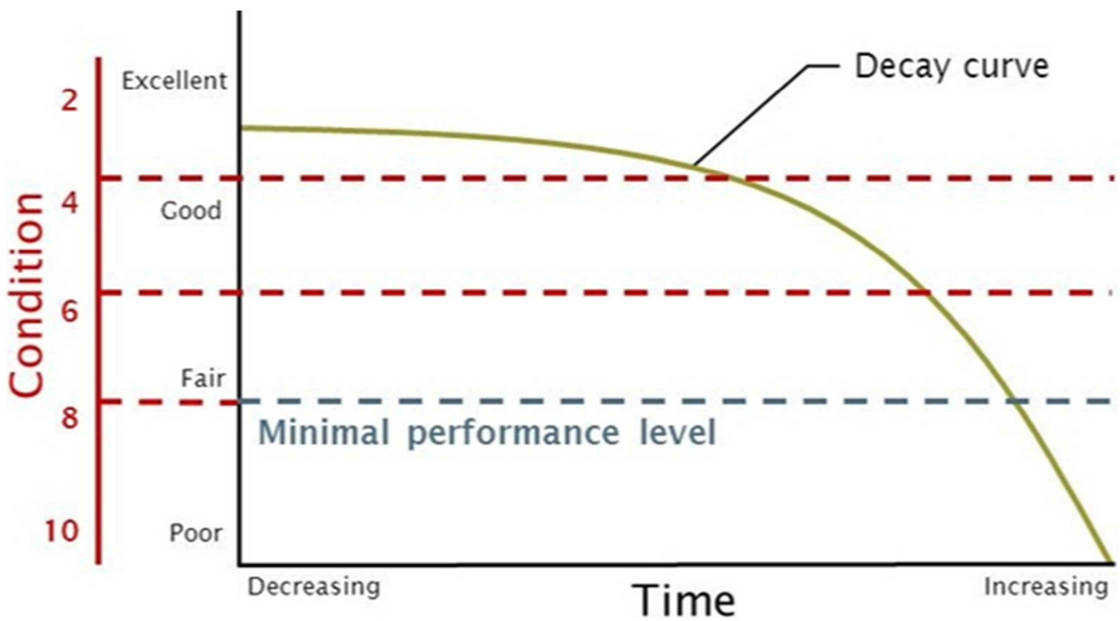

Chart 2: Example of asset deterioration over time – Council would intervene to renew an asset where the decay curve meets the minimal performance level.

Overall Council’s assets are in a reasonably good condition across the board. While assets are aging, the percentages of assets outside intervention (condition 8) is low, and have not passed beyond any critical point where the asset base cannot be sustained. However, managing the renewal demand into the future, especially with the introduction of rate capping, may mean Council does not renew all that is outstanding like for like; it may mean more asset rationalisation, change of service delivery methods, change of treatment options – all of which can have varying impacts on services which must also be managed in order to maintain community satisfaction.

The Planning Framework

Long term planning for assets will be managed through an alignment of Councils Strategic Resource Plan, Long Term Financial Plan, Service Plans and Asset Management Plans. These plans form the framework to manage the peaks and troughs of demand renewal over any ten year period.

Chart 3: Asset Management Framework

Modelling Assets for Future Demand

Council uses the Maloney modelling system to provide predictions of renewal demand into the future. While Maloney modelling is the Victorian Local Government sectors most relied on system for calculating asset renewal demand, it does have its limitations. It is not necessarily an accurate indicator of actual year in year out demand and it is wise to rely on asset inspections and condition surveys to verify if the renewal figures that fall out of a Maloney model meet the reality of overall asset condition.

A great case in point for Council is footpaths. Council has just over 400km of concrete footpath with a total replacement value of $55 million. A total of 42 per cent of this network is at or past condition 6. Council can infer from this it has an aging network and that constitutes a liability in the future as it will need to be replaced at some point, and that point is becoming sooner than later. Interestingly we only have 0.45 per cent over condition 8. Council’s 10 year Maloney model states we should be spending on average $2.8 million per annum to ensure there is not a large and unacceptable failure rate at year 10 or sooner. However, Council only needs to repair what is at condition 8, otherwise assets that are still serviceable are pulled up, which shortens asset life and increases costs. There is a similar scenario with kerb and channel where over 60% of the asset base is at condition 6, but less than 1% is at condition 8.

The Maloney system is modelling consumption rates of assets based on Councils estimated useful life. Each year a percentage of the assets within each condition (6, 7, 8 etc.) will slip to the next condition level. For example 15 per cent of condition 6 will become 7; this pattern then repeats itself each year. According to the Maloney system, we will have a renewal backlog of $28 million for footpath assets, based on this year's funding level, by 2026.

Maloney modelling is providing us the information about impending liability. It is not incorrect; it's just not accurate enough to predict what will happen in your next financial year. We will inevitably have to replace aging assets, however, Council will wait until replacement is actually required, and thus there will be discrepancy between modelling and proposed annual renewal budgets, until such time Council has its useful life timeframes much tighter.

In recent times Council has trialled an alternative modelling process for the road network (our single largest asset category). The use of optimisation modelling based on available budget, deterioration rates, treatment options and service levels provides both specific capital work priorities while still providing long term deterioration (or condition) models. This process will be further explored through a tender for a Pavement Management System for modelling of Councils sealed roads.

Resourcing Asset Management

Council has a Strategic Assets Branch with a key role in supporting Service Managers maintain their required service levels through tracking asset condition. As a primarily data driven practice, Asset Management seeks to:

- Know where our assets are physically located, and how many we have
- Program surveys to audit the condition of these assets on a cyclical basis
- Drive maintenance programs – both the platform for managing maintenance, and identification of maintenance tasks
- Forecast the cost to renew assets
- Nominate the amount of renewal demand required
- Maintain valuations of assets

With the information in Council's Asset Management System, Officers are able to draw on this data, and using the Maloney System, provide 10 year forecasts of renewal demand using a number of "what if" scenarios.

Over time Council has expanded its ability to model specific asset categories. Below is a table showing the current state of these assets. It is important to keep in mind the above statements made about modelling, about knowing an assets useful life and condition. These figures are not fixed, and are constantly interrogated and updated to drive better asset management through data collection and further modelling.

Asset Category	Asset Value	Intervention Level	Useful Life	% Outside intervention	Type of Modelling - Condition/ Depreciation/NA	Depreciation Expense p.a	Renewal Expense 16/17	Renewal as a % of dep'n
Art Collection	17,199,245	NA	NA	NA	NA	0	78,000	100%
Plant and Machinery	13,820,235	NA	Various	NA	Condition	1,388,816	0	0%
Land Under Roads	178,510,840	NA	NA	NA	NA	0	0	0%
Trees	5,697,025		50	Audit in progress	Condition	116,436	0	0%
Land	114,487,049	NA	NA	NA	NA	0	0	0%
Buildings	196,308,271	8	Various	Audit in progress	Depreciation	2,940,291	1,285,000	44%
Furniture and Equipment	19,504,403	10	10	0	Depreciation	1,111,361	2,528,000	227%
Land Improvement	15,891,348	8	Various		Depreciation	740,197	10,852,000	1466%
Roads	520,022,783		Various		Condition	11,574,996	8,757,000	76%
Kerb and Channel	47,087,925	8	60	0.68%	Condition	682,902	942,000	138%
Footpaths	60,115,353	8	60	0.49%	Condition	1,073,927	66,000	6%
Bridges & Culverts	23,954,449	8	T50 / C80	1.12%	Condition	335,798	200,000	60%
Shared Paths	5,343,174	8	60	39.20%	Condition	131,813	0	0%
Drainage	127,855,074				Depreciation	1,515,178	98000	6%
Regulatory Signs	2,034,995	8	7		Condition	228,025	0	0%
Street Furniture	4,339,585	10	10	2.12%	Condition	204,806	0	0%
Works in Progress	20,783,664	NA	NA		NA	0	0	0%
Total	**1,372,955,418**					**22,044,546**	**24,806,000**	**113%**

Table 8: High level overview of asset information

The assets Council currently does not model have a value of around $554 million. While some of these assets will be modelled in the near future, such as buildings and trees, the asset categories Art works, Land, Land Under Roads, and Works in Progress stand out when considering our overall Asset portfolio value. These asset categories are either appreciating assets, or not depreciated, or they are not infrastructure assets impacting on public service delivery.

2016/17 Capital Renewal Budget

Council's Strategic Resource Plan has planned for total renewal commitments of $24.8 million from a $45.09 million budget in 2016/17 financial year. Against our current depreciation rate this represents a funding level of 113 per cent. The 2016/17 year is unusual with the Cosgrove renewal and new capital projects (Sports Precinct and SAM) increasing the capital budget beyond the 2015/16 SRP figure of $27 million to $45.08 million.

The large renewal investment in Land Improvements in 2016/17 is for the decommissioning of Cosgrove 2 and commissioning of Cosgrove 3 land fill sites. This will be a 30 plus year capital investment.

Conclusion

Depreciation, Maloney modelling and condition based demand are not yet satisfactorily aligned for strategic decision making. This work is being done with haste. At $24.08 million we are renewing what we know must be done, and ensuring we are gaining maximum value from our other assets by managing them appropriately to end of useful life.

We know we will have to continue focus on renewal spending into the future to ensure aging asset categories are addressed in a timely manner. By focusing on condition of these assets, and continuing to improve modelling, we can manage the ramp up of renewal without having to replace assets still in a serviceable state.

5. Capital Projects Planning and Delivery

Greater Shepparton is committed to providing an efficient, effective and sustainable approach to the planning and delivery of capital works on behalf of its citizens.

With Council's adoption of the Asset Investment Guidelines the Council Executive are better able to inform and assist staff and Councillors in assessing capital projects for budget purpose. Capital works proposals arising from Asset Management Plans, Council Plans, Community Plans, strategies, master plans and other sources are subject to a preliminary appraisal followed a business case analysis and more detailed appraisal against a set of objective criteria that include community and social benefit, environmental benefit, risk management, financial implications. This two-step appraisal process results in a prioritised list of capital projects for consideration in the immediate budget and 10 year capital plan. The Asset Investment Guidelines used by staff now provides an ongoing objective framework for the assessment of all capital projects.

Projects are also assessed against their readiness to proceed. It is critical that projects to be delivered in the near future are fully designed and estimated so that ratepayers can be confident that projects can be delivered on time and on budget.

A Project Management Office (PMO) within the Projects Department has been implemented and operating for the past 2 years. The PMO consists of a group of qualified project managers and engineers with experience in initiating, designing, planning, managing and delivering complex projects. The PMO has responsibility to deliver all complex projects and to support the delivery of all our projects through building the capability and capacity of project managers across the organisation. As part of this role, the PMO reviews projects at key gateways to ensure high quality project management practices are applied throughout the planning and delivery cycle and continually monitors and reports on project status.

For 2016/17, Council will again focus on asset renewals and completing projects that were initiated in previous years. Planning and design of projects to be delivered later in the term of this Council is another key focus.

Key Projects for the 2016/17 include:

- Welsford St upgrade – from Nixon to Knight St
- Verney Rd Stage 3 – Graham St to Balaclava Rd
- Shepparton Sports Precinct works

6. Development Contribution Plans

When land is developed for any use, it often causes the need for new or upgraded infrastructure. The developer either contributes to the cost of the infrastructure or performs works in kind to offset the contribution. Either way the Council is required to plan ahead to make sure that new infrastructure needed by the community is provided in a timely manner, and funds are available to provide for the infrastructure.

Development contributions are payments or in-kind works, facilities or services provided by developer towards the supply of infrastructure (generally by the Council) required to meet the future needs of a particular community, of which the development forms part.

Levies can be raised through Development Contribution Plans (DCPs) for a range of State and Local Government provided infrastructure including roads, public transport, storm water and urban run-off management systems, open space and community facilities.

In past years the Council has seen an increase in the work carried out in this area, directly attributable to positive growth in the community.

The Council endeavors to anticipate and budget for capital expenditure for the provision of such infrastructure when it is required or to facilitate a particular development, however the actual expenditure of the budget is more difficult to predict. This is largely due to a number of external factors which affect the Council's ability to expend funds, including whether or not a developer decides to proceed or the timing of the developers in engaging contractors, economic factors such as land sales, and design changes and subsequent statutory approvals which may be required.

Under the current legislative framework, any funds that have been received from developers for those infrastructure works, under a DCP or freely negotiated agreements, must be held in reserve for that actual infrastructure and cannot be reallocated for other non-related capital projects.

Additionally, even if the Council does not achieve its predicted expenditure, the works represent Council's commitment to infrastructure, and any unspent funds are routinely reserved by way of restricted investment (see section 9), for the infrastructure in readiness for when it is actually required to be delivered.

To ensure a greater understanding of future commitments relating to developments across the municipality, considerable work is undertaken to ensure that all future liabilities in this area are understood and built into the development ten year capital works program.

This includes regular feedback from consultants, council's planning officers and developers to keep up to date with the movements within the development industry. This allows changes to be made to the ten year plan ensuring it is as current as possible.

However in some respects this is at the hands of developers. The ten year plan assumes one stage of development per year for each estate in progress. This changes based on previously mentioned scenarios in the market. The stage of development and its timing then drives Council's expenditure due to having an effect on the resultant timing of infrastructure construction.

As well as using the projected income for modeling purposes, Council is also focusing on capturing expenditures in the further development of its ten year capital works program. As part of the annual budget setting process Council considers these projections and builds estimates into its annual budget, however as discussed in this chapter, Council is seeking to better reflect known works to smooth out the impact on the annual capital program.

7. Waste and Resource Recovery Strategy

The Victorian Government has developed new strategies for the Waste and Resource Recovery industry (Getting Full Value). The main thrust of their strategies is to reduce the amount of waste being deposited into landfill and to increase the amount of resource recovery for use in other reprocessing. Council has a Waste & Resource Recovery Strategy that is in line with the State strategy. The Council strategy also identifies an objective to make waste & resource recovery a user pays service. To this end Council has interrogated its costs and developed a costing model to ensure that charges are reflective of these costs.

Council's waste services are split into 3 main areas; Kerbside Collection, Resource Recovery Centres and Landfill Operation.

Kerbside Collection

Council recently (1 November 2015) commenced new contracts for the collection of kerbside waste, recyclables and organics. It also commenced contracts for the acceptance and processing of recyclables and the acceptance and processing of organics. As at 31 December 2015 the following number of services are being provided for each of the streams;

- Waste – 27,472
- Recyclables – 27,721
- Organics – 21,993

Up until recently the organics service has been an opt-in service but from 16 November 2015 the service became a compulsory service for all residential properties within the urban collection zones. The service also expanded to include food waste. The current contracts have an eight year life. Kerbside collection and processing costs for the 2016/17 financial year are anticipated to be $5,900,000.

Resource Recovery Centres (RRC)

Council operates 3 Resource recovery Centres at Shepparton, Ardmona and Murchison. The Shepparton RRC is open 7 days per week whilst Ardmona is 3 days and Murchison 2 half days. Resource recovery efforts are undertaken at all centres with many items being recovered for re-use or re-processing. The largest items by volume are concrete, bricks, organic material (green waste) and cardboard. Operation of the RRC's is expected to cost $968,000 in the 2016/17 financial year. Resource recovery and re-processing is subject to market forces; this is evidenced by changing market prices for items such as steel.

Landfill Operation

Council anticipates that the effective life of the Cosgrove 2 landfill is about 2.5 years. Environment Protection Authority has approved Council's Works Approval Application to further develop the landfill precinct at Cosgrove that will become Cosgrove 3. The forecast capital costs for the closure of Cosgrove 2 (excluding rehabilitation costs) are estimated at $7,600,000 million to be spent over the next 4 years. The development of Cosgrove 3 has commenced with costs incurred to date for preparatory work of the purchase of the land, the Works Approval Application, negotiation of agreements with parties for farming rights and extractive industry rights, and initial design of the landfill. These and future development costs will have a significant impact on the Council's capital budget for the next 4 years as shown in the table below.

Cosgrove 2 & 3 projected budget:

Year	Projected Budget	Description of works
2016/2017	$9,550,000 $1,140,000	Cosgrove 3 - Cell 1 construction and infrastructure construction Cosgrove 2 – Sideliner, capping & stormwater
2017/2018	$9,700,000 $1,817,000	Cosgrove 3 - Cell 2 construction & infrastructure construction Cosgrove 2 – Sideliner & cell 4 capping
2018/2019	$823,000 $2,082,000	Cosgrove 3 - Cell 3 design and carry over construction Cosgrove 2 – Sideliner, stormwater & cell 4 capping
2019/2020	$9,633,000 $1,567,000	Cosgrove 3 - Cell 3 construction Cosgrove 2 – Final capping & demobilisation

8. Debt Strategy

Introduction

It is argued Councils are likely to better service their communities by making greater use of debt[i] . As part of regular and prudent financial planning, Council should consider the use of borrowings as a legitimate and responsible financial management tool.

When should borrowings be used

Greater Shepparton City Council will not use borrowings to fund operating expenditure. This is not a sustainable practice and is not consistent with Council's objectives to generate an operating surplus each financial year.

The generation of an annual operating surplus should also be sufficient to fund the annual renewal of Council assets. Borrowings will therefore not be used for this type of expenditure.

Capital projects that have an asset life greater than one generation will be considered for borrowings. These are typically major facilities, such as the new Shepparton Art Museum, where the benefit of the investment will extend beyond the current ratepayers.

This is referred to as *intergenerational equity*, which allows the cost of the asset to be matched with the benefits from consumption of that asset. In other words, rather than today's users funding the whole asset the future users will also contribute towards the cost of an asset that they will enjoy and benefit from.

The contributions from future users can be more easily identified for assets that have a revenue stream. Where users are charged for the asset/service the user charge shall reflect the cost of providing the service including any loan repayments.

For example, the Cosgrove Landfill facility and the Greater Shepparton Regional Sports Precinct are two projects that have identified revenue streams (landfill gate fees, sports field hire fees) which can contribute to the borrowing costs of the asset.

Ultimately the aim for Council through the use of borrowings should be to:

- Obtain an alternative funding source that reduces the reliance on seeking rate cap variations; and
- Achieve better cash flow management, stretching out the timing of payments and matching income to expenses, while providing a level of predictability.

Determining how much to borrow

The Local Government Act 1989 allows for Councils to use borrowings subject to the principles of sound financial management[ii]. These principles include ensuring decisions are made and actions are taken having regard to their financial effects on future generations as well as managing the financial risks including the level of Council debt.

The principles, however, are not prescriptive and provide only a framework for Council to manage its finances. Therefore any decision to take on new debt will be done so with proper long term financial modelling, considering its impacts and ensuring that Council's future financial sustainability is not threatened.

To achieve this, Greater Shepparton City Council will utilise a number of financial indicators confirmed by the Victorian Auditor General as indicators that reflect short- and long-term sustainability.

In particular liquidity, having sufficient working capital to meet short-term commitments, and indebtedness, that Council is not overly reliant on debt to fund capital programs.

The Local Government (Planning and Reporting Regulations) 2014 No. 17 also prescribe the annual reporting of these indictors plus more in the context of obligations. Council will utilise these indicators as a guide, particularly in consideration of Council's performance against other like Councils, when considering and planning for the use of borrowings.

Loan structures

Consideration will be given to both variable or fixed, principal and interest or interest only and various terms with appropriate financial modelling undertaken to determine the best fit for Council.

Preference will be given towards fixed loans in order to achieve predictability for planning of future years. For the same reason borrowings with longer tenures will be preferred, aiming to match the life of the asset as much as possible. It is acknowledged that such predictability comes at a premium, however it can be argued the benefits for planning do outweigh the costs.

Council will consider options that allow early pay back should the financial position warrant as well as other loan structures, such as the Local Government Funding Vehicle, which provides greater flexibility for funding long term assets.

Current and proposed future borrowings as at 30 June 2016

The table below

Purpose	Start Date	Original Loan	Current Loan Balance
Victoria Park Lake	Jun-10	$3.99 million	$3.39 million
Capital Works 2010/11 – part 1	Jan-11	$5.00 million	$4.29 million
Capital Works 2010/11 – part 2	Jun-11	$4.00 million	$3.49 million
GV Link	Jun-12	$3.00 million	$2.69 million
Regional Sports Precinct	May-16	$4.44 million	$4.44 million
Sub-total Current Borrowings			**$18.30 million**
Regional Sports Precinct	June-17	$4.06 million	
New Shepparton Art Museum	June-17	$1.00 million	
New Shepparton Art Museum	June-19	$7.00 million	
New Shepparton Art Museum	June-20	$2.00 million	

Table 9: Current and proposed future borrowings as at 30 June 2016

Financial Performance

The Victorian Auditor General's Office (VAGO) report annually on five financial sustainability risk indicators used to assess the financial sustainability risks of local councils.

One of these indicators measures Indebtedness which is a comparison of non-current liabilities (mainly comprised of borrowings) to own-sourced revenue (mainly rates and user charges). The higher the percentage, the less able to cover non-current liabilities from the revenues Council generates itself.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
21.79%	33.12%	24.47%

Table 10: Indebtedness – non-current liabilities over own-source revenue
Source: www.knowyourcouncil.vic.gov.au

The above shows as at 30 June 2015 Council was well below similar councils and lower than the Victorian state average. VAGO prescribes that anything below 40% for Indebtedness is considered low risk (no concern over the ability to repay debt from own-source revenue). 60% and above is considered high risk.

The Local Performance Reporting Framework (LGPRF) provides two further performance indicators to assess Council's levels of debt.

The first indicator is total loans and borrowings compared to rates. While there is no performance range prescribed by legislation, the LGPRF does note an expected range for councils of between 0% and 70%.

The second indicator is total loans and borrowings repayments compared to rates. This measures the level of annual principal and interest repayments against council rate revenue. Once again there is no legislated target but the LGPRF notes an expected range of be 0% to 20%.

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
22.51%	35.38%	25.09%

Table 11: Loans and borrowings as a percentage of rates

GREATER SHEPPARTON (2014-2015)	SIMILAR COUNCILS (2014-2015)	ALL COUNCILS (2014-2015)
2.47%	7.47%	6.17%

Table 12: Loans and borrowings repayments as a percentage of rates
Source: www.knowyourcouncil.vic.gov.au

In 2014/15 Council was significantly below the levels of debt and repayments than those of similar councils and below the Victorian state average. To put this in perspective, this is equal to having an annual income of $100,000 with total loans of $22,500 and annual interest and principal repayments of $2,500.

Summary

Greater Shepparton City Council will consider borrowing for capital projects, particularly those with long useful lives, with identifiable current and future users who will benefit across the life of the asset and possess revenue streams that can contribute to the debt repayments.

[i] Australian Centre of Excellence for Local Government, 2014, *Debt is not a Dirty Word, The Role and Use of Debt in Local Government*, p5.
[ii] Local Government Act 1989 s144(1)

9. Restricted Investments

Council budgets for income and expenditure in the financial year where the expenditure will be incurred or the revenue received.

Council has traditionally operated with notional reserve funds that are allocated for specific purposes. Discretionary reserves are used only as an indicator of funds that are being held for specific purposes. In the interests of consistency of language, reserve funds are hereafter referred to as Restricted Investments.

Nature and Purpose of Restricted Investments

Restricted investments include unexpended grants, developer contributions for future capital works, deposits held and discretionary reserves maintained by Council.

Unexpended Grants

These are grants recognised as revenue that were obtained on condition that they are expended in a specified manner that had not been expended at balance date.

Developer Contributions

Development contribution receipts are payments or in-kind works, facilities or services provided by developers towards the supply of infrastructure (generally by the Council) required to meet the future needs of a particular community, of which the development forms part.

Under the current legislative framework, any funds that have been received from developers for infrastructure works, must be held in reserve or “restricted” for that actual infrastructure and cannot be reallocated for other non-related capital projects. Refer to Section 6 *Development* Contribution Plans.

Deposits held in Trust

It is a requirement of Council to separately identify trust funds or refundable deposits as restricted assets. While the Council is able to access these funds in its day to day treasury management, the financial statements must recognise that a component of its cash balances relates to deposits that may be refundable in the future. Trust funds and deposits held at 30 June 2015 were equal to $2.75 million.

Long service leave

Previously Councils were also required to maintain a long service leave investment account for the purpose of making payments for long service leave to which members of Council staff become entitled. Changes to the Local Government (Long Service Leave) Regulations 2012 in February 2012 removed the requirement to have a fully funded cash provision based on long service leave liabilities. Long service leave liabilities will continue to be accounted for as a liability on an accrual basis the same as annual leave liabilities and is not considered a restricted investment.

Statutory Reserves

Statutory reserves relate to contributions received which are subject to use on specific developments which comply with relevant regulations.

- Civil Works Development
- Parking cash in lieu
- Recreational Land Fund

Discretionary Restricted Investments

Discretionary restricted investments include carried forward Council funded capital projects that were not expended in the year that they were budgeted to be expended. These also include net income relating specific business areas of Council's operations such as:

- Urban Development Strategy (Parking)
- Saleyards Strategy
- Waste Management Strategy
- Defined Benefit Superannuation Future Fund

Restricted Investments Balances

Trust Deposits and Long Service Leave restricted investments are provided for as a current liability and therefore are already funded by maintaining a working capital ratio of at least 100%. However funds need to be set aside for the following types of restricted investments to ensure that the expenditure of these items does not impact upon the short term liquidity of the Council.

The following projections have been prepared based upon on what is known as at the current preliminary 2016/17 budget phase. A comparison between restricted investments and working capital highlights that all available working capital for Council should not be considered as discretionary.

Restricted Investments	Actual 30 June 2015 $000's	Forecast 30 June 2016 $000's	Projected 30 June 2017 $000's
Developer Contributions	1,498	1,326	1,282
Unexpended Grants	434	305	305
Statutory Reserves			
- Civil Works Development	476	466	481
- Parking cash in lieu	846	936	976
- Recreational land fund	526	626	0
Discretionary restricted investments			
- Re-budgeted capital projects	3,814	1,373	0
- Urban Development Strategy (Parking)	1,106	1,112	778
- Saleyards Strategy	1,524	1,421	2,081
- Waste Management Strategy	12,371	10,338	4,448
- Defined Benefit Superannuation	1,050	1,400	1,750
- Other Restricted Items*	1,849	1,252	765
Total	**25,494**	**20,555**	**12,866**

Table 13: Projected Restricted Investments

*Other Restricted Items include the Shepparton Show Me Promotion Scheme and Community Plan Implementation Works.

The table below reflects underlying net working capital excluding restricted investments.

Underlying net working capital	Actual 30 June 2015 $000's	Forecast 30 June 2016 $000's	Projected 30 June 2017 $000's
Net working capital	28,647	17,555	9,222
Less restricted investments	25,494	20,555	12,866
Underlying net working capital	**3,153**	**(3,000)**	**(3,644)**

Table 14: Projected underlying working capital

10. Service Planning

Council provides a range of services to the Greater Shepparton Council community as well as to other stakeholders. Service provision requires work to be done by one or more people for the benefit of others

A service is defined as a collection of tangible and intangible benefits that can be produced, consumed and enjoyed by others. Some services are external services that are aimed at both those in and outside the council boundaries while some services are internal services to benefit the organisation itself.

Integration, cooperation and aligning assets with service, finance, council and community expectations is essential to efficient management of assets. How service planning fits in the broader context of Council operations is illustrated in the diagram below:

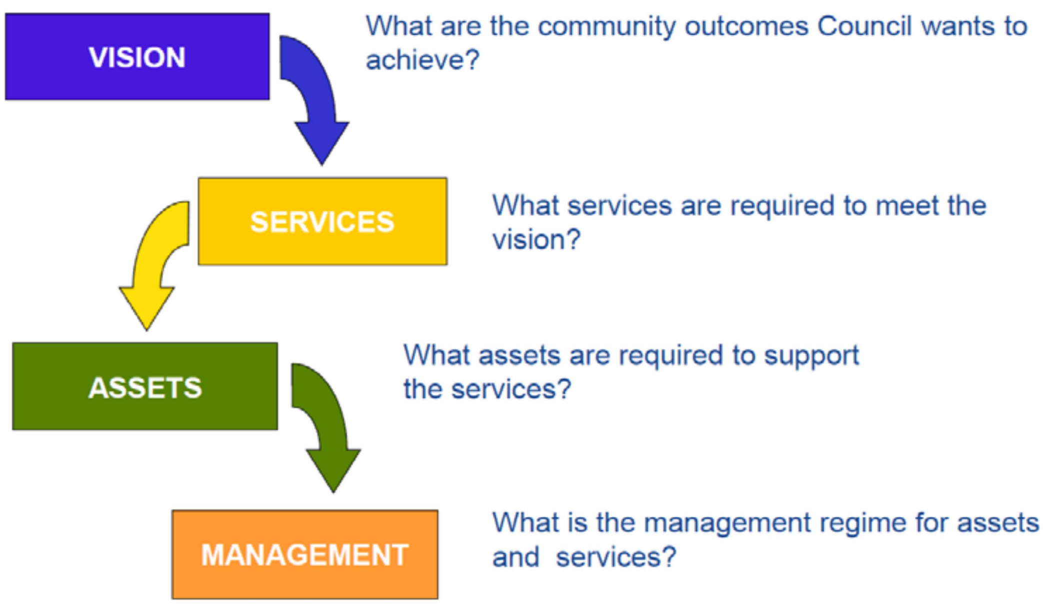

Chart 4: Overall Strategic Service Planning Framework

Service Plans are plans prepared which define programs and projects that need to be undertaken to deliver the service and include service levels (Community & Technical), service cost, service targets, who provides the service, KPI's and the reporting framework.

The completion of service plans will allow Council to focus on the provision of services to the community in the most efficient and appropriate manner.

Service Plans define programs and projects which need to be undertaken to deliver the service and include service levels (community and technical), service cost, service targets, which provides the service, key performance indicators and the reporting framework.

Each service plan must include the details of the manager(s) responsible for the delivery of the technical and community levels of service. Unless unusual circumstances apply, the responsibility for developing community levels of service should reside at least at departmental manager level.

Council, Organisational Services Framework

The range and level of services a Council should, or is capable of, or wants to provide is a difficult decision and should be made in consultation with the users of this service provided. This will ensure that the council in providing this service is meeting the expectations of the users of this service. In addition this same range and level of services Council provides the community should be reviewed regularly based on the outcome of community consultation undertaken.

However in some cases the community may not be prepared to pay for the service standard they require. However in consultation with the wider community the level of affordable service provision should be able to be determined

Once the service standard is determined the service provision is finalised through the annual budget process with the Strategic Resource Plan providing preliminary guidance based on the service delivery model adapted and improved from the previous year.

Service Planning Implementation

Decisions taken on the range and level of services that Council will provide as a result of the Council Plan and Strategic Resource Plan process will be incorporated into a service planning and monitoring program.

Greater Shepparton City Council has not previously undertaken an extensive service planning process with its community and it is proposed that an organisation wide service planning program will be undertaken.

11. Workforce Planning

Workforce Planning is the continuous process of shaping the workforce to ensure it is capable of delivering the organisation's objectives now and into the future. In practice, strategic Workforce Planning involves:

- Developing a profile of the current workforce
- Identifying workforce issues (current and future)
- Implementing policies and programs to address workforce issues
- Monitoring and evaluating the effectiveness of workforce planning measures.

GSCC's Workforce Strategy incorporates elements of the Region's workforce demographics, Council's integrated framework and key objectives for Council's workforce:

- Significant improvement in key areas of early intervention for employees, training & leadership, organisation development and performance management demonstrates strong return on investment within these areas
- Enterprise Agreement tightly developed and costed to support organisation wide initiatives, appropriate expenditure and employee development
- Policy documentation is strong with gaps predominately broader Workforce Strategy application and integrated planning within Departments
- Opportunity to develop a Mature Workers program with benefits across staff development, knowledge sharing and capture and mentoring.
- Early intervention Workers Program results are outstanding, with long term benefits to Council workers as well as significant reduction in Council's work cover premium.

What has been achieved so far?

The Greater Shepparton City Council (Council) is a Council that drives and supports investment for population growth, shared wealth and wellbeing. Council's Plan provides a focus on the 'people' who support its operations by the inclusion of strategy 5.3: "Compete a Workforce Development Plan which will enable GSCC to become an employer of choice." As a major employer within the North East Region of Victoria, and the provider of important services to the local Community, Council is critical to the ongoing service needs, economic development and prosperity of the Region.

The purpose of this Workforce Strategy and supporting Improvement Plan is to ensure that Council has the workforce capability that the organisation requires for a sustainable future, and the capacity to analyse key requirements, followed then by the recruit, development and skill its workforce to meet the changing needs of the Community. In developing this Workforce Strategy, Council will be guided by the following principles:

- Council's values and guiding principles which set expectations and drive behaviour.
- The identification of needs and strategies that are required by the local Community in accordance with priorities and resources.
- The development of alignments between other entities including other levels of Government, Local Councils, the Corporate and Not-for-Profit sections to
- support and assist workforce development and opportunity within Council.

- Specifically, the development of the Goulburn Valley Regional Collaborative Alliance relationships which have enhanced the skills of and develop Council's people as well as delivery more cost effective services to our community.
- The compliance with required legislative and regulatory obligations.
- Creating the opportunity to provide Council employees with skill development and support to better their own lives and make a difference in the Community.

The Workforce Strategy time horizon is over a 3 years, but will be supported by an annual 12 month rolling review. The Workforce Strategy includes:

- Workforce skills identification and mapping
- Staff selection, recruitment and retention
- Learning and development
- Leadership and succession planning
- Knowledge management and knowledge transfer
- Equity and diversity

The values and culture of Council's organisation will be reinforced by this Workforce Strategy, they are:

- Leadership
- Integrity
- Respect
- Innovation
- Team Work
- Stability

This Workforce Strategy is supported by the Improvement Plan which includes a comprehensive list of the Council's actions and priorities which shall drive continuous organisation improvement and performance across the whole organisation.

Future goals and Challenges

Arguably, workforce strategy, planning and resourcing has not been supported across the Local Government Sector with the same level of resourcing and planning within Councils to that which is currently applied to Council Plans, the Long Term Financial Plan, Strategic Resource Plan and Annual Budgets. If Councils are to deliver all that is required under their Council Plans, their people capability must match Council's servicing requirements.

Accordingly, the priority of Workforce Strategy planning and resourcing must be elevated. This Workforce Strategy forms part of Council response to addressing this issue. In a Victorian Local Government first, in 2015 eight Councils in the north east of the state are embarking on the Municipal Association of Victoria (MAV) STEP Workforce Strategy Program Pilot.

The Greater Shepparton City Council, along with the Strathbogie Shire Council, under the auspices of the Goulburn Valley Regional Collaborative Alliance, first led the way in 2014 with Stage 1 of the Pilot Program and with great success. During 2015, Council will embark upon Stage 2 of the STEP Workforce Strategy Program Pilot, and has committed to an annual review of Workforce operations through this Program, in addition to the regulatory auditing process.

Other Challenges include:

- While Management has improved in some areas, Managers continue to be at an 'operational' level of planning, without understanding or participating in strategic planning discussions and outcomes.
- Communication and resource sharing between Departments needs to improve into the future.

Next steps and Future

Workforce Strategy from Stage 2 to 3:

- Development and implementation of Workforce Strategy through a supported cross-functional Department working group approach
- Improve Workforce financial assessment and productivity processes
- Management to improve 'ownership' over Workforce strategy and development
- Program for Mature Workers, New Entrants to Council and Knowledge Transfer and Capture System to be prioritised in Stage 3
- Continued rigorous management of employee health and preventative actions
- Implement Manager/Supervisor training for Workforce planning elements to be better understood and regularly applied
- Introduce auditing process for priority actions
- Service Planning process to include key workforce elements
- Key performance indicator development and implementation for all employees linked to Council Plan

Workforce Strategy Program – beyond stage 3

1. Review the formation a Workforce Planning Cross Functional Team
2. Review revised Improvement Action Plan (IAP)
3. CEO to approve IAP
4. Cross-Functional Team – develop tactical plan for Improvement areas
5. Develop draft Workforce Strategy Plan to be adopted by the CEO and Executive Team
6. Newsletter for Staff communication
7. Update to Council – quarterly
8. Update to Executive Team – monthly
9. Update to Management Team – quarterly
10. Explore opportunities for collaboration through GVRCA and NERDS

Appendix A Glossary of Terms – Definitions

TERM	DEFINITION
Adjusted operating surplus/deficit	Operating surplus/deficit less revenue from capital (non-recurrent) grants, developer contributions (i.e. assets contributed), asset revaluations, sale of assets plus expenditure from asset revaluations, WDV of assets sold and unfunded superannuation expense.
Adjusted total operating expenses	Total operating expenses as per the "Statement of financial performance" – net of asset revaluations, unfunded superannuation expense and WDV of asset sold.
Adjusted total revenue	Total revenue from "Statement of financial performance" – net of asset sales, asset contributions in kind. Capital grant funding and revaluation adjustments.
Capital grants (non-recurrent)	Capital or non-recurrent grants as disclosed in notes.
Current assets	Total current assets from "Statement of financial position".
Current liabilities	Total current liabilities from "Statement of financial position"
Debt redemption	Debt principal's repayments.
Debt servicing costs (interest)	Total borrowing costs or interest expense as per the "Statement of financial performance" or as disclosed in note in some councils' statements.
Fees and charges revenue	Total fees and charges revenue as per the "Statement of financial performance" or as disclosed in note in some councils' statements (includes fines).
Grant income and reimbursements	Total grants revenue as per the "Statement of financial performance" or as disclosed in note in some councils' statements (includes Vic Roads sometimes shown as "reimbursements" by some councils).
Granted assets	Total value of assets received from developers (in kind) as per the "Statement of financial performance" or as disclosed in note in some councils' statements.
Interest earnings	Total interest received as per the "Statement of financial performance" or as disclosed in note in some councils' statements.
No. of rateable properties	Number of rateable properties in municipality.
Non-current liabilities	Total non-current liabilities from "Statement of financial position".
Proceeds from sale of non-current assets	Total proceeds from asset sales as per the "Statement of financial performance" or as disclosed in note in some councils' statements, (gross received not Written-down value).
Rate revenue	Total rate revenue as per the "Statement of financial performance" or as disclosed in note in some councils' statements.
Rates outstanding at end of year	Rate debtor amount as disclosed in "Receivables" note.
Total assets	Total assets from "Statement of financial position".
Total capital asset outlays	Payments for capital purchases per the "Cash flow statement".
Total cash inflows from operations, finance and Investment Act	Total inflows per the "Cash flow statement".

TERM	DEFINITION
Total cash outflows from operations, finance and Investment Act	Total outflows per the “Cash flow statement”.
Total depreciation	Total depreciation expense as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.
Total depreciation on infrastructure assets	Total depreciation on infrastructure assets as disclosed in “Depreciation expense”” note.
Total debt	Total interest bearing liabilities (current and non-current) from “Statement of financial position”.
Total indebtedness	Total liabilities (current and non-current) from “Statement of financial position”.
Total infrastructure assets	Total infrastructure assets from “Statement of financial position” or as disclosed in note (Written-down value). Infrastructure includes roads, bridges, drains, road structures, other structures, playground equipment, and other like categories. Heritage assets have been deemed to be building assets. Work in progress, where not separately split, has been included as infrastructure.
Total net realisable assets	Total assets less total infrastructure assets.
Total operating expenses	Total operating expenses as per the “Statement of financial performance”.
Total revenue	Total revenue from “Statement of financial performance”
Written-down value of assets sold	Written-down value of assets sold as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.

Appendix B Standard Financial Statements

The Local Government (Planning and Reporting) Regulations 2014 requires the financial statements included in the Strategic Resource Plan must:

a) Contains a statement of capital works for the financial years to which the financial statements relate; and
b) Be in the form set out it the Local Government Model Financial Report

These financial statements include:

- Income Statement
- Balance Sheet
- Changes in Equity
- Cash Flow
- Capital Works
- Human Resources

In addition to the standard statements, a long term model with key indicators is provided to show a number of the key indicators and how they measure against the Victorian Auditor General Financial Sustainability Ratios.

Budgeted Income Statement	Forecast Actual	Budget	Strategic Resource Plan Projections		
	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Income					
Rates and charges	68,360	70,957	72,868	74,833	76,852
Statutory fees and fines	581	3,148	3,211	3,275	3,341
User fees	20,895	20,436	21,458	22,531	23,658
Contributions - cash	1,944	1,324	1,324	1,324	1,324
Contributions - non-monetary assets	2,000	2,000	2,000	2,000	2,000
Grants - operating (recurrent)	14,924	22,838	23,066	23,297	23,530
Grants - operating (non-recurrent)	2,083	-	-	-	-
Grants - capital (recurrent)	5,176	-	-	-	-
Grants - capital (non-recurrent)	5,677	7,463	17,670	13,430	3,100
Net gain on disposal of property, infrastructure and equipment	(1,280)	114	117	121	125
Other income	1,663	2,031	1,793	1,804	1,815
Total Income	122,023	130,311	143,508	142,615	135,744
Expenses					
Employee benefits	(44,130)	(46,464)	(47,858)	(49,294)	(50,773)
Materials and services	(34,039)	(29,727)	(29,832)	(29,941)	(30,320)
Bad and doubtful debts	(143)	(144)	(177)	(197)	(197)
Depreciation and amortisation	(24,161)	(22,044)	(22,705)	(23,386)	(24,088)
Finance costs	(1,210)	(1,250)	(1,322)	(1,267)	(1,559)
Other expenses	(16,301)	(17,087)	(17,097)	(17,107)	(17,286)
Total Expenses	(119,984)	(116,716)	(118,991)	(121,192)	(124,224)
Surplus (deficit) for the year	2,039	13,595	24,518	21,422	11,520
Other comprehensive income					
Net asset revaluation increment /(decrement)	-	10,242	21,196	-	11,298
Other	-	-	-	-	-
Total comprehensive result	2,039	23,837	45,711	21,422	22,817

Budgeted Balance Sheet	Forecast Actual	Budget	Strategic Resource Plan Projections		
	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	7,209	7,373	6,259	7,864	10,280
Trade and other receivables	5,355	6,555	7,288	7,300	6,975
Financial assets	25,100	16,100	16,100	16,100	16,100
Other assets	1,132	1,132	1,132	1,132	1,132
Total current assets	38,796	31,160	30,779	32,396	34,487
Non-current assets					
Trade and other receivables	2,527	2,527	2,527	2,527	2,527
Property, infrastructure, plant and equipment	1,024,247	1,059,620	1,103,957	1,129,279	1,150,183
Total non-current assets	1,026,774	1,061,787	1,106,484	1,131,806	1,152,710
Total assets	1,065,570	1,092,947	1,137,263	1,164,202	1,187,197
Current liabilities					
Trade and other payables	11,428	11,105	11,226	11,363	11,542
Interest-bearing loans and borrowings	490	1,507	1,597	1,990	2,188
Provisions	9,324	9,324	9,324	9,324	9,324
Total current liabilities	21,242	21,937	22,146	22,677	23,055
Non-current liabilities					
Other payables	-	-	-	-	-
Interest-bearing loans and borrowings	17,840	20,685	19,089	24,074	23,880
Provisions	4,721	4,721	4,721	4,721	4,721
Total non-current liabilities	22,561	25,406	23,810	28,795	28,601
Total liabilities	43,803	47,343	45,956	51,473	51,655
Net assets	**1,021,767**	**1,045,604**	**1,091,307**	**1,112,729**	**1,135,541**
Equity					
Accumulated surplus	325,920	339,515	364,032	385,455	396,974
Asset revaluation reserve	695,847	706,089	727,275	727,275	738,567
Total equity	**1,021,767**	**1,045,604**	**1,091,307**	**1,112,729**	**1,135,541**

Budgeted Statement of Changes in Equity	Total	Accumulated Surplus	Revaluation Reserve
	$'000	$'000	$'000
2016/17			
Balance at beginning of the financial year	1,021,767	325,920	695,847
Comprehensive result	13,595	13,595	-
Net asset revaluation increment (decrement)	10,242	-	10,242
Impairment losses on revalued assets	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	**1,045,604**	**339,515**	**706,089**
2017/18			
Balance at beginning of the financial year	1,045,604	339,515	706,089
Comprehensive result	24,518	24,518	-
Net asset revaluation increment (decrement)	21,193	-	21,193
Impairment losses on revalued assets	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	**1,091,307**	**364,032**	**727,275**
2018/19			
Balance at beginning of the financial year	1,091,307	364,032	727,275
Comprehensive result	21,422	21,422	-
Net asset revaluation increment (decrement)	-	-	-
Impairment losses on revalued assets	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	**1,112,729**	**385,454**	**727,275**
2019/20			
Balance at beginning of the financial year	1,112,729	385,454	727,275
Comprehensive result	11,520	11,520	-
Net asset revaluation increment (decrement)	11,297	-	11,297
Impairment losses on revalued assets	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	**1,135,541**	**396,974**	**738,567**

Budgeted Cash Flow Statement	Forecast Actual	Budget	Strategic Resource Plan Projections		
	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
	Inflow (Outflow)	Inflow (Outflow)	Inflows (Outflow)	Inflow (Outflow)	Inflow (Outflow)
Cash flows from operating activities					
Receipts					
Rates and charges	68,360	70,213	72,399	74,721	76,926
Grants - operating	27,860	22,599	22,916	23,262	23,553
Grants - capital	1,944	7,385	17,556	13,410	3,103
Interest	1,074	1,038	1,053	1,068	1,082
User fees	20,895	20,220	21,320	22,498	23,680
Statutory fees and fines	581	3,115	3,190	3,270	3,344
Other revenue	588	2,282	2,045	2,055	2,060
	121,302	**126,853**	**140,481**	**140,284**	**133,748**
Payments					
Employee benefits	(44,130)	(46,625)	(47,798)	(49,224)	(50,681)
Materials and consumables	(50,199)	(26,815)	(26,688)	(26,684)	(26,940)
External contracts	-	(16,860)	(16,781)	(16,778)	(16,939)
Utilities	-	(3,015)	(3,106)	(3,214)	(3,325)
Other expenses	(284)	(286)	(295)	(305)	(315)
	(94,613)	**(93,601)**	**(94,667)**	**(96,204)**	**(98,201)**
Net cash provided by operating activities	**26,689**	**33,252**	**45,814**	**44,080**	**35,547**
Cash flows from investing activities					
Proceeds from Financial Assets	-	9,000	-	-	-
Proceeds from sales of property, plant and equipment	490	389	401	413	425
Payments for property, plant and equipment	(41,035)	(45,090)	(44,500)	(47,000)	(32,000)
Net cash used in investing activities	**(40,545)**	**(35,701)**	**(44,099)**	**(46,587)**	**(31,575)**
Cash flows from financing activities					
Finance costs	(1,210)	(1,250)	(1,322)	(1,267)	(1,559)
Proceeds from borrowings	4,436	5,064	-	7,000	2,000
Repayment of borrowings	(464)	(1,202)	(1,507)	(1,621)	(1,996)
Net cash provided by (used in) financing activities	2,762	2,612	(2,829)	4,112	(1,556)
Net increase (decrease) in cash and cash equivalents	**(11,094)**	**164**	**(1,114)**	**1,605**	**2,417**
Cash and cash equivalents at beg of year	18,303	7,209	7,373	6,259	7,864
Cash and cash equivalents at end of year	**7,209**	**7,373**	**6,259**	**7,864**	**10,280**

Budgeted Capital Works Statement	Forecast Actual	Budget	Strategic Resource Plan Projections		
	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Capital works areas					
Land	1,976	-	-	-	-
Land improvements	11,987	4,771	-	-	-
Buildings	4,337	2,685	-	-	-
Building improvements	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
Heritage buildings	-	-	-	-	-
Plant, machinery and equipment	2,169	2,661	-	-	-
Fixtures, fittings and furniture	1,113	153	-	-	-
Computers and telecommunications	731	851	-	-	-
Heritage plant and equipment	-	-	-	-	-
Library books	-	-	-	-	-
Roads	10,811	11,971	-	-	-
Bridges	60	200	-	-	-
Footpaths and cycle ways	261	363	-	-	-
Drainage	1,865	1,350	-	-	-
Rec, leisure and community facilities	3,674	2,341	-	-	-
Waste management	1,655	11,685	-	-	-
Parks, open spaces and streetscape	317	4,817	-	-	-
Aerodromes	75	-	-	-	-
Off street car parks	-	-	-	-	-
Other infrastructure	233	-	44,500	47,000	32,000
Cemetery	-	-	-	-	-
Kerb and Channel	-	1,242	-	-	-
Aquatics	-	-	-	-	-
Saleyards	-	-	-	-	-
Total capital works	**41,264**	**45,090**	**44,500**	**47,000**	**32,000**
Represented by:					
Asset renewal	21,392	24,806	23,363	24,675	15,448
New assets	15,422	16,212	14,463	15,275	12,138
Asset expansion	493	600	3,338	3,525	2,207
Asset upgrade	3,957	3,472	3,338	3,525	2,207
Total capital works	**41,264**	**45,090**	**44,500**	**47,000**	**32,000**

Budgeted Statement of Human Resources	Forecast Actual	Budget	Strategic Resource Plan Projections		
	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Staff expenditure					
Employee costs - Operating	(35,304)	(46,464)	(48,076)	(49,903)	(51,799)
Employee costs - Capital	(8,826)	(1,445)	(1,335)	(1,215)	(1,115)
Total staff expenditure	**(44,130)**	**(47,909)**	**(49,411)**	**(51,118)**	**(52,914)**
Staff numbers	FTE	FTE	FTE	FTE	FTE
Employees	487	572	575	578	581
Total staff numbers	**487**	**572**	**575**	**578**	**581**

Appendix C Victorian Auditor General Financial Sustainability Ratios

	1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25
	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Liquidity	142.0%	139.0%	142.9%	149.6%	157.9%	170.9%	174.7%	174.9%	180.5%	195.3%
Indebtedness	26.3%	23.9%	28.1%	27.0%	24.1%	21.6%	19.3%	16.9%	14.5%	12.6%
Self-financing	27.8%	37.4%	35.0%	27.5%	27.5%	27.7%	27.8%	27.9%	28.0%	28.2%
Investment Gap	204.5%	196.0%	201.0%	132.8%	124.9%	125.2%	133.0%	136.5%	132.5%	128.6%

Legend:

	Red	Yellow	Green
Liquidity	<=1.0	1.0%-1.5%	>1.5
Indebtedness	>60%	40-60%	>40%
Self-financing	>10%	10%-20%	>20%
Investment Gap	<=1.0	1.0-1.5	>1.5

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