

Financial Plan

2022/23 to 2031/32



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This document is available in alternative formats (e.g. larger font) if requested.



Acknowledgement of Country

Loddon Shire Council acknowledges the Traditional Custodians of the land comprising the Loddon Shire Council area. Council would like to pay respect to their Elders both past and present.

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Executive Summary

This 10-year Financial Plan has been developed to guide Council in long-term decision making and to support achievement towards the Community Vision and Council Plan.

Over the next 10 years Council's Comprehensive Income Statement is predicting that rates will increase by the estimated rate cap amount set annually by the State Government. This provides rate income of between \$12.25 million to \$16.31 million each year. It is expected that Council's recurring grants will continue to provide a similar amount of income to rates. Total operating income is therefore projected at between \$21.64 million to \$37.09 million each year.

Operating expenses are expected to increase at a higher rate than income. Employee costs, and materials and consumables are expected to increase by more than the consumer price index and the rate cap increase due to market forces. These increases, together with depreciation and other operating expenses, result in annual operating expenses between \$36.99 million to \$43.90 million each year.

The result is an operating deficit of around \$7.0 million annually. The cumulative impact of these annual deficits is \$79.7M over the 10-year period. This does however include the adjustment in 2021/22 and 2022/23 as a result of the 75% upfront grant commission payment. This means that 'business-as-usual' will result in Council needing to either increase revenue or reduce expenses to ensure its financial sustainability.

Council's Balance Sheet shows declining cash levels from \$24.27 million down to a shortfall of \$16.58 million over the 10 years. This is not sustainable, however where income indexation is expected to be lower than expenditure, services will need to be reviewed. Actions to improve the results are underway and improvements in future reports are expected. There are no new borrowings over the life of the plan, and there are no existing borrowings.

The Capital Works Statement shows renewal and upgrade of assets at over \$7.0 million per annum. However this will result in a general decline of the condition of some assets.

Council recognises that a consistent shortfall in income, declining cash reserves and declining asset condition is not a formula to help deliver on the Community Vision 2031 and the Council Plan 2021-2025. For this reason, in the previous Financial Plan Council set strategic actions to address the challenges identified and these are outlined in Section 6.2. These actions also include progress notes.

In accordance with Council's Community Engagement Policy and the deliberative engagement principles in the Local Government Act 2020, Council will engage to seek feedback on this and all future Financial Plans, noting that increases in revenue and/or reduction in expenses are key to ensure Council's financial sustainability in the long term.

1 Purpose

The purpose of this document is to set out the 10-year financial resources necessary to implement the initiatives and priorities of the Council Plan to achieve the aspirations of the Community Vision.

2 Strategic context

The community has documented its vision towards 2031 which is: Creating a community where everyone is welcome and all have the opportunity to live, work and thrive.

The community identified four strategic themes that will support the Community Vision:

1. A sustainable built and natural environment
2. A growing and vibrant community
3. A diverse and expanding economy
4. A supported and accessible community.

Council has developed the Council Plan 2021-2025 which outlines its commitment to the community in working towards the Community Vision, and has identified the strategic objectives that fit within the Community Vision's strategic themes. Under each strategic objective are actions that Council intends to implement. This Financial Plan is the resource document that ensures Council has the human and financial resources to achieve the actions.



3 Budget implications

This document forms the basis for the development of Council's Annual Budget.

4 Risk analysis

Developing this Financial Plan ensures compliance with the Local Government Act 2020. More importantly it provides Council with a long term view of its financial position based on a set of assumptions which are set out in the document. From this view Council can make more informed decisions about financial resource allocation over the long term.

Council acknowledges the risks associated with this Financial Plan, particularly as rates income is a significant proportion of Council's annual income. Therefore, a risk analysis has been undertaken regarding the risks associated with Council not being able to deliver on the Community Vision. This analysis is focused on the rate capping environment.

Risk Statement: Rate Capping Impacts on Financial Sustainability

The requirement by Council to limit annual rates increases under the *Fair Go Rates System* parameters may result in Council becoming financial unsustainability over time.

Inherent Risk		
Likelihood	Consequence	Risk Assessment
D: Unlikely: May occur but is not anticipated	5: Catastrophic: Financial impact: >\$1M	19: High
Residual Risk		
Likelihood	Consequence	Risk Assessment
E: Rare: Would only occur in exceptional circumstances	5: Catastrophic: Financial impact: >\$1M	15: Medium

Risk Assessment Criteria sourced from Council's Risk Management Policy.

This Financial Plan also includes sustainability ratios which are used to assess financial sustainability risk. Other risks are identified below:

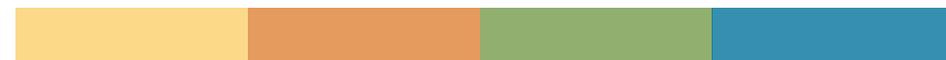
Potential cause:

- changes in government financial policy (State or Federal grants)
- ability to react when faced with a disaster
- inability to sufficiently fund the renewal of the asset base or reduce the asset base
- inability to cap operational capability / reduce costs within funding envelope
- interest rate movement; labour costs are not controlled; further rate capping
- unknown expectations from the community
- lacking financial and/or resource management, limited project management, poor compliance.

Controls to assist:

- 10 year financial plan and 4 year Revenue & Rating Plan which focuses on maintaining good working capital; appropriate reserves and surplus positions
- procurement and delegations framework
- advocacy and long term relationships across government and region
- service delivery review commenced
- strong focus on asset management and funding of renewals
- finance systems in place; qualified staff across the organisation
- robust training and inductions for staff and Councillors.

Council has outlined strategic actions to assist in improving the financial sustainability in Section 6.2. A risk assessment of these actions is outlined in Section 10 – Benefit Assessment.



5 Legislative requirements

This section describes how the Financial Plan links to the Community Vision and the Council Plan within the Integrated Strategic Planning & Reporting framework. This framework guides the Council in identifying community initiatives and priorities over the long term (Community Vision), medium term (Council Plan) and short term (Annual Budget) and then holding itself accountable (Annual Report).

Each of the framework key documents are explained below:

Community Vision

A community vision reflects the consensus view of the future the community wants and needs, and the high level actions required to achieve desired outcomes.

Financial Plan

A Financial Plan is used by Council, community and the organisation to ensure the long term viability and sustainability of Council. It supports the achievement of the Community Vision and establishes investment and spending thresholds.

Asset Plan

The Asset Plan ensures effective management and stewardship of community assets.

Council Plan

Council Plan outlines the agenda for a new Council and supports the Community Vision through strategic objectives and strategies.

Revenue and Rating Plan

Revenue and Rating Plan outlines a medium-term view of how Council will raise revenue to support activities and achievement of Council Plan strategies and objectives.

Annual Budget

Council will develop and adopt a budget each year that describes in more detail the way in which revenue will be raised and expenditure directed. The budget must include 3-year financial projections as well as description of services, major initiatives and performance measures.

Workforce Plan

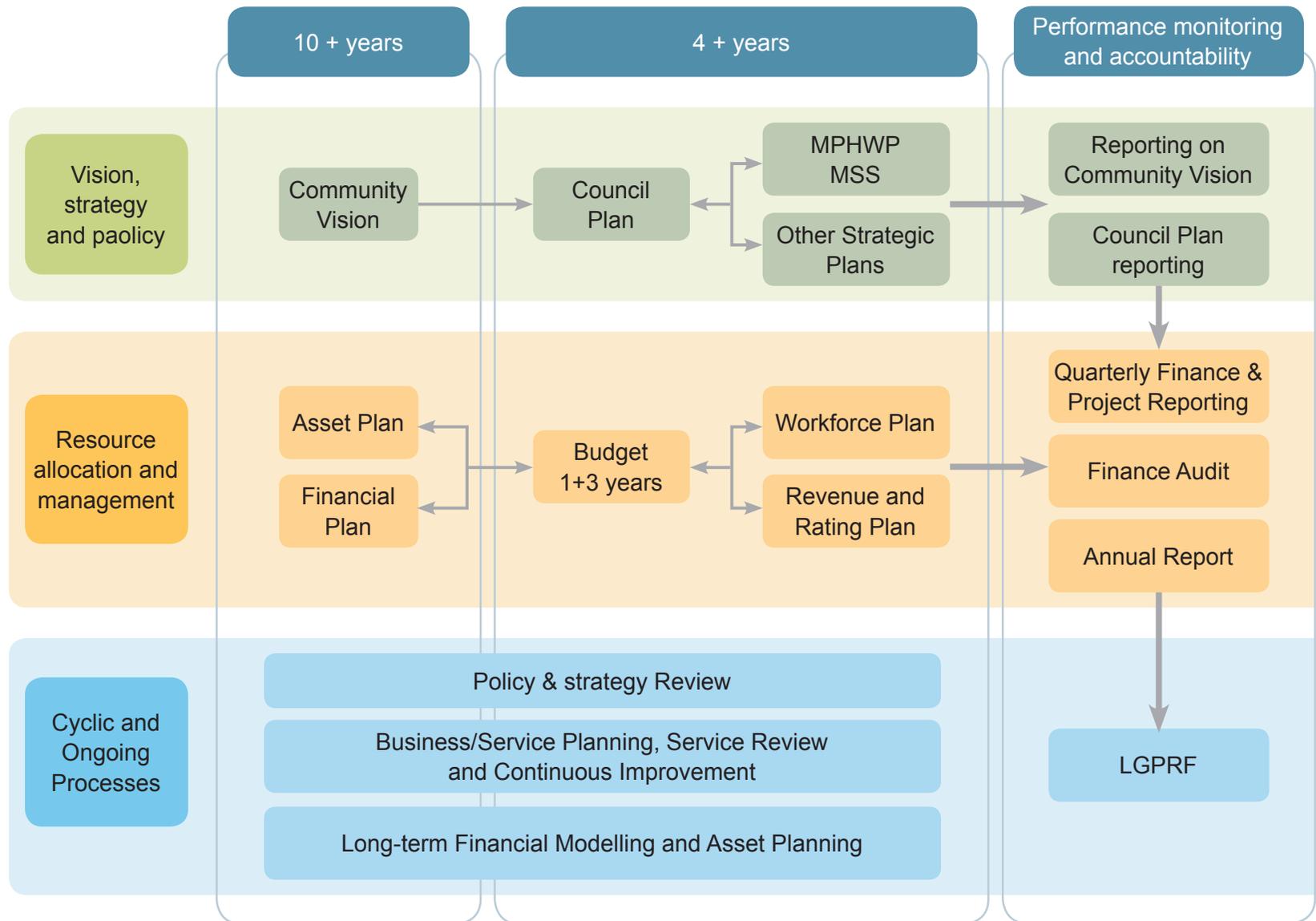
The Chief Executive Officer must prepare and maintain a 4-year Workforce Plan.

Annual Report and Local Government Performance Reporting Framework

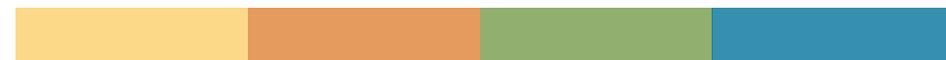
Council is accountable for its performance through the Annual Report, Local Government Performance Reporting Framework and mandatory quarterly financial reports that are presented to Council.

Many Councils develop and maintain additional mechanisms to ensure public accountability, these include: quarterly reporting on achievement of capital works and Council Plan initiatives, routine reporting on project, program and policy initiatives.

These documents, the purpose of each and how they fit within the integrated strategic and reporting framework for Council are shown on the following page.



Demonstration how each element might inform or be informed by other parts of the integrated framework.



5.1 Strategic planning principles

The Financial Plan provides a 10-year projection regarding how the actions of the Council Plan may be funded to achieve the Community Vision. The Financial Plan is developed in the context of the following strategic planning principles:

- a) Council has an integrated approach to planning, monitoring and performance reporting.
- b) Council's Financial Plan addresses the Community Vision by funding the initiatives and priorities of the Council Plan. The Council Plan initiatives and priorities are formulated in the context of the Community Vision.
- c) The Financial Plan statements articulate the 10-year financial resources necessary to implement the initiatives and priorities of the Council Plan to achieve the Community Vision.
- d) Council's strategic planning principles identify and address the risks to effective implementation of the Financial Plan. The financial risks are included at Section 5.2.2 below.
- e) The Financial Plan provides for the strategic planning principles of progress monitoring of progress and reviews to identify and adapt to changing circumstances.

5.2 Financial management principles

The Financial Plan demonstrates the following financial management principles:

1. Revenue, expenses, assets, liabilities, investments and financial transactions are managed in accordance with Council's financial policies and strategic plans.

2. Management of the following financial risks:
 - a) the financial viability of the Council (refer to Section 6.1 Financial Policy Statements)
 - b) the management of current and future liabilities of the Council. The estimated 10-year liabilities are disclosed in Section 7.2 Balance Sheet projections
 - c) the beneficial enterprises of Council (not applicable to Council).
3. Financial policies and strategic plans are designed to provide financial stability and predictability to the community.
4. Council maintains accounts and records that explain its financial operations and financial position (refer Section 7 Financial Statements).

5.3 Engagement principles

Council has adopted a Community Engagement Policy. This document requires deliberative engagement with the community.

Council has implemented the following consultation process to ensure due consideration and feedback is received from relevant stakeholders:

- a) draft Financial Plan prepared by management and discussed with Councillors
- b) community engagement is conducted by placing it out for community feedback using local news outlets and social media
- c) hearing of public submissions to the Financial Plan at the June Forum
- d) draft Financial Plan, including any revisions, presented to June Council meeting for adoption.

5.4 Service performance principles

Council services are designed to be targeted to community needs and value for money. The service performance principles are listed below:

- a) services should be provided in an equitable manner and be responsive to the diverse needs of the municipal community;
- b) services should be accessible to the members of the municipal community for whom the services are intended;
- c) quality and costs standards for services set by the Council should provide good value to the municipal community;
- d) Council will seek to continuously improve service delivery to the municipal community in response to performance monitoring;
- e) service delivery must include a fair and effective process for considering and responding to complaints about service provision.

5.5 Asset plan integration

The purpose of the Asset Plan is to ensure the operational and strategic practices which will ensure that Council manages assets across their life cycle in a financially sustainable manner. The Asset Plan, and associated asset management policies, provide council with a sound base to understand the risk associated with managing its assets for the community's benefit.

The Asset Plan is designed to inform the 10-year Financial Plan by identifying the amount of capital renewal, backlog and maintenance funding that is required over the life of each asset category. The level of funding will incorporate knowledge of asset condition, the risk assessment findings as well as the impact of reviewing and setting intervention and service levels for each asset class.

In addition to identifying the operational and strategic practices that ensure that Council manages assets across their life cycle in a financially sustainable manner, the Asset Plan quantifies the asset portfolio and the financial implications of those practices. Together the Financial Plan and Asset Plan seek to balance projected investment requirements against projected budgets.

Council developed a Draft Asset Plan which is expected to be adopted, in line with the required legislation requirement by 30 June 2022.

6 Financial plan context

This section describes the context and external / internal environment and consideration in determining the 10-year financial projections and assumptions.

6.1 Financial sustainability factors

This section defines any policy statements, and associated measures, that assists in demonstrating Council's financial sustainability.

There are targets set for each indicator to assist in measuring the points where Council will be financially sustainability. The projections included in this table reflect the current Financial Plan, it is proposed that these will move closer to target as the improvement actions are undertaken.

Policy statement	Measure	Target	Projected Actual	Projections									
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2030/31
Employee costs with limited increases *	Employee costs current year / employee cost prior year	<3.0%	-0.2%	3.5%	-0.3%	2.0%	1.9%	2.2%	2.2%	2.2%	2.3%	2.2%	2.3%
Reduce the asset renewal gap	Asset replacement and upgrade / depreciation	90 - 100%	134.1%	50.8%	51.6%	51.5%	54.0%	55.6%	55.4%	55.1%	54.8%	54.5%	53.5%
Consistent surplus results (\$ or greater)	Total comprehensive result	> \$0	\$2,584	-\$15,345	-\$7,138	-\$7,156	-\$7,137	-\$7,459	-\$7,095	-\$7,168	-\$7,099	-\$7,305	-\$6,810
No borrowings	Loans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
All provisions for employees will be cash backed	Cash on hand less total of employee provisions	> \$0	\$ 20,840	\$ 8,970	\$ 5,032	\$ 1,453	-\$ 1,649	-\$ 5,958	-\$ 9,064	-\$ 12,551	-\$ 15,838	-\$ 18,836	-\$ 21,736
All reserves will be cash backed	Remaining cash on hand less financial reserves balance	> \$0	\$3,790	\$140	-\$3,581	-\$7,300	-\$10,908	-\$14,460	-\$17,945	-\$21,361	-\$24,583	-\$27,471	-\$30,057

* An internal control has been put in place to ensure that employee costs do not increase outside the Enterprise Agreement set over the 4-year period. This ensures that employee costs can be monitored and maintained to a consistent level. The increase in 2022/23 relates to a limited 12 month record archiving program.

6.2 Strategic actions

Council has identified the following strategic actions that will support the financial sustainability of the Council and support the initiatives and priorities of the Community Vision and Council Plan.

The strategic actions include:

Action	Impact on the Financial Plan	Progress
1 Review depreciation rates within each of the asset plans to ensure they are reflective of the useful lives of each asset class.	<p>Adjustment: Depreciation expense and asset values.</p> <p>Impacts: Operating expenditure in the Comprehensive Income Statement. Also impacts the balance of the infrastructure assets group within the Balance Sheet.</p> <p>Desired outcome: Reduction in annual deficits.</p>	<p>Not yet commenced</p> <p>To be reviewed once the asset plans have been finalised for each asset class.</p>
2 Review Asset Management Plans to understand required maintenance and renewal levels to maintain the service levels of each asset class.	<p>Adjustment: Maintenance costs and the required level of renewal/upgrade of the asset.</p> <p>Impacts: Operating expenditure in the Comprehensive Income Statement. Also impacts renewal/upgrade infrastructure costs within the Capital Expenditure Statement.</p> <p>Desired outcome: Reduction in the operating maintenance expenditure and renewal/upgrade expenditure.</p>	<p>Progressing</p> <p>Underway with most asset management plans now adopted.</p>
3 Review and report to Council on the current operating environment to assess whether the current contingency amounts allocated for projects is appropriate.	<p>Adjustment: Infrastructure capital project allocations.</p> <p>Impacts: Capital project expenditure with the Capital Works Statement.</p> <p>Desired outcome: Reduction in the capital works, higher delivery rates of capital works.</p>	<p>Not yet commenced</p>
4 Review Financial Reserves Policy to ensure cash is not constrained unnecessarily.	<p>Adjustment: Movement in reserve levels and available reserves.</p> <p>Impact: Balance Sheet and available operating expenditure.</p> <p>Desired outcome: Increase in cash and cash equivalents in Balance Sheet and offsetting a reduction in Other Reserves.</p>	<p>Progressing</p> <p>Review underway with purposes updated in some reserves and others closed to lower 'lazy' cash balances.</p>
5 Revise Project Management Framework to ensure projects are phased and costed appropriately.	<p>Adjustment: Infrastructure capital project allocations.</p> <p>Impact: Capital expenditure within the Capital Works Statement.</p> <p>Desired outcome: Improved forward financial planning for major projects within the Capital Works Statement</p>	<p>Not yet commenced</p>

Action	Impact on the Financial Plan	Progress
6 Revise Strategic Documents Framework to ensure strategies are appropriately costed and indexed, and costs are embedded into this Financial Plan.	<p>Adjustment: Future plans and strategies to further highlight the true cost to deliver actions outlined.</p> <p>Impact: Operating expenditure and capital expenditure where those relevant plans sit.</p> <p>Desired outcome: Improved forward financial planning for major projects within the Capital Works Statement and operating expenditure within the Comprehensive Income Statement.</p>	Not yet commenced
7 Continue development of 'pipeline of projects' to ensure 'shovel ready' projects when funding becomes available.	<p>Adjustment: Allocation of project expenditure and income to reflect more accurate timing.</p> <p>Impact: Operating expenditure, operating income and capital expenditure.</p> <p>Desired outcome: Improved forward financial planning for major projects within the Capital Works Statement and operating expenditure within the Comprehensive Income Statement.</p>	<p>Progressing</p> <p>Initial discussions have been held and resources allocated to assist with this process.</p>
8 Investigate and report to Council on alternate purchasing options for plant (e.g. leasing of plant to spread the cost over the life of the asset).	<p>Adjustment: Offset capital cost against lease operating cost.</p> <p>Impact: Increase to operating expenditure and capital expenditure.</p> <p>Desired outcome: Reduction in capital costs and held assets within the Capital Works Statement and Balance Sheet along with reduction in some of the related reserves.</p>	<p>Complete</p> <p>Report presented to Council in February 2022. With the current capital program, purchase is still the preferred option.</p>
9 Conduct process reviews on internal services to ensure they are efficient and cost-effective, and support external services provided to the community.	<p>Adjustment: Reflect cost-effective service delivery costs.</p> <p>Impact: Operating expenditure and operating income.</p> <p>Desired outcome: More streamlined processes which will lead to a reduction in operating expenditure with the Comprehensive Income Statement.</p>	<p>Progressing</p> <p>Preliminary list of service reviews completed, with a program based on importance to be developed.</p>
10 Complete the Transitioning Towns Policy to establish minimum service levels for each town.	<p>Adjustment: Reflect cost-effective service delivery costs.</p> <p>Impact: Operating expenditure and operating income.</p> <p>Desired outcome: Understanding the required service level which should lead to a reduction in operating expenditure with the Comprehensive Income Statement.</p>	Not yet commenced

Action	Impact on the Financial Plan	Progress
11 Undertake service reviews in consultation with the community to determine the best mix and level of service provided by Council for services provided to the community.	<p>Adjustment: Reflect cost-effective service delivery costs. Impact: Operating expenditure and operating income.</p> <p>Desired outcome: Understanding the required service level which may lead to a reduction in operating expenditure with the Comprehensive Income Statement.</p>	<p>Progressing</p> <p>Preliminary list of service reviews completed, with a program based on importance to be developed.</p>
12 Report to Council on the potential to borrow funds (including relevant risk assessment) for strategic and/or intergenerational projects.	<p>Adjustment: Offset the cost of delivering projects using immediate Council funds to a long term borrowing option. Impact: Capital expenditure and balance sheet.</p> <p>Desired outcome: Should borrowings be used as a funding mechanism, desired outcome is a positive impact on the Financial Plan and the introduction of intergenerational equity.</p>	<p>Progressing</p> <p>Initial discussions held to inform Council of the options available for borrowing and a Borrowing Policy has been developed and adopted.</p>
13 Investigate and report to Council the cost vs benefits of applying for a rate cap variation to the Essential Services Commission after above initiatives have been explored.	<p>Adjustment: Increased rate revenue for Council. Impact: Operating income.</p> <p>Desired outcome: Increase to ongoing rate revenue within the Comprehensive Income Statement.</p>	<p>Not yet commenced</p>
14 Explore shared services options available to Council.	<p>Adjustment: Potential to decrease costs or improve services. Impact: Operating expenditure.</p> <p>Desired outcome: Reduction in operating expenditure within the Comprehensive Income Statement.</p>	<p>Completed</p> <p>Council is a member of the Regional Procurement Network and is informed of any shared services opportunities as they arise.</p>

A Benefits Assessment of the 14 strategic actions has been included in Section 10 of this report. This shows the extent of value each will add, and the significance of their impact on the financial results.

6.3 Assumptions to the Financial Plan statements

6.3.1 Comprehensive Income Statement

This section presents information regarding the assumptions to the Comprehensive Income Statement (Section 7.1) for the 10 years from 2022/23 to 2031/32.

6.3.2 Assumptions

The assumptions comprise the annual escalations / movement for each line item of the Comprehensive Income Statement. The indicators shown are a percentage escalation movement.

Year ending	Ref.	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Consumer Price Index (CPI)	6.3.3	1.50%	1.50%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Rates and charges escalation	6.3.4	1.75%	1.95%	2.15%	2.35%	2.55%	2.75%	2.95%	3.15%	3.35%	3.55%
Rates and charges growth	6.3.5	0.00%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Statutory fees and fines	6.3.6	1.75%	1.95%	2.15%	2.35%	2.55%	2.75%	2.95%	3.15%	3.35%	3.55%
User fees	6.3.7	1.75%	1.95%	2.15%	2.35%	2.55%	2.75%	2.95%	3.15%	3.35%	3.55%
Waste charges	6.3.8	10.0%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
VLGGC grants *	6.3.9	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Grants – other	6.3.10	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grants – other non-recurrent	6.3.11	Nil									
Regional Roads Victoria income	6.3.12	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Interest rate income	6.3.13	0.00%	0.50%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Employee costs	6.3.14	2.00%	2.00%	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Materials and services	6.3.15	1.50%	1.50%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Depreciation	6.3.16	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Borrowing costs	6.3.17	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other expenses	6.3.18	1.50%	1.50%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%

* * VLGGC grants are those provided by the Victorian Local Government Grants Commission.

6.3.3 Consumer Price Index (CPI)

In February 2021, the Reserve Bank of Australia (RBA) provided a forecast which stated that CPI would fluctuate over the December 2020 quarter to the June 2023 quarter. From a low of 0.70 in the December 2020 quarter to a high of 3.00 in the June 2021 quarter to a constant of 1.50 for three quarters between December 2021 quarter to December 2022 quarter before moving to 1.75 in the June 2023 quarter.

The CPI forecast reported by the RBA is located below:

Period	Dec 2020	Jun 2021	Dec 2021	Jun 2022	Dec 2022	June 2023
CPI	0.90	3.00	1.50	1.50	1.50	1.75

An increase of 1.5 has been assumed for the first two years of the Financial Plan, and 1.75 has been assumed for the remaining years of the Financial Plan.

6.3.4 Rates and charges increase

The plan assumes base rate revenue will increase by 1.75% for the 2022/23 year, based on the state government rate cap, with estimated future annual increases of 0.2% per annum for the ensuing years of the Financial Plan.

6.3.5 Population growth

Council adopted an Economic Development and Tourism Strategy in November 2019. One of the strategic objectives is to balance population growth with local job growth. This Strategy notes that the southern sectors of the Shire are poised for growth. Council has set a target to assist in generating five new full-time equivalent community jobs across the Shire per annum between 2019 and 2024. If this is achieved, the population of the Shire could be expected to increase to 8066 people; an average annual increase of 0.7%. In this Financial Plan, Council has taken a conservative view, setting growth at 0.4%.

6.3.6 Statutory fees and fines

The Financial Plan indexes statutory fees, set by legislation, at the same amount as the estimated future annual increase in rates and charges, 0.2%. This is a conservative estimate as many fees are outside the control of Council. Based on recent history, statutory fees and fines may increase at the rate of CPI or remain fixed for several years.

6.3.7 User fees

The plan outlines that revenue from user fees is expected to increase by 0.2% annually. Details of user fees for the 2022/23 budget year can be found in Council's Fees and Charges Schedule that is adopted in conjunction with the budget. This increase is in line with the estimated future annual increase in rates and charges.

6.3.8 Waste charges

Waste charges are proposed to increase by 10.0% compared to 2021/22 levels in order to recover the total cost of waste management incurred across the Shire. Future years' waste charges are estimated to increase at the same rate but will be assessed annually to ensure Council continues to recover the full costs of providing waste services.

6.3.9 VLGGC grants

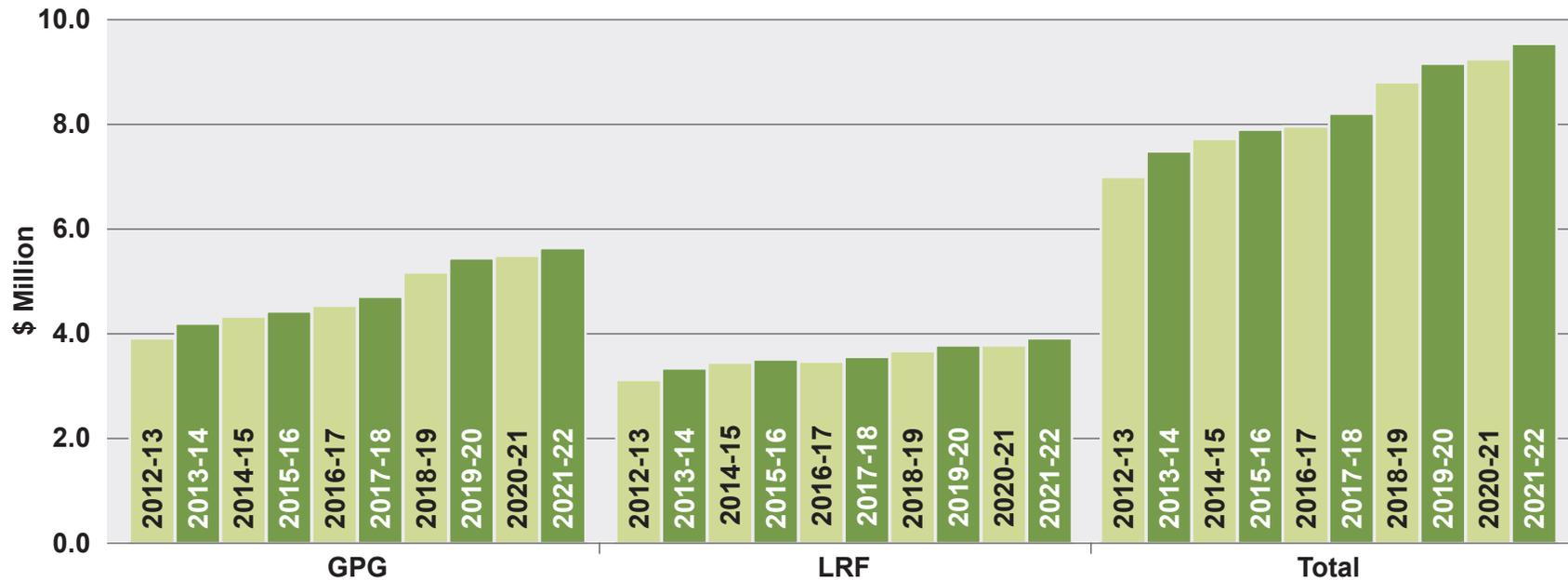
Council currently receives grants via the Victorian Local Government Grants Commission (VLGGC).

There are two types of grants – General Purpose Grant (GPG) which is used to fund the operational activities and services of Council, and Local Roads Grant (LRG) which is used to fund road and infrastructure maintenance. The VLGGC used financial modelling and populates using actual results of Loddon to calculate these components. Council has assumed that these grants will increase on an annual basis by approximately 3.0%. This is based on an average of 3.71% over the past ten years. This is shown in detail below in both value and growth:

Grants	Income received	% increase
2012	\$6,647,483	
2013	\$6,967,306	4.81%
2014	\$7,572,361	8.68%
2015	\$7,716,052	1.90%
2016	\$7,897,916	2.36%
2017	\$8,053,207	1.97%
2018	\$8,200,019	1.82%
2019	\$8,755,836	6.78%
2020	\$9,148,273	4.48%
2021	\$9,240,613	1.01%
2022	\$9,542,597	3.27%
10-year average		3.71%

Breakdown of VLGGC Council has received over the last 10-year period.

Ten-Year Trend: Loddon Shire Council



How the grants are split between the General Purpose Grant (GPG) and the Local Roads Funding (LRF) component.

6.3.10 Grants – other

Council has assumed an escalation percentage of 2.0% for other grants. This is a figure slightly higher than forecast CPI and includes service income such as early years and home and community service delivery.

6.3.11 Grants – non-recurrent

Non-recurrent grants are once-off grants that Council receives to assist in the delivery of a specific operating or capital project. Where non-recurrent funds are sought to deliver a project this has been included within the Financial Plan. It is expected that if this funding is not approved, the project will not commence or other sources of funding will be required.

6.3.12 Regional Roads Victoria income

Council currently provides a contracted maintenance and rectification service to Regional Roads Victoria (previously known as VicRoads) under contract. This contract is renewed every five years, with renewal not guaranteed but has been included in the plan for consistency purposes.

6.3.13 Interest rate income

Since March 2022, interest rates have been on steady increase, this is outside what the economists at the Commonwealth Bank of Australia have forecasted previously. This is however expected to peak then flatten out, therefore this projection has been used in Council's assumptions for this plan.

6.3.14 Employee costs

The 2022/23 year includes a 2.0% increase for employee costs that mainly reflects the salary increase for all staff pursuant to the Enterprise Agreement. Council is currently in negotiations for its next Enterprise Agreement and has based indexation of employee costs on Enterprise Agreements finalised by similar Councils.

6.3.15 Materials and services

Material costs include items required for the maintenance and repairs of Council buildings, roads, drains and footpaths which are more governed by market forces based on availability than CPI. Other associated costs included under this category are utilities and consumable items for a range of services.

Council also utilises external expertise on a range of matters, including legal services and audit. Council has aligned the increase in these costs with CPI due to the significant variability caused by market forces.

6.3.16 Depreciation

Depreciation estimates have been set at 2.0%. Council is currently completing work on various asset management plans along with assessment of useful lives of these assets which will provide more accurate estimates of depreciation.

6.3.17 Borrowing costs

Borrowing costs comprise the interest charged on Council's borrowings. Council currently does not have borrowings and the Financial Plan indicates no new borrowings over the 10 years of this plan.

6.3.18 Other expenses

Other expenses include administration costs such as associated with the day to day running of Council. CPI has been used to escalate these amounts.

6.4 Other matters impacting the 10-year financial projections

6.4.1 Councillor allowances

For the first time, the Victorian Independent Remuneration Tribunal will be making a Determination setting the values of the allowances payable to Mayors, Deputy Mayors and Councillors in Victorian Councils.

On 17 June 2021, the Minister for Local Government requested that the Tribunal make the first Determination. The Determination will come into effect on 18 December 2021 — six months from the day the Tribunal received the Minister’s request.

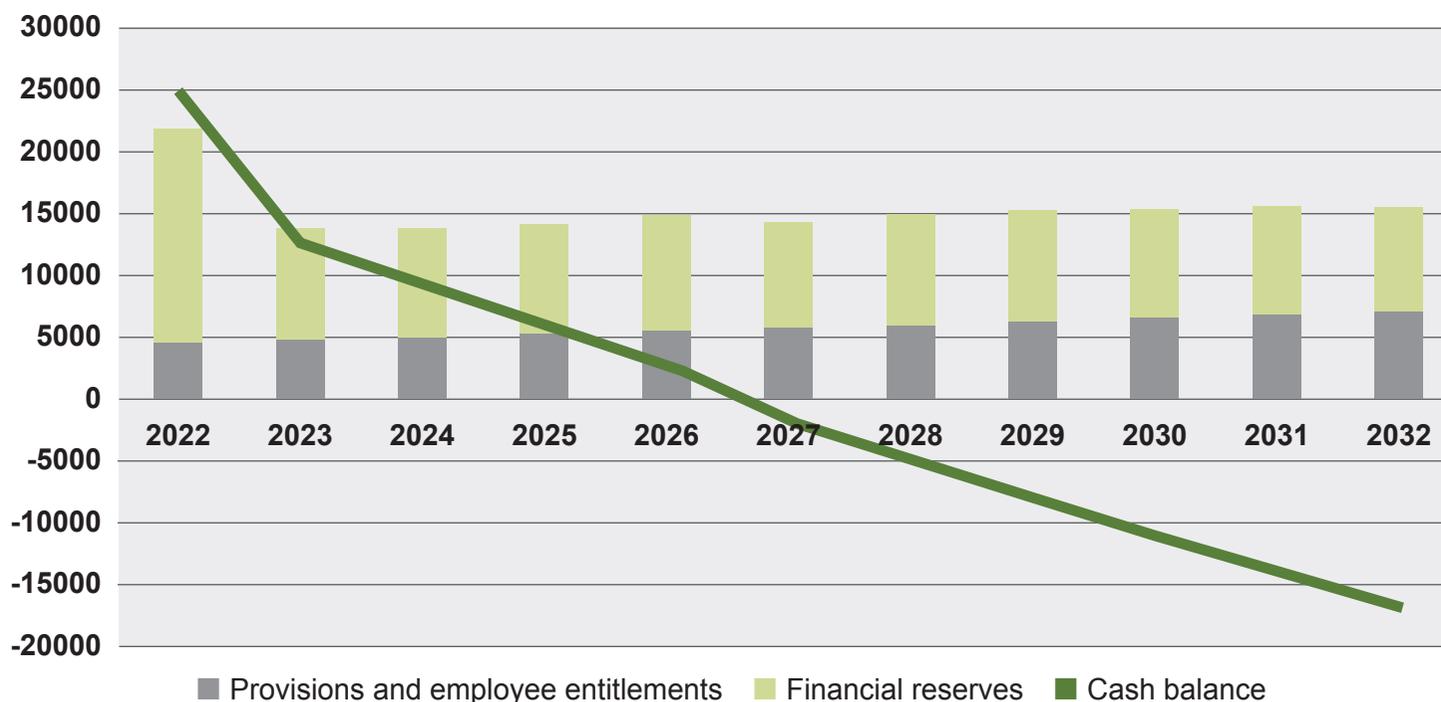
The Determination was finalised and distributed to Council on 17 March 2022. The new rates have been included in the Financial Plan.

6.4.2 Cash reserves

Council is committed to ensuring it has sufficient cash to fund any discretionary reserves and all current and non-current employee provisions.

In the years ending 2024 onwards within this Financial Plan is projecting there will not be sufficient cash to do this. This highlights the importance of the strategic actions identified in Section 5.2.:

Cash balance vs provisions and reserves (\$'000)



7 Financial plan statements

This section presents information regarding the Financial Plan Statements for the 10 years from 2022/23 to 2031/32.

- Comprehensive Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Capital Works
- Statement of Human Resources
- Statement of Financial Reserves



7.1 Comprehensive Income Statement

	Projected Actual	Projections									
	2021/22 \$ '000	2022/23 \$ '000	2023/24 \$ '000	2024/25 \$ '000	2025/26 \$ '000	2026/27 \$ '000	2027/28 \$ '000	2028/29 \$ '000	2029/30 \$ '000	2030/31 \$ '000	2031/32 \$ '000
Income											
Rates and charges	11,885	12,257	12,530	12,838	13,218	13,633	14,083	14,573	15,105	15,682	16,309
Statutory fees and fines	279	284	290	296	303	311	319	329	339	351	363
User fees	1,495	1,532	1,531	1,562	1,598	1,638	1,682	1,730	1,782	1,839	1,901
Grants - operating (recurrent)	13,988	4,174	11,893	12,228	12,573	12,928	13,293	13,669	14,055	14,453	14,863
Grants - operating (non-reccurent)	832	-	-	-	-	-	-	-	-	-	-
Grants - capital (reccurent)	3,075	2,388	2,388	2,507	2,507	2,507	2,507	2,507	2,520	2,520	2,520
Grants - capital (non-reccurent)	8,343	-	-	-	-	-	-	-	-	-	-
Contributions - monetary	431	-	-	-	-	-	-	-	-	-	-
Reimbursements	257	260	263	267	270	274	278	281	285	289	293
Regional Roads Victoria	511	518	526	535	545	554	564	574	584	594	604
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Share of net profits/(losses) of associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-
Interest	200	235	235	235	235	235	235	235	235	235	235
Total income	41,297	21,648	29,655	30,468	31,249	32,079	32,960	33,897	34,905	35,963	37,088
Expenses											
Employee costs	13,877	14,362	14,314	14,593	14,868	15,193	15,526	15,874	16,235	16,596	16,977
Materials and services	14,927	12,524	12,171	12,516	12,792	13,405	13,370	13,809	14,160	14,830	14,843
Bad and doubtful debts	-	-	-	-	-	-	-	-	-	-	-
Depreciation	9,908	10,107	10,309	10,515	10,725	10,940	11,159	11,382	11,609	11,842	12,078
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-
Operational strategies	-	-	-	-	-	-	-	-	-	-	-
Total expenses	38,712	36,993	36,793	37,624	38,386	39,538	40,055	41,065	42,004	43,268	43,898
Surplus/(deficit) for the year	2,584	(15,345)	(7,138)	(7,156)	(7,137)	(7,459)	(7,095)	(7,168)	(7,099)	(7,305)	(6,810)
Other comprehensive income											
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive result	2,584	(15,345)	(7,138)	(7,156)	(7,137)	(7,459)	(7,095)	(7,168)	(7,099)	(7,305)	(6,810)

7.2 Balance Sheet

	Projected Actual 2021/22 \$ '000	Projections									
		2022/23 \$ '000	2023/24 \$ '000	2024/25 \$ '000	2025/26 \$ '000	2026/27 \$ '000	2027/28 \$ '000	2028/29 \$ '000	2029/30 \$ '000	2030/31 \$ '000	2031/32 \$ '000
Assets											
Current assets											
Cash and cash equivalents	24,271	12,561	8,782	5,365	2,429	(1,711)	(4,644)	(7,954)	(11,059)	(13,872)	(16,582)
Trade and other receivables	807	413	573	589	604	620	638	656	676	697	719
Other financial assets	-	-	-	-	-	-	-	-	-	-	-
Inventories	23	22	21	20	19	18	17	16	15	14	14
Non-current assets classified as held for sale	223	223	223	223	223	223	223	223	223	223	223
Total current assets	25,323	13,218	9,598	6,196	3,274	(850)	(3,766)	(7,059)	(10,145)	(12,938)	(15,626)
Non-current assets											
Investments in associates and joint ventures	285	285	285	285	285	285	285	285	285	285	285
Property, infrastructure, plant and equipment assets	379,577	387,872	396,194	404,558	412,719	422,022	430,750	440,065	449,529	458,796	468,722
Intangible assets	2,675	2,675	2,675	2,675	2,675	2,675	2,675	2,675	2,675	2,675	2,675
Total non-current assets	382,537	390,832	399,153	407,518	415,678	424,982	433,709	443,025	452,488	461,755	471,681
Total assets	407,860	404,050	408,751	413,714	418,952	424,132	429,943	435,966	442,343	448,817	456,054
Liabilities											
Current liabilities											
Trade and other payables	491	428	417	428	438	457	457	472	484	505	507
Trust funds and deposits	347	330	313	297	283	268	255	242	230	219	208
Employee provisions	2,810	2,730	2,651	2,569	2,487	2,402	2,315	2,227	2,136	2,044	1,948
Other provisions	-	-	-	-	-	-	-	-	-	-	-
Unearned income	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	3,648	3,487	3,381	3,295	3,207	3,127	3,028	2,941	2,850	2,767	2,663

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7.2 Balance Sheet (continued)

	Projected Actual	Projections									
	2021/22 \$ '000	2022/23 \$ '000	2023/24 \$ '000	2024/25 \$ '000	2025/26 \$ '000	2026/27 \$ '000	2027/28 \$ '000	2028/29 \$ '000	2029/30 \$ '000	2030/31 \$ '000	2031/32 \$ '000
Non-current liabilities											
Employee provisions	621	860	1,099	1,343	1,591	1,845	2,105	2,371	2,642	2,920	3,206
Other provisions	1,234	1,296	1,361	1,429	1,500	1,575	1,654	1,737	1,823	1,915	2,010
Total non-current liabilities	1,855	2,156	2,460	2,771	3,091	3,420	3,759	4,107	4,466	4,835	5,216
Total liabilities	5,503	5,644	5,840	6,066	6,298	6,548	6,786	7,048	7,316	7,602	7,879
NET ASSETS	402,357	398,406	402,911	407,647	412,654	417,584	423,156	428,918	435,027	441,215	448,176
Equity											
Accumulated surplus	102,018	94,894	87,972	80,676	73,034	66,332	58,858	51,762	44,728	37,533	31,037
Asset revaluation reserve	283,289	294,683	306,326	318,218	330,362	342,750	355,417	368,346	381,555	395,048	408,818
Other reserves	17,050	8,830	8,613	8,753	9,258	8,502	8,881	8,810	8,745	8,635	8,320
TOTAL EQUITY	402,357	398,406	402,911	407,647	412,654	417,584	423,156	428,918	435,027	441,215	448,176

7.3 Statement of Changes in Equity

2022 Projected Actual	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	389,082	90,939	272,599	25,545
Surplus/ (deficit) for the year	2,584	2,584	-	-
Net asset revaluation increment / (decrement)	10,690	-	10,690	-
Transfer to other reserves	-	(10,351)	-	10,351
Transfer from other reserves	-	18,847	-	(18,847)
Share of other comprehensive income	-	-	-	-
Balance at end of financial year	402,357	102,018	283,289	17,050

2023 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	402,357	102,018	283,289	17,050
Surplus/ (deficit) for the year	(15,345)	(15,345)	-	-
Net asset revaluation increment / (decrement)	11,394	-	11,394	-
Transfer to other reserves	-	(1,844)	-	1,844
Transfer from other reserves	-	10,064	-	(10,064)
Balance at end of financial year	398,406	94,894	294,683	8,830

2024 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	398,406	94,894	294,683	8,830
Surplus/ (deficit) for the year	(7,138)	(7,138)	-	-
Net asset revaluation increment / (decrement)	11,643	-	11,643	-
Transfer to other reserves	-	(1,847)	-	1,847
Transfer from other reserves	-	2,064	-	(2,064)
Balance at end of financial year	402,911	87,972	306,326	8,613

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7.3 Statement of Changes in Equity (continued)

2025 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	402,911	87,972	306,326	8,613
Surplus/ (deficit) for the year	(7,156)	(7,156)	-	-
Net asset revaluation increment / (decrement)	11,892	-	11,892	-
Transfer to other reserves	-	(1,850)	-	1,850
Transfer from other reserves	-	1,710	-	(1,710)
Balance at end of financial year	407,647	80,676	318,218	8,753

2026 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	407,647	80,676	318,218	8,753
Surplus/ (deficit) for the year	(7,137)	(7,137)	-	-
Net asset revaluation increment / (decrement)	12,143	-	12,143	-
Transfer to other reserves	-	(1,854)	-	1,854
Transfer from other reserves	-	1,349	-	(1,349)
Balance at end of financial year	412,654	73,034	330,362	9,258

2027 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	412,654	73,034	330,362	9,258
Surplus/ (deficit) for the year	(7,459)	(7,459)	-	-
Net asset revaluation increment / (decrement)	12,388	-	12,388	-
Transfer to other reserves	-	(1,810)	-	1,810
Transfer from other reserves	-	2,566	-	(2,566)
Balance at end of financial year	417,584	66,332	342,750	8,502

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7.3 Statement of Changes in Equity (continued)

2028 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	417,584	66,332	342,750	8,502
Surplus/ (deficit) for the year	(7,095)	(7,095)	-	-
Net asset revaluation increment / (decrement)	12,667	-	12,667	-
Transfer to other reserves	-	(1,816)	-	1,816
Transfer from other reserves	-	1,437	-	(1,437)
Balance at end of financial year	423,156	58,858	355,417	8,881

2029 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	423,156	58,858	355,417	8,881
Surplus/ (deficit) for the year	(7,168)	(7,168)	-	-
Net asset revaluation increment / (decrement)	12,929	-	12,929	-
Transfer to other reserves	-	(1,824)	-	1,824
Transfer from other reserves	-	1,895	-	(1,895)
Balance at end of financial year	428,918	51,762	368,346	8,810

2030 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	428,918	51,762	368,346	8,810
Surplus/ (deficit) for the year	(7,099)	(7,099)	-	-
Net asset revaluation increment / (decrement)	13,209	-	13,209	-
Transfer to other reserves	-	(1,833)	-	1,833
Transfer from other reserves	-	1,898	-	(1,898)
Balance at end of financial year	435,027	44,728	381,555	8,745

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7.3 Statement of Changes in Equity (continued)

2031 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	435,027	44,728	381,555	8,745
Surplus/ (deficit) for the year	(7,305)	(7,305)	-	-
Net asset revaluation increment / (decrement)	13,493	-	13,493	-
Transfer to other reserves	-	(1,844)	-	1,844
Transfer from other reserves	-	1,954	-	(1,954)
Balance at end of financial year	441,215	37,533	395,048	8,635

2032 Projection	Total \$ '000	Accumulated \$ '000	Revaluation Reserve \$ '000	Other Reserves \$ '000
Balance at beginning of the financial year	441,215	37,533	395,048	8,635
Surplus/ (deficit) for the year	(6,810)	(6,810)	-	-
Net asset revaluation increment / (decrement)	13,771	-	13,771	-
Transfer to other reserves	-	(1,856)	-	1,856
Transfer from other reserves	-	2,171	-	(2,171)
Balance at end of financial year	448,176	31,037	408,818	8,320

7.4 Statement of Cash Flows

	Projected	Projections									
	Actual	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	2021/22 \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash flows from operating activities											
Receipts											
Rates and charges	12,113	12,881	12,744	13,119	13,502	13,927	14,372	14,867	15,401	15,989	16,610
Statutory fees and fines	324	329	280	300	308	315	324	334	344	355	368
User fees	1,898	1,740	1,489	1,586	1,623	1,663	1,707	1,756	1,809	1,867	1,929
Grants - operating	15,117	4,258	12,131	12,473	12,824	13,186	13,559	13,942	14,336	14,742	15,160
Grants - capital	6,398	2,435	2,435	2,557	2,557	2,557	2,557	2,557	2,570	2,570	2,570
Interest received	263	235	235	235	235	235	235	235	235	235	235
Trust funds and deposits taken	-	-	-	-	-	-	-	-	-	-	-
Other receipts	1,223	794	805	818	831	845	858	872	886	901	915
Net GST refund/payment	(271)	(274)	(277)	(280)	(282)	(285)	(288)	(291)	(294)	(297)	(300)
Operating receipts	37,066	22,398	29,843	30,809	31,598	32,444	33,324	34,271	35,288	36,363	37,488
Payments											
Employee costs	(12,551)	(12,438)	(12,391)	(12,631)	(12,864)	(13,142)	(13,428)	(13,727)	(14,037)	(14,347)	(14,674)
Materials and services	(17,258)	(14,646)	(14,227)	(14,593)	(14,914)	(15,572)	(15,596)	(16,074)	(16,479)	(17,201)	(17,280)
Trust funds and deposits repaid	(18)	(17)	(16)	(16)	(15)	(14)	(13)	(13)	(12)	(12)	(11)
Other payments	-	-	-	-	-	-	-	-	-	-	-
Operating payments	(29,827)	(27,101)	(26,634)	(27,239)	(27,793)	(28,728)	(29,038)	(29,814)	(30,529)	(31,560)	(31,965)
Net cash provided by/(used in) operating activities	7,239	(4,702)	3,208	3,570	3,806	3,716	4,286	4,458	4,759	4,803	5,524
Cash flows from investing activities											
Payments for property, infrastructure, plant and equipment	(20,413)	(7,008)	(6,987)	(6,987)	(6,742)	(7,855)	(7,219)	(7,768)	(7,864)	(7,616)	(8,234)
Proceeds from sales of property, infrastructure, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Decrease in term deposits	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by/(used in) investing activities	(20,413)	(7,008)	(6,987)	(6,987)	(6,742)	(7,855)	(7,219)	(7,768)	(7,864)	(7,616)	(8,234)
Net increase/(decrease) in cash and cash equivalents	(13,175)	(11,710)	(3,779)	(3,417)	(2,936)	(4,140)	(2,933)	(3,310)	(3,106)	(2,813)	(2,710)
Cash and cash equivalents at the beginning of the year	37,446	24,271	12,561	8,782	5,365	2,429	(1,711)	(4,644)	(7,954)	(11,059)	(13,872)
Cash and cash equivalents at the end of the year	24,271	12,561	8,782	5,365	2,429	(1,711)	(4,644)	(7,954)	(11,059)	(13,872)	(16,582)

7.5 Statement of Capital Works

	Projected	Projections									
	Actual	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	2021/22	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital works areas											
Land and buildings	2,389	405	405	405	405	405	405	405	405	405	405
Office furniture and equipment	175	100	100	100	100	100	100	100	100	100	100
Plant and equipment	1,448	2,097	1,870	1,494	1,045	2,042	1,140	1,694	1,656	1,261	2,073
Footpaths	1,089	426	432	423	433	443	445	445	445	446	449
Roadworks	5,319	3,208	3,381	3,478	3,844	4,128	4,215	4,303	4,393	4,485	4,479
Bridges	1,649	149	152	155	158	161	164	167	171	174	177
Urban and road drainage	1,147	350	350	350	350	350	350	350	350	350	350
Recreation, leisure and community facilities	8,190	500	500	500	500	500	500	500	500	500	500
Parks, open space and streetscapes	1,656	100	100	100	100	100	100	100	100	100	100
Other infrastructure	-	-	-	-	-	-	-	-	-	-	-
Total capital works	23,062	7,336	7,291	7,004	6,935	8,229	7,419	8,064	8,120	7,821	8,633
Represented by:											
New asset expenditure	2,459	2,197	1,970	1,594	1,145	2,142	1,240	1,794	1,756	1,361	2,173
Asset renewal expenditure	9,502	4,638	4,821	4,910	5,290	5,587	5,679	5,770	5,864	5,959	5,960
Asset expansion expenditure	7,314	-	-	-	-	-	-	-	-	-	-
Asset upgrade expenditure	3,786	500	500	500	500	500	500	500	500	500	500
Total capital works expenditure	23,062	7,336	7,291	7,004	6,935	8,229	7,419	8,064	8,120	7,821	8,633
Funding sourced represented by:											
Grants	13,053	2,388	2,388	2,507	2,507	2,507	2,507	2,507	2,520	2,520	2,520
Council cash	6,915	2,441	2,623	2,593	2,973	3,270	3,362	3,453	3,534	3,630	3,630
Reserves	2,837	2,179	1,976	1,622	1,262	2,078	1,350	1,808	1,811	1,466	2,084
Sale of assets	257	328	304	282	193	373	201	296	255	205	399
Total capital works expenditure	23,062	7,336	7,291	7,004	6,935	8,229	7,419	8,064	8,120	7,821	8,633

7.6 Statement of Human Resources

	Projected Actual 2021/22 \$ '000	Projections									
		2022/23 \$ '000	2023/24 \$ '000	2024/25 \$ '000	2025/26 \$ '000	2026/27 \$ '000	2027/28 \$ '000	2028/29 \$ '000	2029/30 \$ '000	2030/31 \$ '000	2031/32 \$ '000
Executive and Commercial Services											
Permanent - Full time											
- Female	526	535	551	567	584	597	611	625	639	653	668
- Male	380	386	397	409	422	431	441	451	461	471	482
Permanent - Part time											
- Female	333	338	348	359	370	378	386	395	404	413	422
- Male	43	44	45	46	48	49	50	51	52	53	55
Total Executive and Commercial Services	1,281	1,302	1,341	1,382	1,423	1,455	1,488	1,521	1,556	1,591	1,626
Community Support											
Permanent - Full time											
- Female	469	477	491	506	521	533	545	557	569	582	595
- Male	379	385	397	409	421	431	440	450	460	471	481
Permanent - Part time											
- Female	1,839	1,869	1,925	1,983	2,042	2,088	2,135	2,183	2,232	2,282	2,334
- Male	153	156	160	165	170	174	178	182	186	190	195
Total Community Support	2,840	2,887	2,973	3,062	3,154	3,225	3,298	3,372	3,448	3,526	3,605
Corporate Services											
Permanent - Full time											
- Female	1,163	1,182	1,217	1,254	1,291	1,320	1,350	1,380	1,411	1,443	1,476
- Male	458	465	479	494	508	520	531	543	556	568	581
Permanent - Part time											
- Female	379	385	397	409	421	431	440	450	460	471	481
- Male	-	-	-	-	-	-	-	-	-	-	-
Total Corporate Services	2,000	2,032	2,093	2,156	2,221	2,271	2,322	2,374	2,427	2,482	2,538
Operations											
Permanent - Full time											
- Female	538	546	563	580	597	610	624	638	652	667	682
- Male	5,544	5,630	5,374	5,404	5,421	5,533	5,650	5,776	5,910	6,039	6,182
Permanent - Part time											
- Female	164	167	172	177	183	187	191	195	200	204	209
- Male	70	71	73	76	78	80	82	83	85	87	89
Total Operations	6,316	6,414	6,183	6,236	6,278	6,410	6,547	6,692	6,847	6,998	7,162

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7.6 Statement of Human Resources (continued)

	Projected Actual 2021/22 FTE	Projections									
		2022/23 FTE	2023/24 FTE	2024/25 FTE	2025/26 FTE	2026/27 FTE	2027/28 FTE	2028/29 FTE	2029/30 FTE	2030/31 FTE	2031/32 FTE
Executive and Commercial Services											
Permanent - Full time											
- Female	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
- Male	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Permanent - Part time											
- Female	2.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
- Male	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Executive and Commercial Services	9.3	10.3									
Community Support											
Permanent - Full time											
- Female	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
- Male	-	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Permanent - Part time											
- Female	24.5	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7
- Male	3.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total Community Support	34.0	35.9									
Corporate Services											
Permanent - Full time											
- Female	10.0	13.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
- Male	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Permanent - Part time											
- Female	6.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
- Male	-	-	-	-	-	-	-	-	-	-	-
Total Corporate Services	21.6	23.1	20.1								

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7.7 Statement of Financial Reserves

	Projected Actual 2021/22 \$ '000	Projections									
		2022/23 \$ '000	2023/24 \$ '000	2024/25 \$ '000	2025/26 \$ '000	2026/27 \$ '000	2027/28 \$ '000	2028/29 \$ '000	2029/30 \$ '000	2030/31 \$ '000	2031/32 \$ '000
Discretionary											
Land and buildings	795	795	795	795	795	795	795	795	795	795	795
Professional development	22	28	34	40	46	52	58	64	70	76	82
Unspent grants	8,187	790	790	790	790	790	790	790	790	790	790
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Information technology	650	619	589	559	529	499	469	439	409	379	349
Units reserve	31	31	31	31	31	31	31	31	31	31	31
Economic development	396	396	396	396	396	396	396	396	396	396	396
Community planning	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271
Plant replacement	1,441	856	593	488	792	446	643	572	420	531	109
Fleet replacement	831	786	622	656	640	458	461	274	165	138	26
GSP restoration	400	79	160	244	329	17	107	201	299	1	107
Urban drainage	842	842	842	842	842	842	842	842	842	842	842
Landfill rehabilitation	300	340	380	420	460	500	540	580	620	660	700
Little Lake Boort water	18	18	18	18	18	18	18	18	18	18	18
Reserves improvement	100	100	100	100	100	100	100	100	100	100	100
Caravan park development	234	295	358	422	487	556	627	704	786	875	971
Superannuation liability	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Heritage loan scheme	100	100	100	100	100	100	100	100	100	100	100
Major projects	234	234	234	234	234	234	234	234	234	234	234
Unightly premises enforcement provision	100	100	100	100	100	100	100	100	100	100	100
Swimming pool major projects	-	50	100	150	200	200	200	200	200	200	200
Boundary and township signage	100	100	100	100	100	100	100	100	100	100	100
Total discretionary reserves	17,050	8,830	8,613	8,753	9,258	8,502	8,881	8,810	8,745	8,635	8,320

8 Financial performance indicators

8.1 Financial performance indicators

The following tables highlight Council's projected performance across a range of key financial performance indicators. These indicators provide an analysis of Council's 10-year financial projections and should be interpreted in the context of the strategic objectives and financial management principles.

These indicators are also reported within the Local Government Reporting Framework (the Framework). The Framework is made up of a range of measures, including roads, planning, animal management and waste. It is complemented by a Governance and Management checklist of 24 items, which shows the policies, plans and procedures in place by Council. Together, they build a comprehensive picture of council performance which can be viewed on the Know Your Council website.

8.1.1 Operating position

Council's operating position is measured with one indicator: the adjusted underlying result.

Indicator	Measure	Projected Actual	Projections										Trend
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	+ / O / -
Operating position													
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	-17.47%	-70.88%	-24.07%	-23.49%	-22.84%	-23.25%	-21.52%	-21.15%	-20.34%	-20.31%	-18.36%	-

- **Adjusted underlying result:** The adjusted underlying result is the net surplus or deficit for the year adjusted for non-recurrent capital grants, non-monetary asset contributions, and capital contributions from other sources. It is a measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by capital income items which can often mask the operating result.

The adjusted underlying result up until 2031/32 is a significant decreasing result. Council will investigate opportunities to increase revenue or decrease expenses to bring about a balanced budget or small surplus.

8.1.2 Liquidity

Council's liquidity is measured with two indicators: working capital and unrestricted cash.

Indicator	Measure	Projected Actual	Projections										Trend
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	+O/-
Liquidity													
Working capital	Current assets / Current liabilities	694.18%	379.03%	283.92%	188.05%	102.10%	-27.18%	-124.40%	-240.04%	-355.93%	-467.56%	-586.85%	-
Unrestricted cash	Unrestricted cash / Current liabilities	561.77%	247.77%	139.60%	35.07%	-60.24%	-199.10%	-307.80%	-435.04%	-563.72%	-688.59%	-824.10%	-

- **Working capital:** The working capital ratio indicates the level of current assets compared to current liabilities. Council's working capital ratio is in a very sound financial position due to the limited current liabilities on the Balance Sheet.
- **Unrestricted cash:** Unrestricted cash represents cash and cash equivalents held by Council less the amount of grants received during the year but not expended by 30 June and the amount of capital works not completed by 30 June. Council has a strong level of unrestricted cash.

8.1.3 Obligations

Council's obligations are measured with four indicators: debt compared to rates, repayments compared to rates and indebtedness, asset renewal upgrade compared to depreciation.

Indicator	Measure	Projected Actual	Projections										Trend	
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	+O/-	
Obligations														
Loan and borrowings	Loans and borrowings / Rate revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	O
Loan and borrowings	Interest and principal repayments on interest bearing loans and borrowings / Rate revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	O
Indebtedness	Non-current liabilities / Own source revenue	12.68%	14.29%	16.00%	17.62%	19.12%	20.55%	21.90%	23.18%	24.36%	25.46%	26.47%	-	
Asset renewal	Asset renewal expenses / Asset depreciation	134.11%	50.84%	51.61%	51.45%	53.99%	55.64%	55.38%	55.09%	54.81%	54.55%	53.48%	-	

- **Debt compared to rates:** Council has no borrowings.
- **Repayments compared to rates:** Council has no repayments on borrowings.
- **Indebtedness:** Council has a low level of indebtedness which is limited to employee benefits, provisions and landfill rehabilitation provision. Council aims to hold sufficient cash to cover employee benefits and has provisions for the landfill and other longer term liabilities.
- **Asset renewal and upgrade:** Asset renewal and upgrade represents the amount of capital expenditure being directed towards maintaining the condition of Council's existing assets. This ratio represents the amount of renewal and upgrade works as a percentage of the depreciation expense shown for each year. A ratio less than 100% represents an increase in the asset renewal gap. The renewal and upgrade expenditure is between 50% and 56% over the life of the plan. Revising Council's asset management plans will provide more accurate expenditure required for maintenance and renewal.

8.1.4 Stability

Council's financial stability is measure with two indicators: rates concentration and rates effort.

Indicator	Measure	Projected Actual	Projections										Trend
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	+ / O / -
Stability													
Rates concentration	Rates revenue / Adjusted underlying revenue	36.07%	56.62%	42.25%	42.13%	42.30%	42.50%	42.73%	42.99%	43.27%	43.61%	43.97%	+
Rates effort	Rate revenue / CIV of rateable properties in the municipality	0.44%	0.35%	0.35%	0.35%	0.36%	0.36%	0.36%	0.37%	0.38%	0.38%	0.39%	+

- **Rates concentration:** Rates concentration represents rates proportion of total operating revenue. Council is reliant on external grants for the funding of its operations. Council's rates concentration is between 36% and 57% over the life of the plan.
- **Rates effort:** Rates effort examines the community's capacity to pay. It is represented by rate revenue as a percentage of the capital improved value of rateable properties in the municipality. Council's rates effort is fairly stable between 0.44% and 0.39%

8.1.5 Efficiency

Council's efficiency is measured with three indicators: expenditure level and revenue level.

Indicator	Measure	Projected Actual	Projections										Trend
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	+/-
Efficiency													
Expenditure level	Total expenses / No. of property assessments	\$4,886	\$4,635	\$4,610	\$4,714	\$4,810	\$4,954	\$5,019	\$5,145	\$5,263	\$5,421	\$5,500	+
Revenue level	Total rate revenue / No. of property assessments	\$1,244	\$1,257	\$1,284	\$1,313	\$1,346	\$1,382	\$1,423	\$1,467	\$1,515	\$1,571	\$1,626	+

- **Expenditure level:** expenditure per property assessment. This increases steadily over the 10-year period.
- **Revenue level:** average rate per property assessment. This measure increases steadily over the 10-year period with gradual increases to rate revenue with property assessments expected to remain fairly constant.

8.2 Other performance indicators

The following table highlights Council's projected performance across a range of debt management performance indicators.

Indicator	Target	Projected Actual	Projections									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Total borrowings / rate revenue	Below 60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt servicing / Rate revenue	Below 5%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt commitment / Rate revenue	Below 10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Indebtedness / Own source revenue	Below 60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Council has no borrowings and there are no new borrowings projected in the plan.

- **Total borrowings / Rate revenue:** Performance – describe how the ratio performs against the target over the life of the Financial Plan.
- **Debt servicing / Rate revenue:** Performance – describe how the ratio performs against the target over the life of the Financial Plan.
- **Debt commitment / Rate revenue:** Performance – describe how the ratio performs against the target over the life of the Financial Plan.
- **Indebtedness / Own source revenue:** Performance – describe how the ratio performs against the target over the life of the Financial Plan.

For all the above indicators, Council is expected to remain at zero percent as no borrowings currently exist or are forecasted.

9 Strategies and plans

This section describes the strategies and plans that support the 10-year financial projections included to the Financial Plan. These documents can be found on Council's website.

9.1 Revenue and Rating Plan

Council adopted the Revenue and Rating Plan 2021-2025 on 24 June 2021. This document determines the most appropriate and affordable revenue and rating approach for Loddon Shire Council which, in conjunction with other income sources, will adequately finance the objectives in the Council Plan.

9.2 Borrowing Policy

Council adopted the Borrowing Policy on 28 September 2021 which guides decision making about borrowing funds for Council projects.

9.2.1 Current debt position

The total amount borrowed as at 30 June 2022 is \$0 million.

9.2.2 Future borrowing requirements

There are no borrowings indicated within the 10-year plan with all past borrowings paid in full.

9.2.3 Performance indicators

The debt management performance indicators will monitor Council's projected performance if there is a proposal to borrow funds. These are reported within the financial performance indicators.

9.3 Financial Reserves Policy

9.3.1 Council Reserves

Council has a Financial Reserves Policy (the Policy) which outlines the creation and purpose of discretionary reserves.

The Policy outlines the circumstances where Council will set aside funds in a particular reserve, with amounts to be decided during the annual budget process and at any other time by Council resolution, with the amounts to be transferred back into the reserves for future purposes as required.

The Capital Expenditure, Unspent Grants and Community Planning Reserves are used to carry over any unspent project allocations at the end of each financial year. Within this Financial Plan it has been assumed that all projects funded to a particular year will be expended in that same year.

10 Benefit assessment

The current Financial Plan shows ongoing operating deficits and a significant reduction in cash reserves over the life of the plan. Council has always been able to pivot to ensure short-term financial sustainability, but acknowledges that longer-term strategies need to be put in place to turn around the ongoing deficit position.

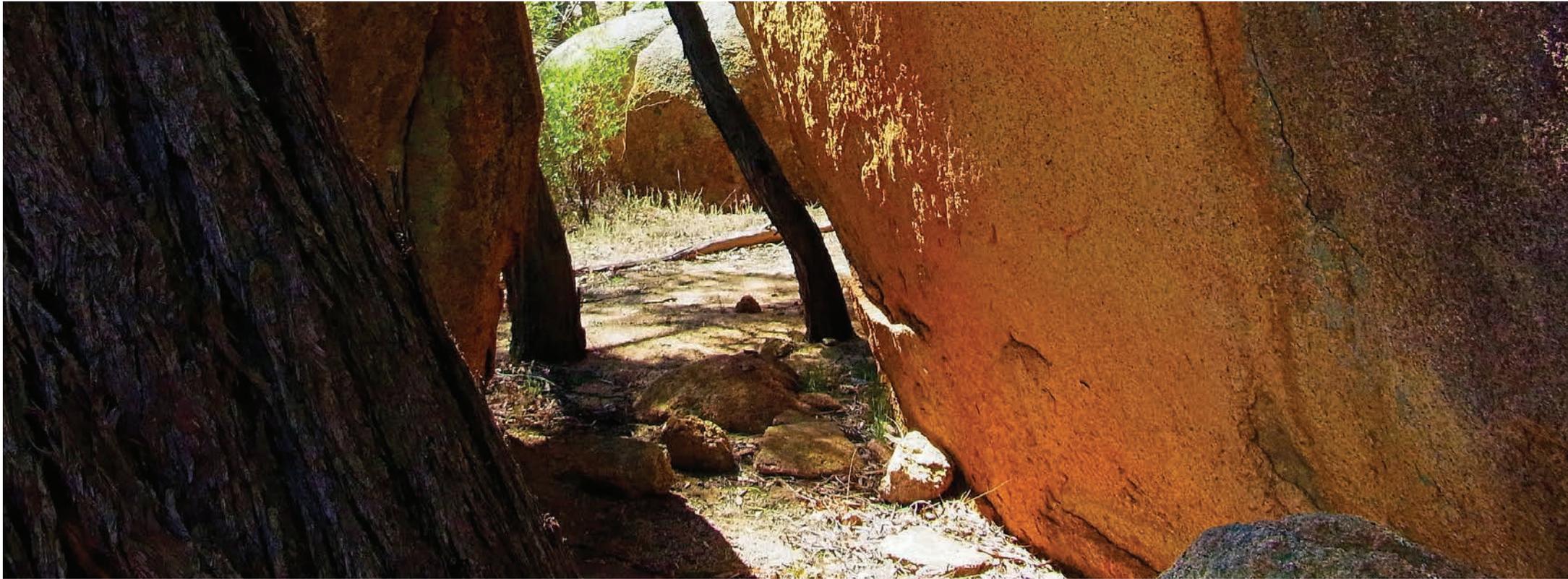
Section 6.2 of the Financial Plan includes strategic actions that Council intends to undertake to improve long-term financial sustainability. From a risk management perspective, these actions are future risk management controls that will provide a financial benefit to Council's Financial Plan. An analysis of their effectiveness and contribution to financial change has been incorporated into the following table:

Strategic action	Future benefit	Score / 5	Financial significance	Weight / 5	Effectiveness Score x Weight	Current and future state	Financial impact
Review depreciation rates to ensure they are reflective of the useful lives of each asset class	Good	4	Major	4	16	Depreciation rates are reviewed annually. Further analysis of the infrastructure and building asset depreciation rates will ensure depreciation rates are appropriate.	Potential reduction in significant amount of operating expenditure
Review asset management plans to understand required maintenance and renewal levels to maintain the service levels of each asset class	Good	4	Major	4	16	Asset management plans are outdated and require review. The reviews will ensure Council's investment in maintenance and renewal is appropriate.	Potential reduction in moderate amount of operating expenditure and capital expenditure

Strategic action	Future benefit	Score / 5	Financial significance	Weight / 5	Effectiveness Score x Weight	Current and future state	Financial impact
Review contingency amounts in projects to assess their currency	Good	4	Major	4	16	Contingency amounts are currently applied at the same rate across various projects and programs. Review of them across different project types will ensure they are appropriate.	Potential reduction in moderate amount capital expenditure
Review Discretionary Reserves to ensure they are being used effectively	Fair	3	Moderate	3	9	Discretionary reserves have been an effective way of ensuring Council can fund future projects. A review will ensure they are being applied appropriately and efficiently.	Potential increase in cash reserves
Review Project Management Framework to ensure projects are phased and costed appropriately	Good	4	Moderate	3	12	Projects are allocated into the annual budget in full, and not assigned across multiple financial years. The project management framework will ensure major projects are allocated into the relevant year in which expenditure is expected to be incurred.	Increase in quality of financial data for projects that will be developed and implemented over multiple financial years
Revise Strategic Documents Framework to ensure strategies are appropriately costed and indexed, and costs are embedded into this Financial Plan	Fair	3	Moderate	3	9	Strategic documents have estimated costs assigned upon adoption; however, they are not reviewed during the life of the plan to cater for change in scope or increase in costs. The review will incorporate up to date financial information.	Full cost allocation for all strategic projects and programs which may increase operating expenditure but ensure all costs are incorporated into the Financial Plan.

Strategic action	Future benefit	Score / 5	Financial significance	Weight / 5	Effectiveness Score x Weight	Current and future state	Financial impact
Continue development of 'pipeline of projects' to ensure 'shovel ready' projects when funding becomes available	Good	4	Moderate	3	12	Projects are allocated into the annual budget in full, and not assigned across multiple financial years. The project management framework will ensure major projects are allocated into the relevant year in which expenditure is expected to be incurred.	Increase in quality of financial data for projects that will be developed and implemented over multiple financial years
Investigate and report to Council on alternate purchasing options for plant (e.g. leasing of plant to spread the cost over the life of the asset)	Fair	3	Moderate	3	9	Currently all plant is purchased through the plant replacement reserve. Investigating alternate funding options will ensure Council is getting the best value for money in plant acquisition.	Potential increase in cash reserves to allocate financial resources for plant over the full lifecycle of each item. The offset will be an increase in operating expenditure for lease repayments.
Conduct process reviews on internal services to ensure they are efficient and cost-effective, and support external services provided to the community	Good	4	Moderate	3	12	Adhoc reviews are undertaken from time to time. Undertaking formal reviews will ensure Council is working the most efficiently.	Potential reduction in moderate amount of operating expenditure
Complete the Transitioning Towns Policy to establish minimum service levels for each town	Fair	3	Moderate	3	9	Service levels are reviewed in an adhoc basis. A policy will document the Council's commitment to minimum service level by town.	Potential reduction in moderate amount of operating expenditure

Strategic action	Future benefit	Score / 5	Financial significance	Weight / 5	Effectiveness Score x Weight	Current and future state	Financial impact
Undertake service reviews in consultation with the community to determine the best mix and level of service provided by Council for services provided to the community	Good	4	Moderate	4	16	Adhoc reviews are undertaken from time to time. Undertaking formal reviews will ensure Council is providing the right services at the right level for the community.	Potential reduction in moderate amount of operating expenditure
Report to Council on the potential to borrow funds (including relevant risk assessment) for strategic and/or intergenerational projects	Fair	3	Moderate	3	9	Council has been debt free for many years. The exploration of loans to fund major projects may free up financial reserves in the short term and fund major projects over many years.	Potential increase in cash reserves as major purchases and/or projects would be funded over longer periods. The offset will be an increase in interest costs (operating expenditure)
Investigate and report to Council the cost vs benefits of applying for a rate cap variation to the Essential Services Commission after above initiatives have been explored	Good	4	Moderate	3	12	Council is currently one of the lowest rating authorities in the state. A variation above rate cap, supported by the other strategic actions in this Financial Plan, provide an opportunity to increase operating income.	Potential increase in operating income that would improve the base rate income for all future financial years.
Explore shared services options available to Council	Fair	3	Moderate	3	9	Shared service opportunities have been limited; however, they have the potential to provide services through and with other Councils to leverage each other's expertise and reduce costs.	Potential reduction in operating expenditure where share services are identified and assessed as value for money.



Kooyoora State Park. *Photo: Dave Thomas*



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