



Colac Otway

SHIRE

BUDGET 2020/21

ADOPTED 22 JULY 2020

This Budget Report has been prepared with reference to Local Government Victoria (LGV) Local Government Model Financial Report (LGMFR) 2020/21.

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Mayor's Summary

Colac Otway Shire Council has developed its 2020/21 Budget under unprecedented circumstances to support our residents, ratepayers and businesses, with a focus on rebuilding our local economy as we plan for pandemic recovery.

The COVID-19 health crisis has created economic hardship around the world and across Colac Otway Shire, and this Budget acknowledges the impact and aims to provide a financial framework for stability and growth.

Council has maintained a four-year trend to deliver a rate rise below the State Rate Cap, and reduce the municipal garbage charge, while creating a budget with a strong focus on economic development to lead our community's recovery.

Our business community, particularly our tourism and hospitality operators have been hardest hit.

As part of our Budget, the progress of City Deal Projects in our coastal communities and other major capital works projects shire-wide will play a key role in instilling confidence in our recovery plan for our diverse and vibrant shire.

Key infrastructure projects in the 2020/21 Budget include:

- \$3.6m to begin delivering Geelong City Deal in partnership with the Commonwealth and Victorian Governments, which will see the following projects delivered over the coming years.
 - o Improvements to Tourism Infrastructure in Kennett River - \$1.9 million
 - o Great Ocean Walk between Apollo Bay (Wild Dog Creek) and Skenes Creek - \$5 million
 - o Apollo Bay Harbour - \$12 million
- Forrest Mountain Bike Revitalisation
- Colac Civic and Rail Precinct Master Plan
- Apollo Bay Early Years Hub contribution \$500k
- Energy Efficient Street Lighting - \$70k

- \$10.2m Capital Works Program, including:
 - o Sealed road reconstruction program - \$3m
 - o Road slip rehabilitation program - \$574k
 - o Footpath renewal - \$303k
 - o Bridge rehabilitation program - \$620k
 - o Building renewal program - \$356k
 - o Sealed road resealing program - \$580k
 - o Colac Otway Parking & Traffic Strategy Implementation - \$171k
 - o Rail Level Crossing Improvements, Back Larpent Road - \$160k
 - o Commence new footpath in Roadknight Street, Birregurra - \$110k

Cr Jason Schram
Mayor

Executive Summary

Council's 2020/21 budget has been developed according to the assumptions contained in the Council Plan, Strategic Resource Plan and those presented to Council on a regular basis during the budget development process.

The budget also contains some assumptions regarding the financial impact of the COVID-19 pandemic, both in the 2019/20 and 2020/21 financial year. It includes a direct reduction of \$1.74m, consisting of:

- \$785k relating to lost revenue and increased costs; and
- \$950k allocated directly to community support initiatives.

The proposed community support initiatives include the following:

- \$423k Business and Community Support Fund;
- Waiving 2020/21 Health and Food registration fees (\$172k);
- Waiving 2020/21 Street Furniture fees (\$48k);
- Commercial lease relief where required (\$101k);
- Recreation lease support (\$31k);
- No increase in non-statutory fees and charges from 2019/20 (\$100k); and
- Not charging penalty interest on rates until 31 December 2020 (\$75k).

The Business and Community Support Fund will be developed further to target the hardest hit areas of business and community as the impact of the COVID response is realised.

The two major assumptions supporting this financial analysis are that the pandemic will directly impact the community through to 30 September 2020 and that an average rate increase of 1.5% will be adopted for 2020/21 (0.5% less than the State Government rate cap)

As the extent and impact on the community of COVID-19 continues to unfold over the coming months the budget provides Council with some flexibility on the nature and timing of the community support initiatives it will implement.

The budget will be monitored closely with any variations to the above assumptions reported to Council for further decision.

All operating budgets, initiatives and business cases have been reviewed to ensure the services identified within the Council Plan are being delivered, within a balanced budget.

In preparing the Budget, Council considered the long term financial planning principles which include:

- Ensuring long term financial sustainability;
- Delivering services in a cost effective and efficient manner;
- Ensuring operating revenues are sustainable and consider community wide and individual benefits (rates versus user charges);
- Maintaining cash reserves and operating surpluses at appropriate levels;
- Identifying and quantifying long term liabilities;
- Meeting social equity objectives through specific programs;
- Managing the Shire's capital assets to maximise long term community benefit; and
- Recognising that funding from State and Federal Government is a crucial element of financial sustainability.

Meeting these principles has been more challenging over recent years given Council is now operating within an environment where revenue is restricted due to rate capping imposed by the State Government and Federal Assistance Grants were frozen for a three-year period between 2015 and 2018, creating a permanent impact on Council's reserves.

Furthermore, Council has implemented the principles of sound financial management as required under Section 136 of the Local Government Act 1989 (the Act):

- Managing financial risks faced by the Council prudently, having regard to economic circumstances;
- Pursuing spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden;
- Ensuring that decisions are made and actions are taken having regard to their financial effects on future generations; and
- Ensuring full, accurate and timely disclosure of financial information relating to the Council.

As has been the case for many years, Colac Otway faces substantial challenges associated with the provision and renewal of roads, paths, and community and recreation facilities

In February 2014, The Victorian Auditor-General's Office tabled a report in Parliament highlighting its concerns over this exact challenge that councils face in meeting the growing demand of asset maintenance and renewal. The Auditor-General, Mr John Doyle, states in the report:

'They also have legislative obligations to manage financial risks prudently and to ensure that their asset management decisions take into account economic circumstances and their financial effects on future generations. This is especially important in the current economic climate and in an environment where reliance on sources of revenue such as government grants cannot be assured'.

This challenge is further exacerbated with the introduction of rate capping. History shows that the cost of maintaining and constructing such assets greatly exceeds CPI and the rate cap.

The budget provides for an average annual rate increase of 1.5%. The table below provides a summary of the calculation, according to the formula prescribed by the State Government.

Forecast Annualised Rate Revenue at 30 June 2020	\$27,941,807
Forecast Number of Assessments at 30 June 2020	15,484
Forecast Base Average Rate 2019/20 per assessment	\$1,804.56
Budget Rate Revenue 2020/21	\$28,358,999
Capped Average Rate 2020/21 per assessment	\$1,831.50
Average Capped Increase	1.50%

It is important to note that this is only an average increase and actual increases will vary depending on the relative value of individual properties. As required by legislation, the rate burden must be distributed based upon the value of a property which will result in higher valued properties increasing by more than 1.5% and lower valued properties increasing by less than 1.5%.

In real terms, when taking the kerbside collection charge into consideration, total average rates will increase by a total of 1.18%. This is due to the weekly kerbside collection service reducing from \$315 to \$300 and the fortnightly service reducing from \$215 to \$205.

MAJOR INITIATIVES

As per section 127 of the Act, the following six initiatives have been identified by Council as priorities to be undertaken during the 2020/21 financial year:

1. Response to COVID-19 pandemic

At the time of preparing the budget the COVID-19 pandemic continues to be an evolving situation. Whatever the final outcomes from the pandemic may be, Council recognises that it has a vital role in supporting the community to respond to the economic and humanitarian impact that will be experienced.

In addition to allocating some limited financial support within the 2020/21 budget, Council has already activated its Influenza Pandemic Plan and is implementing its Relief and Recovery Plan to support the community.

Council will also be monitoring, and lobbying for, State and Federal funding opportunities should they arise.

2. Transition to Local Government Act 2020 and Development of Community Vision

The Local Government Act 2020 (the 2020 Act) received royal assent on 24 March 2020 and is to be implemented in four stages over the next two years, delivering to the five key reform themes of:

- Improved service delivery
- Strong local democracy
- Improve conduct
- Community conduct
- A new relationship.

Local Government Victoria states that the 2020 Act has been developed through an extensive consultation process to revitalise local democracy, boost council innovation and efficiency and establish a clear, simple and accessible act. To achieve this, five primary principles have guided the development of the 2020 Act. These principles are:

1. Community Engagement
2. Strategic Planning
3. Financial Management
4. Public Transparency
5. Service Performance.

In accordance with section 88 of the 2020 Act and these principles, a Community Vision must be developed and adopted by Council by 31 October 2021. The Community Vision must:

- be developed with the municipal community in accordance with Council's deliberative engagement practices.
- be developed with the scope being for a period of at least the next 10 financial years.
- describe the municipal community's aspirations for the future of the municipality.

The development of this strategic document is a major piece of work to be undertaken over the next 18 months and involves extensive collaboration and engagement with the Colac Otway community.

3. Implementation of the City Deal Project

The Geelong City Deal is Victoria's first with the Commonwealth and Victorian Governments working together with Local Government partners.

Colac Otway Communities will be the beneficiary of \$18.9 million in funding to support three key projects captured within Great Ocean Road Infrastructure Projects, those being:

- Apollo Bay Harbour - \$12 million
- Great Ocean Walk between Apollo Bay (Wild Dog Creek) and Skenes Creek - \$5 million
- Improvements to Tourism Infrastructure in Kennett River - \$1.9 million

4. Information Communications and Technology (ICT) Strategy

Implementation of Council's 2018-2022 ICT Strategy is a critical aspect of ensuring ICT delivery capability is aligned to the business requirements of Council and to maximise efficiencies utilising readily available technology.

During 2020/21 the program of works will see major upgrades and improvements in the following systems:

- Multi-site network connectivity;
- Municipal Management System (Civica Authority suite of software) remediation;
- The migration of selected software products to the 'cloud';
- Provision and enhancement of mobile computing;
- Unify Internal Communication Systems

5. Forrest Mountain Bike Revitalisation

The Forrest mountain bike network provides a significant economic stimulus for the Forrest township as well as the wider region.

Current visitation to the Forrest MTB Trails is approximately 25,000 visitors per annum. The network attracts a market that often stays for multiple days and spends locally on accommodation, entertainment, food and drink. This has helped facilitate Forrest's transition from a timber town to a centre for nature-based tourism.

The Forrest MTB revitalisation project will create new 'product' in Forrest including three new 'flow' trails, where the rider can complete a downhill trail with little to no peddling due to the trail's use of gravity. These trails will be for the beginner to intermediate level mountain biker, making Forrest one of Victoria's best venues for safely improving skills. Other upgrades will allow signature trails to be ridden year-round as well as introducing exciting new features.

A major benefit of this project is to create Victoria's first adaptive rider friendly network in order to attract adaptive riders from across Australia and internationally. These network upgrades are vital to maintain Forrest's market relevance and competitiveness amid the recent expansion and development of other networks across Australia.

6. Colac Civic and Rail Precinct Master Plan

This project will create a Precinct Plan to explore options for the future use and development of the 'Colac Civic and Railway Precinct'. The aim of the project is to provide a framework for the coordinated long-term development of the Precinct. The Precinct Plan will guide the overall vision for the precinct, to ensure a coordinated and consistent approach to the precinct's development. During 2020/21 Council will be working on completing the Precinct Plan.

FINANCIAL PERFORMANCE AND SUSTAINABILITY

The key financial outcomes from the attached budget include:

- Net Deficit \$448k
- Adjusted Underlying Deficit \$548k
- Closing Cash Balance of \$13.8m
- Closing Working Capital Surplus of \$6.0m, or 154%
- Reserves balance of \$12.9m
- \$10.2m Capital Works Program.
- \$9.5m capital renewal, which equates to 88% of depreciation.

The Financial Performance Indicators are detailed in Section 5 on this document.

Adjusted Underlying Surplus

The regulations prescribe the method for calculating the 'Adjusted Underlying Result'. The purpose for calculating the Adjusted Underlying Result is to remove the effect on the budget of one-off revenue items that may otherwise overstate Council's 'normal' performance. Under the regulations the 2020/21 deficit of \$548k is calculated as follows:

	\$'000
Total Comprehensive Result	(448)
Non-recurrent grants used to fund capital expenditure	(100)
Non-monetary asset contributions	-
Other contributions to fund capital expenditure	-
Adjusted Underlying Deficit	(548)

Revenue

The following key points relate to the budgeted revenue of \$55.6m which is budgeted to increase from the 2019/20 forecast of \$54.9m.

- Rates and charges will increase by a total of \$632k to a total of \$31.9m. This includes:
 - An average increase in general rates and municipal charge of 1.50% (Municipal charge to increase by \$2, to \$193);
 - Compounding effect of supplementary valuations, including the transition of 230 newly identified holiday rental properties from 2019/20; and
 - The annual kerbside collection charge is budgeted to decrease, with the weekly waste charge decreasing by \$15 from \$315 to \$300 and the fortnightly waste charge by \$10 from \$215 to \$205.
- User Fees and Charges have increased by \$694k to \$5.8m. This increase is primarily due to the increased service levels and fees associated with funded Home Care packages.
- Operating grants have increased by \$3.2m to \$14.7m. This is primarily due to the \$3.6m grant relating to City Deal.
- Capital grants have decreased by \$3.5m to \$1.8m. This is primarily the result of some larger funding forecast to be received in 2019/20. E.g. Colac CBD and Entrances (\$975k), Western Reserve (\$500k), Central Reserve (\$800k), Memorial Square (\$550).
- Other income is budgeted to increase by \$19k to \$516k.

Expenditure

The following key points relate to the budgeted expenditure of \$56.1m which has increased by \$1.03m.

- Employee costs have increased by \$610k, or 3.1%, to \$20.5m.
 - \$398k is attributable to the required increase per the EBA.
 - FTE is budgeted to increase by 2, from 226 to 228
 - This FTE increase is largely driven by the resourcing required to deliver the increased number of home care packages. The additional employee costs are offset by an increase in User Fees.
 - There has also been some contracted labour replaced with permanent staff, which has the effect of saving funds overall, but shifting the cost classification from materials and services to employee costs.
- Materials and services have decreased by \$577k, or 2.5%, to \$22.5m.
 - The following are some of the larger operating initiatives that will be funded within materials and services:
 - City Deal - \$3.6m
 - Forrest Mountain Bike revitalisation project - \$750k
 - Contribution towards Apollo Bay Early Years Hub - \$500k
 - Community Vision Plan - \$100k
 - Information Communication Technology - \$115k
 - Landfill rehabilitation and audits - \$90k
 - Energy Efficient Street Lighting - \$70k
 - Agency staff are budgeted to increase by \$259k due to the increased utilisation of trainees.
 - Excluding \$3.6m in contractor costs to deliver the City Deal project, contractor costs are budgeted to decrease by \$2.1m.
 - Expenditure on consultants is budgeted to decrease by \$298k.
 - Legal expenditure is budgeted to decrease by \$266k to \$143k. This is predominantly due to the Bluewater mediation (\$110k) and the workplace death (\$153k) matters being finalised in 2019/20.
- Depreciation expense will increase by \$200k, to \$10.8m.
- Amortisation and Finance costs totalling \$164k have been included relating to existing operating leases in place. This inclusion is a direct result of changes to Australian Accounting Standards which requires a different treatment of leases. This does not have any impact on the cash balance, as these costs were previously accounted for in Materials and Services.
- Borrowing costs will decrease by \$59k, to \$53k. This reduction is due to the reduced level of debt in 2020/21.

Balance Sheet

The key points to note are:

- Council's working capital will increase by \$845k, from \$5.1m to \$6.0m. Current assets will be 1.54 times current liabilities at the end of the financial year, up from 1.45 forecast in 2019/20.
- Council's net worth will decrease by \$448k to \$320m.
- Property, infrastructure, plant and equipment comprise 95% of Council's total assets.
- Provisions are budgeted to remain steady at \$14.7m.
- A 'Right-of-Use' asset to the value of \$1.2m has been created to account for existing operating leases. This is offset by 'Lease Liabilities' to the same value in the balance sheet. This change in accounting treatment is a direct result of changes to Australian Accounting Standards and has no impact on Council cash.
- \$286k in debt will be repaid.

Cash Flow

The closing cash balance is budgeted to be \$13.8m at 30 June 2021.

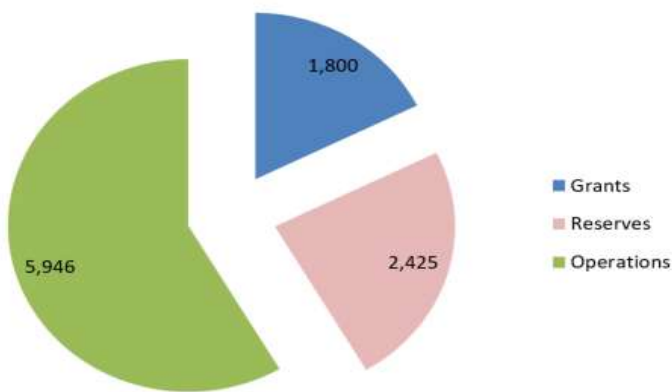
- Under the regulations \$12.2m of this balance will be classified as unrestricted, with the remaining \$1.6m being restricted within statutory and discretionary reserves.
- This balance will be \$900k in excess of the budgeted reserve balance of \$12.9m
- The cash balance at 30 June 2021 is budgeted to include \$3.7m of Federal Assistance Grants received in advance.

Capital Works

The key points to note are:

- The capital works program for 2020/21 totals \$10.2m, \$8m less than the 2019/20 forecast of \$18.2m.
- The program is divided between capital renewal (93%), capital upgrade (2%) and new assets (5%).
- The capital works budget is funded from a mix of external and internal sources. 18% is funded by grants and 82% by operations.

Chart 1 – Capital Works funding sources



Following is a summary of the major items of capital expenditure funded in the budget:

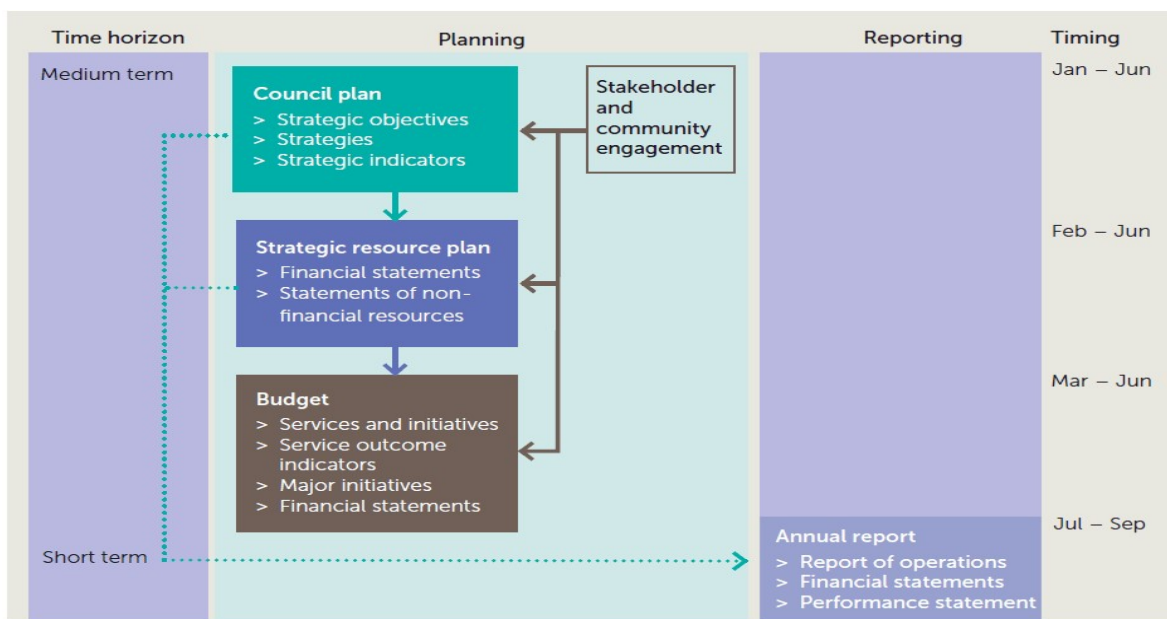
- Sealed road reconstruction program - \$3m
- Heavy Plant replacement - \$1.7m
- Unsealed road re-sheet program - \$1.2m
- Sealed road resealing program - \$580k
- Building renewal program - \$356k
- Bridge rehabilitation program - \$620k
- Footpath renewal - \$303k
- Road slip rehabilitation program - \$574k
- Rail Level Crossing Improvements, Back Larpent Road - \$160k
- Commence new footpath in Roadknight Street, Birregurra - \$110k
- Colac Otway Parking & Traffic Strategy Implementation - \$171k

1. Link to the Council Plan

This section describes how the Annual Budget links to the achievement of the Council Plan within an overall planning and reporting framework. This framework guides the Council in identifying community needs and aspirations over the long term, medium term (Council Plan) and short term (Annual Budget) and then holding itself accountable (Annual Report).

1.1 Legislative Planning and accountability framework

The Strategic Resource Plan, part of and prepared in conjunction with the Council Plan, is a rolling four-year plan that outlines the financial and non-financial resources that Council requires to achieve the strategic objectives described in the Council Plan. The Annual Budget is framed within the Strategic Resource Plan, considering the services and initiatives which contribute to achieving the strategic objectives specified in the Council Plan. The diagram below depicts the planning and accountability framework that applies to local government in Victoria.



Source: Department of Environment, Land, Water and Planning

The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes.

1.1.2 Key planning considerations

Service level planning

Although councils have a legal obligation to provide some services— such as animal management, local roads, food safety and statutory planning—most council services are not legally mandated, including some services closely associated with councils, such as libraries, building permits and sporting facilities. Further, over time, the needs and expectations of communities can change. Therefore councils need to have robust processes for service planning and review to ensure all services continue to provide value for money and are in line with community expectations. In doing so, councils should engage with communities to determine how to prioritise resources and balance service provision against other responsibilities such as asset maintenance and capital works.

1.2 Our purpose

Our Vision "Towards a prosperous future"

The Councillors at Colac Otway Shire commit to plan for growth in business and employment for our town and settlements; The delivery of high quality services that meet community needs and demonstrate values for money; and to be leaders and work together as a team with the community and the organisation to achieve our goals for the shire.

Our values

- **Respect** – Be open and consistent in our dealings with people and respect their views.
- **Integrity** – We will work in an open and transparent way, ensuring our processes, decisions and actions are ethical, responsible and honest.
- **Goodwill** – We will have an attitude of kindness and friendliness and build a good relationship with our customers and community.
- **Honesty** – We will be consistent, keep our promises, admit our mistakes and clearly communicate our decisions.
- **Trust** – We will act honestly, openly and fairly to build levels of trust.

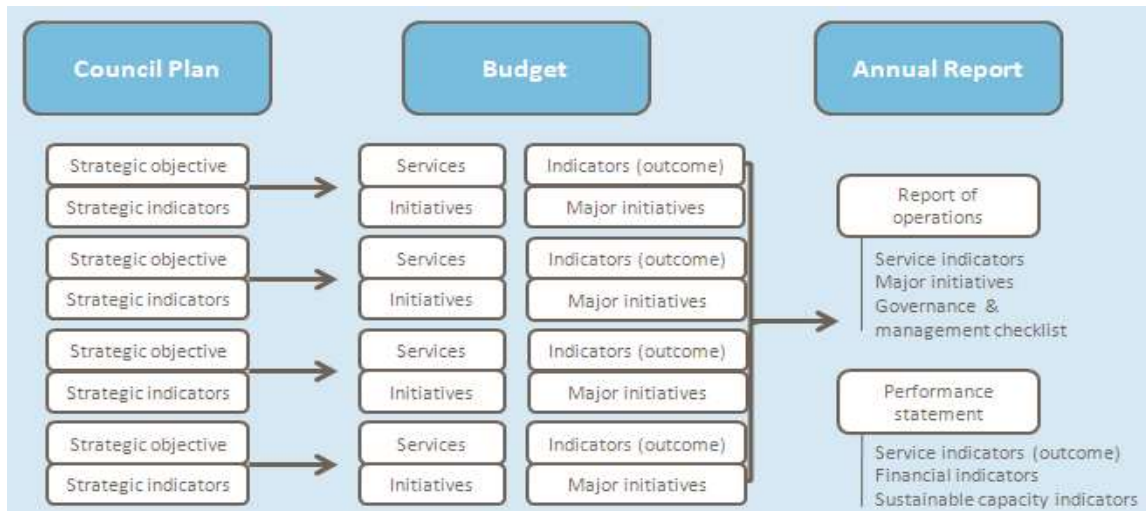
1.3 Strategic objectives

Council delivers activities and initiatives under major service categories. Each contributes to the achievement of one of the four Strategic Objectives as set out in the 2017-2021 Council Plan. The following table lists the four Strategies Objectives as described in the Council Plan.

Strategic Theme	Description
1. Our Prosperity	We work together to improve the prosperity of our people, businesses and community partners by working to promote our beautiful shire as an attractive place to invest, live and work.
2. Our Places	Our places are well-planned. We work with local and government partners to plan health, safe environments which promote community life and enhance well-being. Our infrastructure assets are managed so that they are sustainable for long term.
3. Our Community	We work to know our community and to understand their needs and aspirations. We plan our assets and services to meet community need and to foster a culture of good service and partnership with others.
4. Our Leadership & Management	We will work together with our community to create a sustainable future. We will deliver value for money for ratepayers in everything we do and we will achieve long term sustainability and transparent community leadership.

2. Services and service performance indicators

This section provides a description of the services and initiatives to be funded in the Budget for the 2020/21 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan. It also describes several initiatives and service performance outcome indicators for key areas of Council's operations. Council is required by legislation to identify major initiatives, initiatives and service performance outcome indicators in the Budget and report against them in their Annual Report to support transparency and accountability. The relationship between these accountability requirements in the Council Plan, the Budget and the Annual Report is shown below



Source: Department of Environment, Land, Water and Planning

2.1 Strategic Theme 1: Our Prosperity

We work together to improve the prosperity of our people, businesses and community partners by working to promote our beautiful shire as an attractive place to invest, live and work.

Services

Service area	Description of services provided		2018/19	2019/20	2020/21
			Actual \$'000	Forecast \$'000	Budget \$'000
Building Control	This service provides for planned building developments to meet present and future community requirements.	<i>Exp</i>	1,081	1,146	1,250
		<i>Rev</i>	(103)	(122)	(144)
		NET	977	1,024	1,106
Events	This service provides for active community involvement in the provisioning of management and support for community entertainment and events.	<i>Exp</i>	141	127	131
		<i>Rev</i>	(4)	(3)	(4)
		NET	136	124	127
Economic Development	This service facilitates a healthy and resilient economy by providing effective leadership, advocacy, and partnership, by working with government business and the community.	<i>Exp</i>	758	1,138	1,689
		<i>Rev</i>	(13)	(19)	(535)
		NET	745	1,118	1,154
Tourism	This service provides economic benefit by promoting the Shire as a location for visitors to enjoy, explore and return to. Visitor information is provided via Council's two Visitor Information Centres and via media.	<i>Exp</i>	947	973	879
		<i>Rev</i>	(300)	(314)	(318)
		NET	647	658	561
Apollo Bay Harbour	This service manages and maintains the Apollo Bay Harbour for the enjoyment of the community.	<i>Exp</i>	1,387	2,844	1,027
		<i>Rev</i>	(1,204)	(1,053)	(1,010)
		NET	183	1,791	17
Colac Livestock Selling Centre	This service provides a vital link in our rural infrastructure by providing a marketplace for buying and selling livestock.	<i>Exp</i>	402	376	387
		<i>Rev</i>	(488)	(417)	(417)
		NET	(86)	(41)	(30)
Statutory Planning	This service fulfils Council's statutory obligations in being the responsible authority for the management and regulation of land use and development, with the aim of achieving sustainable outcomes in the interests of current and future generations.	<i>Exp</i>	1,404	1,381	1,265
		<i>Rev</i>	(510)	(308)	(293)
		NET	893	1,073	972
Strategic Planning	This service ensures that land use planning is undertaken to meet the sustainable long term needs of current and future generations.	<i>Exp</i>	334	418	261
		<i>Rev</i>	-	-	-
		NET	334	418	261

Major Initiatives

Forrest Mountain Bike Revitalisation

The Forrest mountain bike network provides a significant economic stimulus for the Forrest township as well as the wider region.

Current visitation to the Forrest MTB Trails is approximately 25,000 visitors per annum. The network attracts a market that often stays for multiple days and spends locally on accommodation, entertainment, food and drink. This has helped facilitate Forrest's transition from a timber town to a centre for nature-based tourism.

The Forrest MTB revitalisation project will create new 'product' in Forrest including three new 'flow' trails, where the rider can complete a downhill trail with little to no peddling due to the trail's use of gravity. These trails will be for the beginner to intermediate level mountain biker, making Forrest one of Victoria's best venues for safely improving skills. Other upgrades will allow signature trails to be ridden year-round as well as introducing exciting new features.

A major benefit of this project is to create Victoria's first adaptive rider friendly network in order to attract adaptive riders from across Australia and internationally. These network upgrades are vital to maintain Forrest's market relevance and competitiveness amid the recent expansion and development of other networks across Australia.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Statutory planning	Decision making	Council planning decisions upheld at VCAT. (Percentage of planning application decisions subject to review by VCAT and that were not set aside)	[Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100

2.2 Strategic Theme 2: Our Places

Our places are well-planned. We work with local and government partners to plan health, safe environments which promote community life and enhance well-being. Our infrastructure assets are managed so that they are sustainable for long term.

Services

Service area	Description of services provided		2018/19 Actual \$'000	2019/20 Forecast \$'000	2020/21 Budget \$'000
Emergency Management	This service provides for the necessary support for the community in the case of an emergency event occurring.	<i>Exp</i>	203	497	968
		<i>Rev</i>	(14)	(10)	(15)
		NET	189	487	953
Environment	This service provides for management of our natural environment to the betterment and enjoyment of all members of our community.	<i>Exp</i>	653	1,260	680
		<i>Rev</i>	-	-	-
		NET	653	1,260	680
Infrastructure Services	This service provides for the physical assets required by the community to maintain a happy, healthy and sustainable lifestyle.	<i>Exp</i>	8,153	6,660	9,684
		<i>Rev</i>	(454)	(1,170)	(4,329)
		NET	7,699	5,491	5,355
Parks, Gardens and Reserves	This service provides for the maintenance of open space for the enjoyment of all community members.	<i>Exp</i>	1,207	2,313	2,319
		<i>Rev</i>	-	-	-
		NET	1,207	2,313	2,319
Waste Management	This service provides for the efficient and effective control of waste products produced by our community. It includes the provision of waste collection services as well as for disposal to landfill.	<i>Exp</i>	3,656	4,272	4,109
		<i>Rev</i>	(3,340)	(3,368)	(3,337)
		NET	317	904	772

Major Initiatives

Implementation of the City Deal Project

The Geelong City Deal is Victoria's first with the Commonwealth and Victorian Governments working together with Local Government partners.

Colac Otway Communities will be the beneficiary of \$18.9 million in funding to support three key projects captured within Great Ocean Road Infrastructure Projects, those being:

- Apollo Bay Harbour - \$12 million
- Great Ocean Walk between Apollo Bay (Wild Dog Creek) and Skenes Creek - \$5 million
- Improvements to Tourism Infrastructure in Kennett River - \$1.9 million

Colac Civic and Rail Precinct Master Plan

This project will create a Precinct Plan to explore options for the future use and development of the 'Colac Civic and Railway Precinct'. The aim of the project is to provide a framework for the coordinated long-term development of the Precinct. The Precinct Plan will guide the overall vision for the precinct, to ensure a coordinated and consistent approach to the precinct's development. During 2020/21 Council will be working on completing the Precinct Plan.

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Roads	Satisfaction	Satisfaction with sealed local roads. (Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads)	Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads.
Waste collection	Waste diversion	Kerbside collection waste diverted from landfill. (Percentage of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill)	[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100

2.3 Strategic Theme 3: Our Community

We work to know our community and to understand their needs and aspirations. We plan our assets and services to meet community need and to foster a culture of good service and partnership with others.

Services

Service area	Description of services provided		2018/19 Actual \$'000	2019/20 Forecast \$'000	2020/21 Budget \$'000
Arts & Culture	This service is responsible for the management and provision of arts and cultural services to the community. This service is responsible for the running of the Colac Otway Performing Arts & Cultural Centre.	<i>Exp</i>	1,267	1,278	1,051
		<i>Rev</i>	(542)	(482)	(380)
		NET	725	796	671
Leisure Centres	This service actively promotes a healthy lifestyle for our community by directly providing swimming and gymnasium facilities.	<i>Exp</i>	1,938	2,096	2,004
		<i>Rev</i>	(1,361)	(1,139)	(1,067)
		NET	577	957	936
Children and Family Services	This service provides support to our children, families and youth to encourage and nurture their growth and development.	<i>Exp</i>	1,123	981	1,675
		<i>Rev</i>	(964)	(783)	(1,492)
		NET	158	198	183
Library Services	The library service provides resources and oversight to the Corangamite Regional Library Corporation for the provision of information, education, recreation and enrichment for the community.	<i>Exp</i>	739	743	782
		<i>Rev</i>	(16)	(27)	(41)
		NET	723	716	741
Local Laws	This service provides for community safety and health by providing for a framework for behaviours which affect our community well-being.	<i>Exp</i>	820	786	831
		<i>Rev</i>	(420)	(351)	(324)
		NET	400	435	507
Older Persons & Disability Services	This service provides support to older and disabled members of our community in order to sustain quality of life for all our residents.	<i>Exp</i>	3,355	3,599	4,197
		<i>Rev</i>	(2,942)	(3,539)	(4,388)
		NET	413	60	(191)
Public Health	This service promotes a healthy and safe lifestyle by actively promoting and policing public health issues.	<i>Exp</i>	442	609	587
		<i>Rev</i>	(204)	(217)	(77)
		NET	238	392	509
Recreation	This service provides for active community involvement and the promotion of healthy lifestyles by providing for suitable sporting and recreational facilities.	<i>Exp</i>	195	234	250
		<i>Rev</i>	-	-	-
		NET	195	234	250

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Libraries	Participation	Active library members. (Percentage of the municipal population that are active library members)	[Number of active library members / municipal population] x100
Maternal and Child Health	Participation	Participation in the MCH service. (Percentage of children enrolled who participate in the MCH service)	[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100
		Participation in MCH service by Aboriginal children. (Percentage of Aboriginal children enrolled who participate in the MCH service)	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100
Animal Management	Health and safety	Animal management prosecutions. (Number of successful animal management prosecutions)	Number of successful animal management prosecutions
Food safety	Health and safety	Critical and major non-compliance notifications. (Percentage of critical and major non-compliance notifications that are followed up by Council)	[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100
Aquatic Facilities	Utilisation	Utilisation of aquatic facilities. (Number of visits to aquatic facilities per head of municipal population)	Number of visits to aquatic facilities / Municipal population

2.4 Strategic Theme 4: Our Leadership & Management

We will work together with our community to create a sustainable future. We will deliver value for money for ratepayers in everything we do and we will achieve long term sustainability and transparent community leadership.

Services

Service area	Description of services provided		2018/19 Actual \$'000	2019/20 Forecast \$'000	2020/21 Budget \$'000
Councillors and Chief Executive	This area of governance includes the Mayor, Councillors, Chief Executive Officer, Business Improvement Officer and Public Relations Team and associated support which cannot be easily attributed to the direct service provision areas.	<i>Exp</i>	1,506	1,692	2,056
		<i>Rev</i>	-	-	(30)
		NET	1,506	1,692	2,026
Finance, Property and Rates	This service has the responsibility to generate revenue for Council via rate, levies and charges and to provide sustainable and accountable financial management of Council's resources.	<i>Exp</i>	1,815	1,731	1,627
		<i>Rev</i>	(7,544)	(7,251)	(6,707)
		NET	(5,729)	(5,520)	(5,080)
Customer Service	This service has the responsibility to provide the first point of contact between Council and the public through Council's Customer Service Centres. The service provides overall corporate customer service to the wider community and assists all areas of Council with the provision of corporate responsibility.	<i>Exp</i>	442	453	463
		<i>Rev</i>	-	-	-
		NET	442	453	463
Corporate Services Management	This service has the responsibility to maintain strong governance and administrative systems and to ensure that these systems are responsive, accountable and transparent to internal users and community needs.	<i>Exp</i>	547	473	447
		<i>Rev</i>	(32)	(22)	(30)
		NET	515	451	417
Contract Management	This service provides oversight and governance on contractual and procurement services undertaken by Council	<i>Exp</i>	391	306	353
		<i>Rev</i>	-	-	-
		NET	391	306	353
Information Services	This services provides management and governance of information flows, storage and retrieval within the organisation in accordance with appropriate legislation and standards.	<i>Exp</i>	2,123	3,154	2,541
		<i>Rev</i>	-	-	-
		NET	2,123	3,154	2,541
People, Performance & Culture	This service provides and develops a cultural of high performance, productivity and accountability across the organisation.	<i>Exp</i>	854	768	777
		<i>Rev</i>	-	-	-
		NET	854	768	777
Risk Management Services	This service has the responsibility to identify, record and manage all business risk associated with Council's activities. This service manages Council's insurance portfolio.	<i>Exp</i>	745	1,059	776
		<i>Rev</i>	(165)	(76)	(123)
		NET	580	983	653

Major Initiatives

Response to COVID-19 pandemic

At the time of preparing the budget the COVID-19 pandemic continues to be an evolving situation. Whatever the final outcomes from the pandemic may be, Council recognises that it has a vital role in supporting the community to respond to the economic and humanitarian impact that will be experienced.

In addition to allocating some limited financial support within the 2020/21 budget, Council has already activated its Influenza Pandemic Plan and is implementing its Relief and Recovery Plan to support the community.

Council will also be monitoring, and lobbying for, State and Federal funding opportunities should they arise.

Transition to Local Government Act 2020 and Development of Community Vision

The Local Government Act 2020 (the 2020 Act) received royal assent on 24 March 2020 and is to be implemented in four stages over the next two years, delivering to the five key reform themes of:

- Improved service delivery
- Strong local democracy
- Improve conduct
- Community conduct
- A new relationship.

Local Government Victoria states that the Act has been developed through an extensive consultation process to revitalise local democracy, boost council innovation and efficiency and establish a clear, simple and accessible act. To achieve this, five primary principles have guided the development of the 2020 Act. These principles are:

1. Community Engagement
2. Strategic Planning
3. Financial Management
4. Public Transparency
5. Service Performance.

In accordance with section 88 of the 2020 Act and these principles, a Community Vision must be developed and adopted by Council by 31 October 2021. The Community Vision must:

- be developed with the municipal community in accordance with Council's deliberative engagement practices
- be developed with the scope being for a period of at least the next 10 financial years
- describe the municipal community's aspirations for the future of the municipality.

The development of this strategic document is a major piece of work to be undertaken over the next 18 months and involves extensive collaboration and engagement with the Colac Otway community.

Information Communications and Technology (ICT) Strategy

Implementation of Council's 2018-2022 ICT Strategy is a critical aspect of ensuring ICT delivery capability is aligned to the business requirements of Council and to maximise efficiencies utilising readily available technology.

During 2020/21 the program of works will see major upgrades and improvements in the following systems:

- Multi-site network connectivity.
- Municipal Management System (Civica Authority suite of software) remediation.
- The migration of selected software products to the 'cloud'.
- Provision and enhancement of mobile computing
- Unify Internal Communication Systems

Service Performance Outcome Indicators

Service	Indicator	Performance Measure	Computation
Governance	Satisfaction	Satisfaction with Council decisions. (Community satisfaction rating out of 100 with how Council has performed in making decisions in the interests of the community)	Community satisfaction rating out of 100 with how Council has performed in making decisions in the interests of the community

2.5 Reconciliation with budgeted operating result

	Net Cost (Revenue)	Expenditure	Revenue
	\$'000	\$'000	\$'000
Our Prosperity	4,168	6,888	(2,720)
Our Places	10,078	17,759	(7,681)
Our Community	3,607	11,377	(7,770)
Our Leadership & Management	2,151	9,040	(6,889)
Total	20,004	45,064	(25,060)
Expenses added in:			
Depreciation	10,800		
Amortisation - right of use assets	115		
Finance costs	102		
Deficit before funding sources	31,021		
Funding sources added in:			
Rates and charges revenue (excluding Waste)	(28,774)		
Capital grants	(1,800)		
Total funding sources	(30,574)		
Operating (surplus)/deficit for the year	448		

3. Financial Statements

This section presents information in regard to the Financial Statements and Statement of Human Resources. The budget information for the year 2020/21 has been supplemented with projections to 2023/24 extracted

This section includes the following financial statements prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) regulations 2014*.

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

Pending Accounting Standards

The 2020/21 budget has been prepared based on the accounting standards applicable at the date of preparation. It has been updated to include the impact of *AASB 16 Leases*, *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities*, but pending accounting standards that will be in effect from the 2020-21 financial year have not been considered in the development of the budget.

Standards that are likely to impact on the 2020/21 financial statements, not considered in the preparation of the budget include:

3.1 Comprehensive Income Statement

For the four years ending 30 June 2024

	NOTES	Forecast	Budget	Strategic Resource Plan Projections		
		2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
Income						
Rates and charges	4.1.1	31,270	31,902	32,660	33,409	34,173
Statutory fees and fines	4.1.2	692	598	612	621	630
User fees	4.1.3	5,125	5,818	5,948	6,038	6,128
Grants - Operating	4.1.4	11,504	14,720	16,358	16,520	16,684
Grants - Capital	4.1.4	5,278	1,800	9,407	9,575	9,762
Contributions - monetary	4.1.5	372	19	2,685	2,752	2,807
Contributions - non-monetary	4.1.5	-	-	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		147	232	150	100	100
Fair value adjustments for investment property		-	-	-	-	-
Share of net profits/(losses) of associates and joint ventures		35	30	30	30	30
Other income	4.1.6	497	516	494	476	462
Total income		54,919	55,634	68,344	69,520	70,777
Expenses						
Employee costs	4.1.7	19,909	20,520	21,139	21,561	21,993
Materials and services	4.1.8	23,058	22,480	24,450	24,839	25,236
Depreciation	4.1.9	10,600	10,800	11,328	11,717	12,116
Amortisation - right of use assets	4.1.10	-	115	115	115	115
Bad and doubtful debts		2	2	3	3	3
Borrowing costs		112	53	40	35	-
Finance Costs - leases		-	49	44	39	34
Other expenses	4.1.11	1,367	2,063	2,255	2,288	2,322
Total expenses		55,048	56,082	59,374	60,597	61,819
Surplus/(deficit) for the year		(129)	(448)	8,970	8,923	8,958
Other comprehensive income						
Items that will not be reclassified to surplus or deficit in future periods						
Net asset revaluation increment/(decrement)		-	-	-	-	-
Share of other comprehensive income of associates and joint ventures		-	-	-	-	-
Items that may be reclassified to surplus or deficit in future periods (detail as appropriate)						
		-	-	-	-	-
Total comprehensive result		(129)	(448)	8,970	8,923	8,958

3.2 Balance Sheet

For the four years ending 30 June 2024

	NOTES	Forecast	Budget	Strategic Resource Plan Projections		
		2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
Assets						
Current assets						
Cash and cash equivalents		13,012	13,842	10,514	6,298	2,888
Trade and other receivables		2,983	2,897	2,957	3,016	3,062
Inventories		181	156	156	156	156
Other assets		430	273	273	273	273
Total current assets	4.2.1	16,607	17,168	13,900	9,743	6,380
Non-current assets						
Investments in associates, joint arrangement and subsidiaries		435	465	465	465	465
Property, infrastructure, plant & equipment		324,243	322,784	334,927	347,632	360,166
Right-of-use assets	4.2.4	1,267	1,152	1,037	922	807
Total non-current assets	4.2.1	325,945	324,401	336,429	349,019	361,438
Total assets		342,552	341,569	350,329	358,763	367,818
Liabilities						
Current liabilities						
Trade and other payables		4,110	4,237	4,135	4,207	4,274
Trust funds and deposits		846	585	585	585	585
Provisions		6,100	6,100	6,161	6,223	6,285
Interest-bearing liabilities	4.2.3	286	142	78	-	-
Lease liabilities	4.2.4	115	110	115	120	125
Total current liabilities	4.2.2	11,458	11,174	11,074	11,134	11,269
Non-current liabilities						
Provisions		8,555	8,555	8,641	8,727	8,814
Interest-bearing liabilities	4.2.3	738	596	517	-	-
Lease liabilities	4.2.4	1,152	1,042	927	807	682
Total non-current liabilities	4.2.2	10,445	10,193	10,084	9,534	9,496
Total liabilities		21,903	21,367	21,158	20,668	20,765
Net assets		320,649	320,202	329,172	338,095	347,053
Equity						
Accumulated surplus		131,835	131,289	140,259	149,182	158,140
Reserves		188,814	188,913	188,913	188,913	188,913
Total equity		320,649	320,202	329,172	338,095	347,053

3.3 Statement of Changes in Equity

For the four years ending 30 June 2024

	NOTES	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020 Forecast Actual					
Balance at beginning of the financial year		320,779	122,134	176,018	22,626
Impact of adoption of new accounting standards		-	-	-	-
Adjusted opening balance		320,779	122,134	176,018	22,626
Surplus/(deficit) for the year		(129)	(129)	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves		-	(7,108)	-	7,108
Transfers from other reserves		-	16,939	-	(16,939)
Balance at end of the financial year		320,649	131,835	176,018	12,796
2021 Budget					
Balance at beginning of the financial year		320,649	131,835	176,018	12,796
Surplus/(deficit) for the year		(448)	(448)	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves	4.3.1	-	(11,672)	-	11,672
Transfers from other reserves	4.3.1	-	11,573	-	(11,573)
Balance at end of the financial year	4.3.2	320,202	131,289	176,018	12,895
2022					
Balance at beginning of the financial year		320,202	131,289	176,018	12,895
Surplus/(deficit) for the year		8,970	8,970	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves		-	-	-	-
Transfers from other reserves		-	-	-	-
Balance at end of the financial year		329,172	140,259	176,018	12,895
2023					
Balance at beginning of the financial year		329,172	140,259	176,018	12,895
Surplus/(deficit) for the year		8,923	8,923	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves		-	-	-	-
Transfers from other reserves		-	-	-	-
Balance at end of the financial year		338,095	149,182	176,018	12,895
2024					
Balance at beginning of the financial year		338,095	149,182	176,018	12,895
Surplus/(deficit) for the year		8,958	8,958	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves		-	-	-	-
Transfers from other reserves		-	-	-	-
Balance at end of the financial year		347,053	158,139	176,018	12,895

3.4 Statement of Cash Flows

For the four years ending 30 June 2024

	Notes	Forecast	Budget	Strategic Resource Plan Projections		
		2019/20	2020/21	2021/22	2022/23	2023/24
		\$'000	\$'000	\$'000	\$'000	\$'000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities						
Rates and charges		31,589	32,065	33,472	34,097	34,875
Statutory fees and fines		692	598	627	633	643
User fees		5,125	5,818	6,096	6,162	6,254
Grants - operating		11,504	14,798	16,641	16,757	16,924
Grants - capital		5,278	1,800	9,641	9,773	9,963
Contributions - monetary		372	19	2,685	2,752	2,807
Interest received		-	-	120	96	77
Trust funds and deposits taken		44	-	-	-	-
Other receipts		488	516	575	547	554
Employee costs		(18,766)	(20,520)	(22,359)	(22,727)	(23,185)
Materials and services		(22,874)	(22,328)	(24,743)	(24,754)	(25,141)
Short-term, low value and variable lease		-	-	-	-	-
Trust funds and deposits repaid		-	(262)	-	-	-
Other payments		(1,368)	(2,063)	(2,519)	(2,526)	(2,561)
Net cash provided by/(used in) operating activities	4.4.1	12,083	10,441	20,236	20,810	21,210
Cash flows from investing activities						
Payments for property, infrastructure, plant and equipment		(18,276)	(10,170)	(24,321)	(25,122)	(25,350)
Proceeds from sale of property, infrastructure, plant and equipment		490	1,062	1,100	880	880
Payments for investments		-	-	-	-	-
Proceeds from sale of investments		-	-	-	-	-
Net cash provided by/ (used in) investing activities	4.4.2	(17,786)	(9,108)	(23,221)	(24,242)	(24,470)
Cash flows from financing activities						
Finance costs		(112)	(53)	(40)	(35)	-
Proceeds from borrowings		-	-	-	-	-
Repayment of borrowings		(1,697)	(286)	(143)	(595)	-
Interest paid - lease liability		-	(49)	(44)	(39)	(34)
Repayment of lease liabilities		-	(115)	(115)	(115)	(115)
Net cash provided by/(used in) financing activities	4.4.3	(1,809)	(503)	(342)	(784)	(149)
Net increase/(decrease) in cash & cash equivalents		(7,512)	830	(3,327)	(4,217)	(3,410)
Cash and cash equivalents at the beginning of the financial year		20,524	13,012	13,842	10,514	6,298
Cash and cash equivalents at the end of the financial year		13,012	13,842	10,514	6,298	2,888

3.5 Statement of Capital Works

For the four years ending 30 June 2024

	Notes	Forecast	Budget	Strategic Resource Plan		
		2019/20	2020/21	Projections		2023/24
		\$'000	\$'000	2021/22	2022/23	\$'000
Property						
Land		-	-	-	-	-
Buildings		1,249	356	1,339	1,681	1,393
Total land & Buildings		1,249	356	1,339	1,681	1,393
Total property	4.5.2	1,249	356	1,339	1,681	1,393
Plant and equipment						
Plant, machinery and equipment		3,534	2,425	2,235	2,280	2,326
Fixtures, fittings and furniture		841	-	237	242	247
Computers and telecommunications		502	21	361	368	422
Total plant and equipment	4.5.2	4,877	2,446	2,833	2,890	2,995
Infrastructure						
Roads		5,785	5,082	6,424	6,552	6,683
Bridges		965	620	1,345	1,372	1,400
Footpaths and cycleways		383	413	1,401	1,429	1,458
Drainage		2,455	340	3,851	3,928	4,006
Recreational, leisure and community facilities		-	-	2,833	2,890	2,947
Other infrastructure		2,517	914	4,295	4,381	4,468
Total infrastructure	4.5.2	12,105	7,369	20,149	20,552	20,962
Total capital works expenditure		18,231	10,171	24,321	25,122	25,350
Represented by:						
New asset expenditure		3,646	507	5,955	6,070	6,191
Asset renewal expenditure		13,673	9,505	10,105	10,612	10,550
Asset expansion expenditure		-	-	6,227	6,365	6,493
Asset upgrade expenditure		912	160	2,034	2,075	2,116
Total capital works expenditure		18,231	10,171	24,321	25,122	25,350
Funding Sources represented by:						
Grants		5,278	1,800	9,407	9,575	9,762
Contributions		176	-	2,685	2,752	2,807
Council Cash		12,777	8,371	12,229	12,795	12,781
Borrowings		-	-	-	-	-
Total capital works expenditure		18,231	10,171	24,321	25,122	25,350

3.6 Statement of Human Resources

For the four years ending 30 June 2024

	Forecast	Budget	Strategic Resource Plan Projections		
	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000
Staff expenditure					
Employee costs - operating	19,909	20,520	20,716	21,130	21,553
Employee costs - capital	700	418	423	431	440
Total staff expenditure	20,609	20,938	21,139	21,561	21,993
	FTE	FTE	FTE	FTE	FTE
Staff numbers					
Employees	226.2	228.0	228.0	228.0	228.0
Total staff numbers	226.2	228.0	228.0	228.0	228.0

A summary of human resources expenditure categorised according to the organisational structure of Council is

Department	Budget 2020/21 \$'000	Comprises			
		Permanent		Casual	Temp
		Full Time	Part time		
		\$'000	\$'000	\$'000	\$'000
Chief Executive Office	1,069	922	147	-	-
Corporate Services	3,633	2,957	568	-	108
Development and Community Services	8,154	4,328	3,664	162	-
Infrastructure and Leisure Services	7,664	6,843	548	273	-
Total permanent staff expenditure	20,520	15,050	4,928	435	108
Capitalised labour costs	418				
Total expenditure	20,939				

A summary of the number of full time equivalent (FTE) Council staff in relation to the above expenditure is

Department	Budget 2020/21	Comprises			
		Permanent		Casual	Temp
		Full Time	Part time		
Chief Executive Office	9	8	1	-	-
Corporate Services	34	28	5	-	1
Development and Community Services	85	45	38	2	-
Infrastructure and Leisure Services	95	84	7	4	-
Total permanent staff expenditure	222	164	51	6	1
Capitalised labour costs	6				
Total staff	228				

4. Notes to the financial statements

This section presents detailed information on material components of the financial statements. Council needs to assess which components are material, considering the dollar amounts and nature of these components.

4.1 Comprehensive Income Statement

4.1.1 Rates and charges

Rates and charges are required by the Act and the Regulations to be disclosed in Council's annual budget.

In developing the Strategic Resource Plan, rates and charges were identified as an important source of revenue. Planning for future rate increases has therefore been an important component of the Strategic Resource Planning process. The Fair Go Rates System (FGRS) sets out the maximum amount councils may increase rates in a year. For 2020/21 the FGRS cap has been set at 2.0%. The cap applies to both general rates and municipal charges and is calculated on the basis of council's average rates and charges.

The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the community.

To achieve these objectives while maintaining service levels and a strong capital expenditure program, the average general rate and the municipal charge will increase by 1.5% (0.5% less than the rate cap).

Due to expected savings identified within the pending waste services contract the annual kerbside collection charge is budgeted to decrease, with the weekly waste charge decreasing by \$15 from \$315 to \$300 and the fortnightly waste charge by \$10 from \$215 to \$205.

4.1.1(a) The reconciliation of the total rates and charges to the Comprehensive Income Statement is as follows:

	2019/20 Forecast	2020/21 Budget	Change	%
	\$'000	\$'000	\$'000	
General rates*	24,915	25,536	621	2.49%
Municipal charge*	2,774	2,823	49	1.75%
Waste management charge	3,172	3,128	(44)	(1.4%)
Special rates and charges	22	23	0	0.27%
Supplementary rates and rate adjustments	70	102	32	45.71%
Revenue in lieu of rates	222	223	1	0.39%
Interest on rates and charges	94	68	(26)	(27.7%)
Total rates and charges	31,270	31,902	632	2.02%

*These items are subject to the rate cap established under the FGRS

4.1.1(b) The rate in the dollar to be levied as general rates under section 158 of the Act for each type or class of land compared with the previous financial year

Type or class of land	2019/20 cents/\$CIV	2020/21 cents/\$CIV	Change
Residential - Colac	0.004069	0.003898	(4.2%)
Residential - BOS	0.003459	0.003313	(4.2%)
Holiday Rental	0.004069	0.003898	(4.2%)
Rural Farm	0.003052	0.002924	(4.2%)
Commercial/Industrial - Colac	0.006714	0.006432	(4.2%)
Commercial/Industrial - BOS	0.005697	0.005457	(4.2%)

4.1.1(c) The estimated total amount to be raised by general rates in relation to each type or class of land, and the estimated total amount to be raised by general rates, compared with the previous financial year

Type or class of land	2019/20	2020/21	Change	
	\$	\$	\$	%
Residential - Colac	6,998,296	7,287,369	289,073	4.1%
Residential - BOS	7,770,362	7,718,707	(51,655)	(0.7%)
Holiday Rental	1,070,599	1,604,768	534,168	49.9%
Rural Farm	5,759,059	5,732,852	(26,207)	(0.5%)
Commercial/Industrial - Colac	2,174,316	2,173,619	(697)	(0.0%)
Commercial/Industrial - BOS	1,037,119	1,018,674	(18,445)	(1.8%)
Total amount to be raised by general rates	24,809,751	25,535,988	726,237	2.9%

4.1.1(d) The number of assessments in relation to each type or class of land, and the total number of assessments, compared with the previous financial year

Type or class of land	2019/20	2020/21	Change	
	Number	Number	Number	%
Residential - Colac	5,734	5,770	36	0.6%
Residential - BOS	5,342	5,221	(121)	(2.3%)
Holiday Rental	445	668	223	50.1%
Rural Farm	2,886	2,836	(50)	(1.7%)
Commercial/Industrial - Colac	652	656	4	0.6%
Commercial/Industrial - BOS	336	333	(3)	(0.9%)
Total number of assessments	15,395	15,484	89	0.6%

4.1.1(e) The basis of valuation to be used is the Capital Improved Value (CIV).

4.1.1(f) The estimated total value of each type or class of land, and the estimated total value of land, compared with the previous financial year

Type or class of land	2019/20	2020/21	Change	
	\$	\$	\$	%
Residential - Colac	1,719,931,000	1,869,515,000	149,584,000	8.7%
Residential - BOS	2,246,679,000	2,329,613,000	82,934,000	3.7%
Holiday Rental	263,115,000	411,690,000	148,575,000	56.5%
Rural Farm	1,887,161,000	1,960,955,000	73,794,000	3.9%
Commercial/Industrial - Colac	323,860,000	337,954,000	14,094,000	4.4%
Commercial/Industrial - BOS	182,062,000	186,666,000	4,604,000	2.5%
Total value of land	6,622,808,000	7,096,393,000	473,585,000	7.2%

4.1.1(g) The municipal charge under Section 159 of the Act compared with the previous financial year

Type of Charge	Per Rateable Property	Per Rateable Property	Change	
	2019/20	2020/21	\$	%
Municipal Charge	191	193	2	1.0%

4.1.1(h) The estimated total amount to be raised by municipal charges compared with the previous financial year

Type of Charge	2019/20	2020/21	Change	
	\$	\$	\$	%
Municipal Charge	2,774,466	2,823,011	48,545	1.7%

4.1.1(i) The rate or unit amount to be levied for each type of service rate or charge under Section 162 of the Act compared with the previous financial year

Type of Charge	Per Rateable Property	Per Rateable Property	Change	
	2019/20	2020/21	\$	%
Weekly Kerbside collection	315	300	(15)	(4.8%)
Fortnightly Kerbside collection	215	205	(10)	(4.7%)

4.1.1(j) The estimated total amount to be raised by each type of service rate or charge, and the estimated total amount to be raised by service rates and charges, compared with the previous financial year

Type of Charge	2019/20	2020/21	Change	
	\$	\$	\$	%
Weekly Kerbside collection	3,136,770	3,089,400	(47,370)	(1.5%)
Fortnightly Kerbside collection	35,475	38,130	2,655	7.5%
Total	3,172,245	3,127,530	(44,715)	(1.4%)

4.1.1(k) The estimated total amount to be raised by all rates and charges compared with the previous financial year

	2019/20	2020/21	Change	
	\$	\$	\$	%
General rates	24,809,751	25,535,988	726,237	2.9%
Municipal charge	2,774,466	2,823,011	48,545	1.7%
Kerbside collection and recycling	3,172,245	3,127,530	(44,715)	(1.4%)
Tirrengower Drainage Scheme	22,439	22,500	61	0.3%
Total Rates and charges	30,778,901	31,509,029	730,128	2.4%

4.1.1(l) Fair Go Rates System Compliance

Colac Otway Shire Council is required to comply with the State Government's Fair Go Rates System (FGRS). The table below details the budget assumptions consistent with the requirements of the Fair Go Rates System.

	2019/20	2020/21
Total Rates	\$ 27,446,976	\$ 27,941,807
Number of rateable properties	15,395	15,484
Base Average Rate	\$ 1,783	\$ 1,805
Maximum Rate Increase (set by the State Government)	2.50%	2.00%
Capped Average Rate	\$ 1,828	\$ 1,841
Maximum General Rates and Municipal Charges Revenue	\$ 28,142,060	\$ 28,500,643
Budgeted General Rates and Municipal Charges Revenue	\$ 27,584,145	\$ 28,358,999
Budgeted Supplementary Rates	\$ 70,000	\$ 102,000
Budgeted Total Rates and Municipal Charges Revenue	\$ 27,654,145	\$ 28,460,999

4.1.1(m) Any significant changes that may affect the estimated amounts to be raised by rates and charges

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

- The making of supplementary valuations (2020/21: estimated \$102,000 and 2019/20: \$70,000)
- The variation of returned levels of value (e.g. valuation appeals)
- Changes of use of land such that rateable land becomes non-rateable land and vice versa
- Changes of use of land such that residential land becomes business land and vice versa.

4.1.1(n) Differential rates

The rate and amount of rates payable in relation to land in each category of differential are listed above in item 4.1.1(b).

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

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

General Rates Charges

Please note, the following categories and differentials are subject to finalisation of the Rating Strategy 2019 to 2021.

Residential Land – Colac

Any land, whether vacant or built upon, which is located in Colac, Colac East, Colac West and Elliminyt that is not zoned for commercial or industrial use and which does not have the characteristics of:

- a) Rural Farm Land;
- b) Holiday Rental Land; or
- c) Commercial/Industrial Land – Colac, Colac East, Colac West or Elliminyt.

Residential Land – Balance of Shire

Any land, whether vacant or built upon or which is not located in Colac, Colac East, Colac West or Elliminyt that does not have the characteristics of:

- a) Rural Farm Land;
- b) Holiday Rental Land; or
- c) Commercial/Industrial Land – Colac, Colac East, Colac West or Elliminyt; or
- d) Commercial/Industrial Land – Balance of Shire.

Rural Farm Land

Any land located within the shire which is "Farm Land" within the meaning of section 2 of the Valuation of Land Act 1960 and is zoned to allow land to be used for rural and/or farming purposes.

Typically, these properties may contain buildings used as a residence and for farm purposes and will also contain land with no buildings located upon it.

A Rural – Farm property may also be any land located within the shire which:

- a) Is greater than 5 hectares in area;
- b) Is zoned to allow the land to be used for rural and/or farming purposes;
- c) Has been deemed unviable for the purposes of carrying on a business of primary production by Council; and
- d) Has been deemed unsuitable to allow the construction of a dwelling.

Holiday Rental Land

Any land that contains a dwelling, cabin or house or part of a house that:

- a) Is used for the provision of holiday accommodation for the purpose of generating income; or
- b) Is made generally available for holiday accommodation and is a secondary or supplemental source of income for the owner.

Note: Typically, the category will include absentee owned holiday houses, owner occupied "Bed and Breakfast" establishments, farm properties with accommodation cabins, holiday farms and the like.

The category will not include land used to provide tourist/holiday accommodation on an overtly commercial scale and basis where the provision of accommodation is an integral part of the use of the property. The types of properties excluded from this category would include motels, resorts, hotels with accommodation, caravan parks, centrally managed and promoted multi-unit developments and the like.

Commercial/Industrial Land – Colac, Colac East, Colac West, Elliminyt

Any land which is located in Colac, Colac East, Colac West or Elliminyt which does not have the characteristics of:

- a) Rural Farm Land;
- b) Residential Land – Colac, Colac East, Colac West or Elliminyt; or
- c) Holiday Rental Land;

And;

d) Is used primarily for:

- a. The sale of goods or services;
- b. Other commercial purposes; or
- c. Industrial purposes or which is vacant but zoned for commercial or industrial use.

Commercial/Industrial Land - Balance of Shire

Any land which is not located in Colac, Colac East, Colac West or Elliminyt which does not have the characteristics of:

- a) Rural Farm Land;
- b) Residential Land – Balance of Shire; or
- c) Holiday Rental Land;

And;

d) Is used primarily for:

- a. The sale of goods or services;
- b. Other commercial purposes; or
- c. Industrial purposes or which is vacant but zoned for commercial or industrial use.

Other Charges

Municipal Charge

A Municipal Charge be declared for the budgeted period pertaining to this budget document to cover some of the administrative costs of the Council.

The Municipal Charge to be as stated in item 4.1.1(g) per annum for each rateable property in respect of which a municipal charge can be levied.

Annual Service (Waste Management) Charges

An annual service (waste management) charge per 4.1.1(i) for the weekly service provided be declared for:

- a) All land used primarily for residential or commercial purposes; or
- b) Other land in respect of which a weekly waste collection and disposal service is provided, for the budgeted period pertaining to this budget document.

An annual service (waste management) charge per 4.1.1(i) for the fortnightly service provided be declared for:

- a) All land used primarily for residential or commercial purposes; or
- b) Other land in respect of which a weekly waste collection and disposal service is provided, for the budgeted period pertaining to this budget document.

Commercial properties can have a maximum of one (1) 240 Litre or two (2) 120 litre bins.

Tirrengower Special (Drainage) Scheme

The special charge for the Tirrengower drainage works previously declared by Council to be fixed at \$2.50 per hectare for the period 1 July 2020 to 30 June 2021.

4.1.2 Statutory fees and fines

	Forecast	Budget	Change	
	2019/20	2020/21	\$'000	%
	\$'000	\$'000		
Statutory Planning Operations	304	290	(14)	(4.7%)
Public Health Operations	185	125	(61)	(32.7%)
Building Services Operations	119	54	(65)	(54.6%)
Local Laws Operations	57	72	15	26.3%
Property & Rates Operations	27	30	3	11.9%
Infrastructure Customer Services	-	20	20	-
Emergency Management Operations	-	5	5	-
Planning Compliance	-	3	3	-
Total statutory fees and fines	692	598	(94)	(13.6%)

The reduced income from Building Services Operations is due to an expected reduction in permit demand and loss of fee revenue due to the economic impact of COVID-19. The reduced income from Public Health Operations is due to a community support initiative to offer fee relief for health and food registrations. There is expected to be additional \$20k of income relating to engineering fees for water-sensitive urban design (WSUD) impacting Infrastructure Customer Services.

4.1.3 User fees

	Forecast	Budget	Change	
	2019/20	2020/21	\$'000	%
	\$'000	\$'000		
Aged Care Management Administration	2,195	3,021	827	37.7%
Bluewater Fitness Centre Operations	1,086	1,048	(38)	(3.5%)
Colac Livestock Selling Centre Operations	417	417	0	-
Great Ocean Road VIC Operations	305	277	(28)	(9.0%)
COPACC Management Operations	298	271	(26)	(8.8%)
Local Laws Operations	239	179	(60)	(25.3%)
Apollo Bay Harbour Admin	155	138	(17)	(10.9%)
Transfer Station Operations	108	114	6	5.6%
Family & Children's Services Operations	75	104	29	38.8%
Waste Management Administration	69	83	14	20.0%
Infrastructure Customer Services	22	38	16	70.5%
Colac Visitor Information Centre Operations	40	35	(5)	(11.4%)
Airfield Operations	9	35	26	286.7%
Strategic Asset & Property Services Operations	82	25	(56)	(69.3%)
Building Services Operations	3	19	17	652.9%
Emergency Management Operations	10	10	0	-
Public Health Operations	9	3	(6)	(64.7%)
Risk Management Operations	-	1	1	-
Statutory Planning Operations	4	1	(3)	(86.8%)
Economic Development Operations	2	-	(2)	(100.0%)
Total user fees	5,125	5,818	694	13.5%

In the Aged services area there is a budgeted increase of fees due to increased numbers using the Home Care Services that Council provides to the community. This increase is partially offset by the costs to deliver the additional packages. The impact of COVID-19 has resulted in reduced forecast and budgeted User Fees across several areas of the organisation, most significantly impacting Bluewater Fitness Centre Operations and COPACC Management Operations. Council's COVID-19 relief measures to support the community are expected to reduce User Fees collected within Local Laws and Strategic Asset & Property Services Operations.

4.1.4 Grants

Grants are required by the Act and the Regulations to be disclosed in Council's annual budget.

	Forecast 2019/20 \$'000	Budget 2020/21 \$'000	Change	
			\$'000	%
Grants were received in respect of the following:				
Summary of grants				
Commonwealth funded grants	11,335	13,051	1,716	15.1%
State funded grants	5,447	3,469	(1,978)	(36.3%)
Total grants received	16,782	16,520	(262)	(1.6%)
(a) Operating Grants				
Recurrent - Commonwealth Government				
Aged Care Management Administration	66	78	12	18.2%
Family & Children's Services Operations	371	400	29	7.8%
Other	66	66	0	-
Public Health Operations	2	3	1	50.0%
Victorian Grants Commission	6,880	7,204	324	4.7%
Recurrent - State Government				
Aged Care Management Administration	1,067	1,107	40	3.8%
Apollo Bay Harbour Amin	905	878	(27)	(3.0%)
COPACC Management Operations	95	95	0	-
Environmental and Community Safety Operations	43	-	(43)	(100.0%)
Family & Children's Services Operations	-	1	1	-
Health & Community Service Management Operations	105	-	(105)	(100.0%)
Maternal & Infant Health Operations	337	413	76	22.6%
Property & rates	46	46	0	-
Public Health Operations	21	17	(4)	(19.0%)
Regional Assessment Service Operations	226	182	(44)	(19.5%)
School Crossing Supervision Operations	55	55	0	-
Total recurrent grants	10,285	10,545	260	2.5%
Non-recurrent - Commonwealth Government				
Recreation, Leisure and Community Facilities	500	3,600	3,100	620.0%
Non-recurrent - State Government				
Disaster Recovery	579	-	(579)	(100.0%)
Economic Development Operations	-	500	500	-
Family & Children's Services Operations	-	75	75	-
Other	50	-	(50)	(100.0%)
Strategic Planning Operations	90	-	(90)	(100.0%)
Total non-recurrent grants	1,219	4,175	2,956	242.5%
Total operating grants	11,504	14,720	3,216	28.0%
(b) Capital Grants				
Recurrent - Commonwealth Government				
Roads to recovery	1,700	1,700	-	-
Total recurrent grants	1,700	1,700	0	-
Non-recurrent - Commonwealth Government				
Recreation, Leisure and Community Facilities	1,750	-	(1,750)	(100.0%)
Non-recurrent - State Government				
Apollo Bay Harbour Admin	335	-	(335)	(100.0%)
Recreation, Leisure and Community Facilities	1,493	100	(1,393)	(93.3%)
Total non-recurrent grants	3,578	100	(3,478)	(97.2%)
Total capital grants	5,278	1,800	(3,478)	(65.9%)
Total Grants	16,782	16,520	(262)	(1.6%)

The budgeted recurrent operating grants are similar to the 2019/20 forecast, with the expectation that Federal Assistant Grant funding will increase, with 50% received in advance. The budgeted increase in non-recurrent operating grants predominantly relates to the expected receipt of \$3.6m for the City Deals Project, which has an offsetting expense of \$3.6m recognised in Materials and Services.

The budgeted capital grants are less than the 2019/20 forecast and comprise of Roads to Recovery and the implementation of Colac Otway Parking & Traffic Strategy. The 2019/20 forecast includes grants that have been carried forward from previous years, as well as grants that relate to capital works in the 2019/20 budget. These capital works include Western Reserve Lighting, Central Reserve Lighting and Netball Court Redevelopment, and the Memorial Square Playspace. The reduction in expected capital grants is reflected in the reduced capital works program (refer '4.5 Capital works program').

4.1.5 Contributions

	Forecast	Budget	Change	
	2019/20 \$'000	2020/21 \$'000	\$'000	%
Monetary	372	19	(353)	(94.9%)
Non-monetary	-	-	-	-
Total contributions	372	19	(353)	(94.9%)

Monetary contributions are expected to decrease due to the 2019/20 forecast contributions mostly relating to one-off projects. These projects included the Irrewarra Netball Facilities Upgrade, Western Reserve Oval Reconstruction and Lighting, Colac Civic Precinct Plan and the Apollo Bay Community Infrastructure Plan.

4.1.6 Other income

	Forecast Actual	Budget	Change	
	2019/20 \$'000	2020/21 \$'000	\$'000	%
Other income	219	295	75	34.3%
Interest	200	150	(50)	(25.0%)
Rates Legal Costs Recovered	40	40	-	-
Reimbursements	37	31	(6)	(15.8%)
Total other income	497	516	19	3.9%

The overall 'Other Income' received is expected to remain consistent in 2020/21, with several expected variances including a reduction of interest on investments and an increase in penalty income. It is expected that Interest received from investments will decrease by \$50k due to a combination of the RBA lowering the Cash Rate in recent months and Council not holding as much cash as in previous years. It is expected that Council will receive \$30k from penalties relating to the election.

4.1.7 Employee costs

	Forecast	Budget	Change	
	2019/20 \$'000	2020/21 \$'000	\$'000	%
Wages and salaries	14,802	15,346	544	3.7%
Employee Leave	1,589	1,621	32	2.0%
Superannuation	1,910	1,939	29	1.5%
Casual Staff	443	435	(9)	(2.0%)
Sick Leave	540	561	20	3.8%
Other Employee Benefits	177	189	11	6.4%
Fringe Benefits Tax	200	170	(30)	(15.0%)
WorkCover	248	260	12	5.0%
Total employee costs	19,909	20,520	610	3.1%

The Employee Costs reflect the reduction in staff at BWFC and COPACC as a result of COVID-19 in the Forecast 2019/20 and Budget 2020/21 figures. The increase in Employee Costs reflects an annual increase in wages per the EBA and an increase in fully-funded staff required to deliver and administer additional Home Care Packages. The offsetting income to the additional Home Care Package delivery is shown within the User Fee analysis.

4.1.8 Materials and services

	Forecast	Budget	Change	
	2019/20	2020/21	\$'000	%
	\$'000	\$'000	\$'000	%
Contractors	14,074	12,954	(1,120)	(8.0%)
Materials	3,081	3,476	395	12.8%
Subscriptions and memberships	1,869	1,828	(40)	(2.2%)
Utilities	1,037	1,249	212	20.4%
Agency staff	425	684	259	60.9%
Consultants	967	644	(324)	(33.5%)
Plant and equipment (maintenance & internal charge)	345	508	163	47.3%
Insurances	368	456	88	23.9%
Training costs	387	453	66	17.0%
Legal costs	409	143	(266)	(65.0%)
Venue Hire	75	62	(14)	(17.9%)
Other expenditure	11	15	4	31.6%
Merchant Fees	5	5	-	-
Permits	4	4	-	-
Total materials and services	23,058	22,480	(577)	(2.5%)

Materials and Services is expected to decrease, largely due to the operational initiatives carried forward from previous years being reflected in the forecast figure, including \$1.8m relating to the Port of Apollo Bay and \$1.9m relating to other initiatives. The 2020/21 budget includes \$3.6m Contractor expenditure related to the City Deals Project, which has an offsetting operational grant. There is expected to be an increased utilisation of Trainees, which is reflected in the increased spend on Agency Staff. Due to the finalisation of the Work Safe critical incident and Bluewater mediation legal matters in 2019/20, legal expenditure is expected to decrease.

4.1.9 Depreciation

	Forecast	Budget	Change	
	2019/20	2020/21	\$'000	%
	\$'000	\$'000	\$'000	%
Buildings	1,327	1,352	25	1.9%
Plant & equipment	2,250	2,292	42	1.9%
Infrastructure	7,023	7,156	133	1.9%
Total depreciation	10,600	10,800	200	1.9%

4.1.10 Amortisation - Right of use assets

	Forecast	Budget	Change	
	2019/20	2020/21	\$'000	%
	\$'000	\$'000	\$'000	%
Right of use assets	-	115	115	-
Total amortisation - right of use assets	-	115	115	-

4.1.11 Other expenses

	Forecast	Budget	Change	
	2019/20	2020/21	\$'000	%
	\$'000	\$'000	\$'000	%
Other costs	353	886	534	151.3%
Grants and donations paid	555	708	153	27.6%
Elected Members Allowances	224	229	5	2.0%
Fire service levy	65	65	-	-
Auditors remuneration	43	43	-	-
Rates Written Off	35	35	-	-
Elected Members Superannuation Contribution	23	24	-	-
Animal registration levy	20	22	2	10.8%
Elected Member Mileage Allowance per km	20	20	-	-
Interest Payments Interfund	20	20	-	-
Royalties and commissions	6	6	-	-
Remote Area Councillor Travel Allowance	2	3	1	50.0%
Corporate Card Expenses	2	2	-	-
Total other expenses	1,367	2,063	695	50.8%

The budgeted movement predominantly relates to Council setting aside funds, allocated as 'Other costs', for the financial impact of COVID-19 and community support initiatives in response to this Pandemic. Council also resolved to increase the contribution to the Apollo Bay Leisure Centre Operations (\$200k contribution in 2020/21).

4.2 Balance Sheet

4.2.1 Assets

Asset remain consistent in 2020/21, with Cash expected to increase. Property, infrastructure, plant and equipment comprise 95% of Council's total assets and is expected to decrease, largely due to the capital works program being smaller than depreciation. A 'Right-of-Use' asset to the value of \$1.2m has been created to account for existing operating leases. This is offset by 'Lease Liabilities' to the same value in the balance sheet. This change in accounting treatment is a direct result of changes to Australian Accounting Standards and has no impact on Council cash.

4.2.2 Liabilities

There is reduced movement in the level of liabilities in 2020/21. The 2019/20 forecast reflects a large decrease in the Interest Bearing Loans due to a large repayment falling due in the 2019/20 financial year. A lease liability to the value of \$1.2m has been created to account for existing operating leases. This is offset by a 'Right of Use' asset to the same value in the balance sheet. This change in accounting treatment is a direct result of changes to Australian Accounting Standards.

4.2.3 Borrowings

The table below shows information on borrowings specifically required by the Regulations.

	Forecast	Budget
	2019/20	2020/21
	\$'000	\$
Amount borrowed as at 30 June of the prior year	2,721	1,024
Amount proposed to be borrowed	-	-
Amount projected to be redeemed	(1,697)	(286)
Amount of borrowings as at 30 June	1,024	738

4.2.4 Leases by category

As a result of the introduction of AASB 16 Leases, right-of-use assets and lease liabilities have been recognised as outlined in the table below.

	Forecast	Budget
	2019/20	2020/21
	\$'000	\$
Right-of-use assets	-	-
Plant and equipment	1,267	1,152
Total right-of-use assets	1,267	1,152
Lease liabilities		
Current lease Liabilities		
Plant and equipment	115	110
Total current lease liabilities	115	110
Non-current lease liabilities		
Plant and equipment	1,152	1,042
Total non-current lease liabilities	1,152	1,042
Total lease liabilities	1,267	1,152

4.3 Statement of changes in Equity

4.3.1 Reserves

Reserve Name	Reserve Type	Forecast	Budget
		2019/20 \$'000	2020/21 \$'000
Asset Revaluation Reserve	Discretionary	176,018	176,018
Colac Livestock Selling Centre Reserve	Discretionary	-	-
Financial Assistance Grants Received in Advance	Discretionary	3,663	3,663
Home Care Packages Reserve	Discretionary	-	-
Waste Management Reserve	Discretionary	2,103	2,416
Landfill Rehabilitation (Alvie) Reserve	Discretionary	980	1,037
Long Service Leave Reserve	Discretionary	2,572	2,572
Matching Grants Reserve	Discretionary	-	183
Plant Replacement Reserve	Discretionary	913	353
Port of Apollo Bay Reserve	Contractual	253	253
Recreational Lands Reserve	Statutory	767	767
Rehabilitation Reserve	Discretionary	932	1,040
Strategic Projects Reserve	Discretionary	602	602
Tirrengower Drainage Scheme Reserve	Contractual	11	11
Total Equity Reserves		188,814	188,913

Purposes for Reserves

Asset Revaluation Reserve

This reserve captures the reassessment of the value of Council's capital assets.

Financial Assistance Grants received in advance

The purpose of this reserve is to set aside any Commonwealth Financial Assistance Grant funding received in advance of its intended allocation.

Waste Management Reserve

This reserve was set up as a source of funding the replacement of kerbside bins. All funds in this reserve are collected from the waste collection service charge and are to be used only in connection with the waste collection service.

Long Service Leave Reserve

The purpose of this reserve is to ensure that the nominal long service leave balances owing to employees are maintained.

Landfill Rehabilitation (Alvie) Reserve

This reserve relates to the funds required to restore the Alvie Tip. The rehabilitation reserve will continue to grow until the Tip closes, at which time, the funds will be utilised to meet this obligation.

Local Government Financing Vehicle Sinking Fund

This reserve has been established to set aside monies to fund the repayment of the Local government Financing Vehicle (LGFV) bonds as the bonds come due for payment.

Port of Apollo Bay Reserve

These funds are bound by an agreement with the Department of Transport concerning the operations of the Port of Apollo Bay and are the value of cash assets owed.

Recreational Lands Reserve

Statutory reserve to be used for the development of recreational reserves and public open space.

Rehabilitation Reserve

This reserve is to fund the rehabilitation of the various waste disposal sites across the Colac Otway Shire.

Plant replacement Reserve

This reserve is to fund the replacement of council's plant at the end of their useful lives. Inflows to the reserve accrue out of any plant operating surplus with the funds then being used for the changeover of plant.

Strategic Projects Reserve

The purpose of this reserve is for strategic projects and acquisitions of new or expanded assets that are of an intergenerational nature.

Tirrengower Drainage Scheme Reserve

These funds are collected via a special rate and must be expended against the purpose of the drainage scheme at Tirrengower.

4.4 Statement of Cash Flows

4.4.1 Net cash flows provided by/used in operating activities

There is a decrease in cash provided by operating activities, predominantly due to the expectation of decreased receipts from Capital grants and increased employee costs. The capital programme is budgeted to reduce in 2020/21, with less funding anticipated. Receipts from operating grants are expected to increase, largely due to the funding received from the City Deal Project (increase of \$3.1m), although this has offsetting outflow of funds from Materials and Services.

4.4.2 Net cash flows provided by/used in investing activities

The capital programme forecasted for 2019/20 is larger than the 2020/21 budgeted programme, which is reflected in the budgeted decrease in 'Payments for property, infrastructure, plant and equipment.' The 2019/20 capital programme includes carried-forward projects from previous years (approx. \$5m).

4.4.3 Net cash flows provided by/used in financing activities

There is a significant reduction in repayment of borrowings budgeted in 2020/21. This is due to the final payment (\$1m) of a loan being repaid in 2019/20. The decrease in interest-bearing liabilities has resulted in reduced outflow of finance costs in 2020/21.

4.5 Capital works program

This section presents a listing of the capital works projects that will be undertaken for the 2020/21 year, classified by expenditure type and funding source. Works are also disclosed as current budget or carried forward from prior year.

4.5.1 Summary

	Forecast 2019/20 \$'000	Budget 2020/21 \$'000	Change \$'000	%
Property	1,249	356	(893)	-71.50%
Plant and equipment	4,877	2,446	(2,431)	-49.85%
Infrastructure	12,105	7,369	(4,736)	-39.12%
Total	18,231	10,171	(8,060)	-44.21%

	Project Cost \$'000	Asset expenditure types			Summary of Funding Sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Grants \$'000	Contrib. \$'000	Council cash \$'000	Borrowings \$'000
Property	356	-	356	-	-	-	356	-
Plant and equipment	2,446	126	2,320	-	-	-	2,446	-
Infrastructure	7,369	381	6,829	160	1,800	-	5,569	-
Total	10,171	507	9,505	160	1,800	-	8,371	-

The 2019/20 forecast figures include capital works carried forward from previous years. The 2020/21 budgeted Capital Works Program has decreased from the 2018/19 Original Budget (\$13.1m), reflective of an anticipated reduction in capital grants received. The provision of community support initiatives in response to COVID-19 was also a consideration in the reduced Capital Works program. It is expected that 93% of the Capital Works completed will be Renewal Works.

4.5.2 Current Budget

Capital Works Area	Project Cost \$'000	Asset expenditure types			Summary of Funding Sources			
		New	Renewal	Upgrade	Grants	Contrib.	Council cash	Borrowings
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PROPERTY								
Buildings								
<i>Building Renewal Programme</i>	356	-	356	-	-	-	356	-
TOTAL PROPERTY	356	-	356	-	-	-	356	-
PLANT AND EQUIPMENT								
Plant, Machinery and Equipment								
<i>Light Fleet Renewal Programme</i>	720	-	720	-	-	-	720	-
<i>Major Plant Renewal Programme</i>	1,705	105	1,600	-	-	-	1,705	-
Computers and Telecommunications								
<i>Council Meeting Audio Recording System</i>	21	21	-	-	-	-	21	-
TOTAL PLANT AND EQUIPMENT	2,446	126	2,320	-	-	-	2,446	-

4.5.2 Current Budget (cont.)

Capital Works Area	Project Cost \$'000	Asset expenditure types			Summary of Funding Sources			
		New \$'000	Renewal \$'000	Upgrade \$'000	Grants \$'000	Contrib. \$'000	Council cash \$'000	Borrowings \$'000
INFRASTRUCTURE								
Roads								
<i>Unsealed Road Resheet Programme</i>	1,200	-	1,200	-	-	-	1,200	-
<i>Road Reconstruction Programme</i>	2,957	-	2,957	-	1,700	-	1,257	-
<i>Road Resealing Programme</i>	580	-	580	-	-	-	580	-
<i>Colac Otway Tourism and Parking Strategy Implementation</i>	100	100	-	-	-	-	100	-
<i>Colac Otway Parking and Traffic Strategy Implementation (Forrest)</i>	171	171	-	-	100	-	71	-
<i>Kerb and Channel Renewal Programme</i>	75	-	75	-	-	-	75	-
Bridges								
<i>Bridges Renewal Programme</i>	620	-	620	-	-	-	620	-
Footpaths and Cycleways								
<i>Footpath Renewal Programme</i>	303	-	303	-	-	-	303	-
<i>Roadknight Street Footpath Birregurra</i>	110	110	-	-	-	-	110	-
Drainage								
<i>Stormwater Drainage Renewal Programme</i>	340	-	340	-	-	-	340	-
Other infrastructure								
<i>Open Space Renewal Programme</i>	50	-	50	-	-	-	50	-
<i>Road Slip Rehabilitation Programme</i>	574	-	574	-	-	-	574	-
<i>Road Safety Devices Programme</i>	130	-	130	-	-	-	130	-
<i>Rail Level Crossing Improvements - Back Larpent Road</i>	160	-	-	160	-	-	160	-
TOTAL INFRASTRUCTURE	7,369	381	6,829	160	1,800	-	5,569	-
TOTAL NEW CAPITAL WORKS	10,171	507	9,505	160	1,800	-	8,371	-

5. Financial performance indicators

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

Indicator	Measure	Notes	Actual	Forecast	Budget	Strategic Resource Plan Projections			Trend
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	+o/-
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	4.2%	-8.0%	-1.0%	-2.4%	-2.8%	-3.0%	-
Liquidity									
Working Capital	Current assets / current liabilities	2	204.5%	144.9%	153.6%	125.5%	87.5%	56.6%	-
Unrestricted cash	Unrestricted cash / current liabilities	3	120.0%	97.2%	109.4%	80.4%	42.0%	11.3%	-
Obligations									
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	4	8.9%	3.3%	2.3%	1.8%	0.0%	0.0%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		2.7%	5.8%	1.6%	1.0%	2.3%	0.4%	+
Indebtedness	Non-current liabilities / own source revenue		23.5%	27.7%	26.1%	25.3%	23.4%	22.9%	+
Asset renewal	Asset renewal expenses / Asset depreciation	5	125.6%	129.0%	88.0%	89.2%	90.6%	87.1%	-
Stability									
Rates concentration	Rate revenue / adjusted underlying revenue	6	53.6%	61.4%	57.5%	56.3%	56.7%	57.0%	-
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	o
Efficiency									
Expenditure level	Total expenses/ no. of property assessments		\$3,547	\$3,576	\$3,622	\$3,812	\$3,868	\$3,924	+
Revenue level	Residential rate revenue / no. of residential property assessments		\$1,789	\$1,789	\$1,829	\$1,871	\$1,913	\$1,956	+
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year		17.29%	17.29	14.44	14.55	14.55	14.6	+

Key to Forecast Trend:

- + Forecasts improvement in Council's financial performance/financial position indicator
- o Forecasts that Council's financial performance/financial position indicator will be steady
- Forecasts deterioration in Council's financial performance/financial position indicator

Notes to indicators

1. Adjusted underlying result

This measure is an indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. The results are showing a consistent underlying deficit over the Strategic Resource Plan (SRP) forecast period. These deficits indicate the erosion of Council's ability to generate 'own-sourced' revenue in recent years. I.e. As a proportion of total revenue Council is generating less revenue from sources it can control, increasing its reliance on funding from external sources such as grant funding. This is not considered to be sustainable in the medium to long term, however adjusted underlying deficits are sustainable in the short term, providing other indicators remain healthy.

Council are currently undertaking a review of its Long Term Financial Plan, which will require Council to critically review service types and levels to ensure they are sustainable into the future. The Long Term Financial Plan is a requirement of the Local Government Act 2020 and must be adopted by Council by 31 October 2021.

2. Working Capital

This indicator decreases over the SRP period primarily due to the forecasted impacts of rate capping, which limits Council's ability to deliver services to the same level. It must be noted that the SRP has largely been developed on a 'Business as Usual' basis.

3. Unrestricted Cash

This shows a decrease in the available unrestricted cash for the council. This is due to the reduction of cash and cash equivalents over the period. This trend is consistent and reflective of the adjusted underlying result and working capital.

4. Debt compared to rates

The steep decrease in this ratio reflects the effect of continuing payback and maturity of debt without any forecast new borrowings.

5. Asset renewal

This percentage indicates the extent of Council's renewals and upgrades against its depreciation charge (an indication of the decline in value of its existing capital assets). A percentage greater than 100 indicates Council is maintaining its existing assets, while a percentage less than 100 means its assets are deteriorating faster than they are being renewed and future capital expenditure will be required to renew assets.

Council has a history of this indicators being above 100%, however the indicator is showing a reduction below 100% for the SRP period. The reduction in 2020/21 has primarily resulted from Council's action in addressing the COVID-19 pandemic, where a number of renewal programs have been reduced. The 10 year capital program is currently being reviewed as part of the Long Term Financial Plan.

6. Rates concentration

This indicator shows a relatively consistent trend for the SRP period reflecting Colac Otway Shire's reliance on rate revenues (as a proportion of total revenue) to fund all of Council's on-going services. Rates remain an important source of revenue for Council. This indicator is consistent with the Large Rural Council cohort in Victoria.