



Financial Plan 2021-22 to 2030-31

Colac Otway Shire Council

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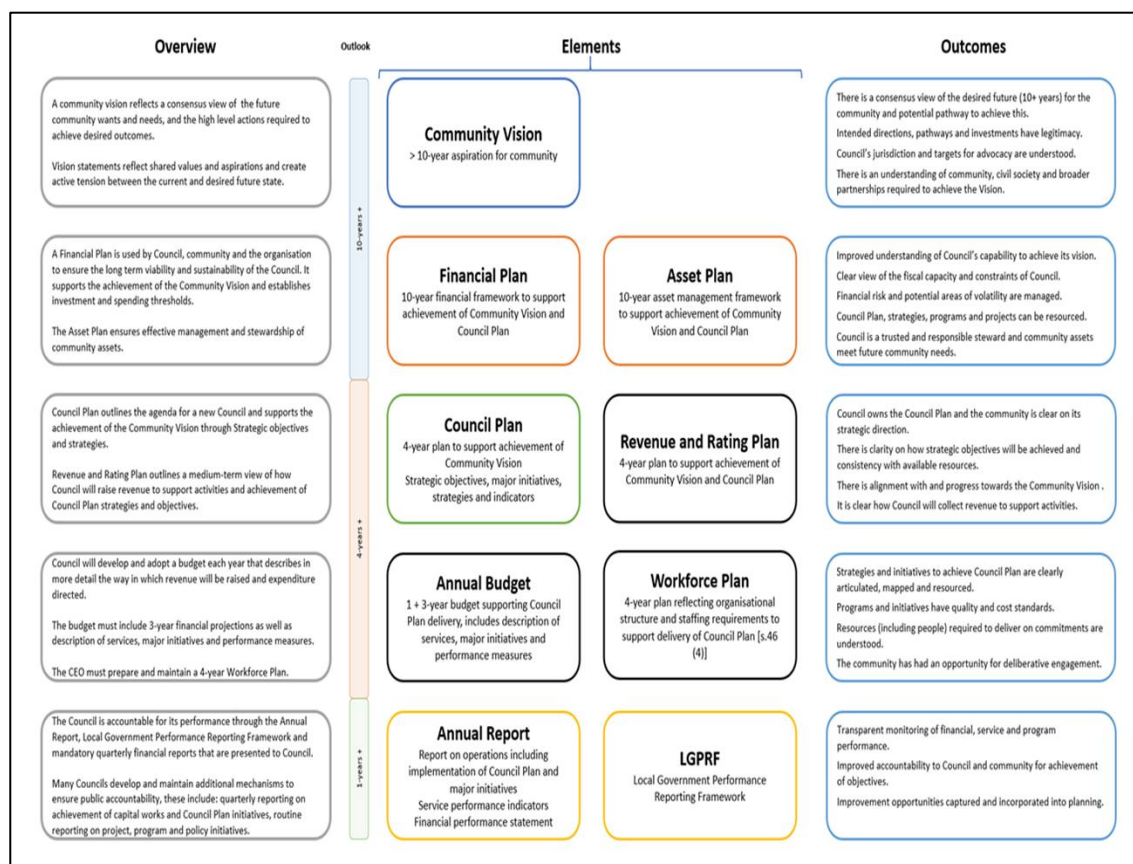
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1. LEGISLATIVE REQUIREMENTS

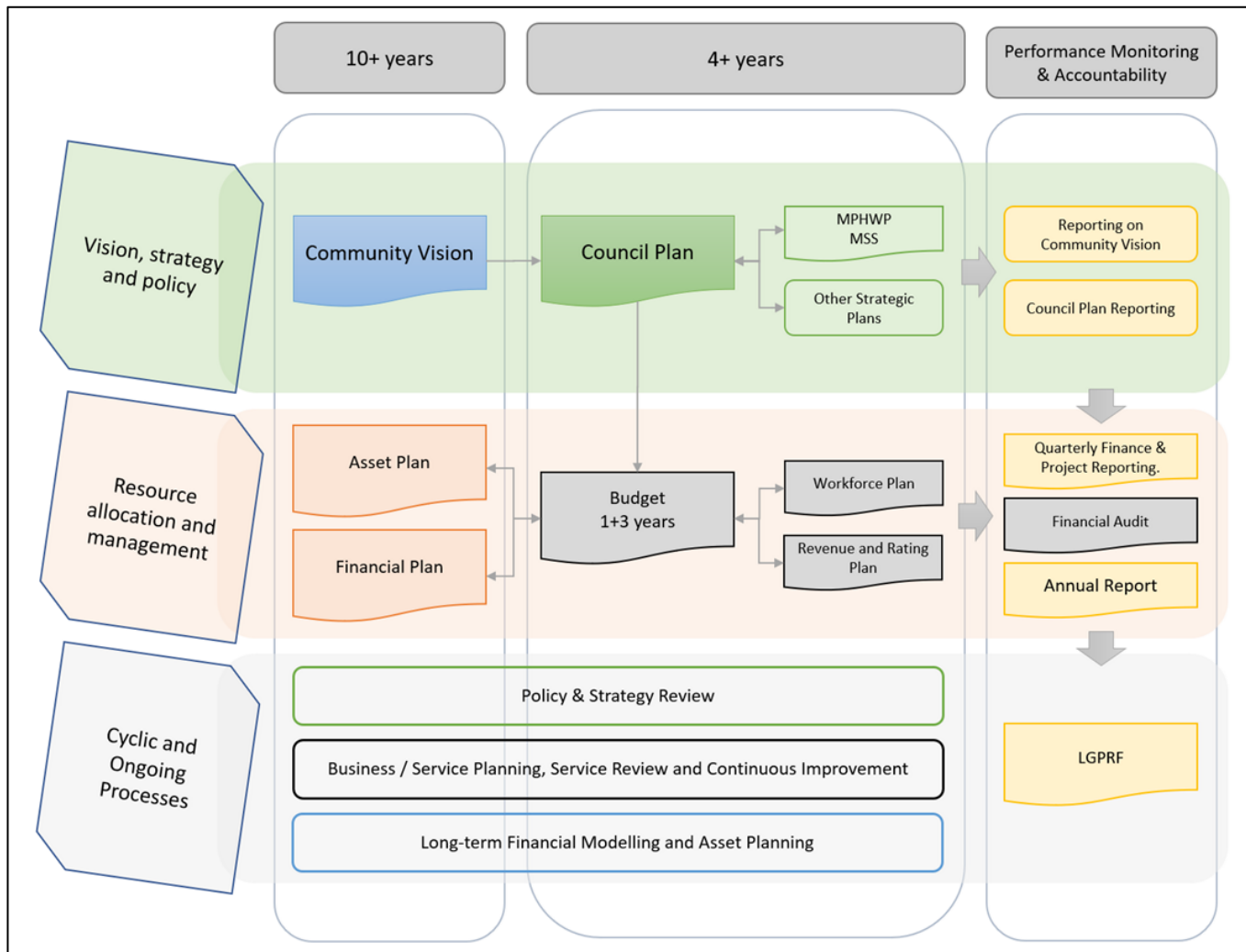
This section describes how the Financial Plan links to the achievement of the Community Vision and the Council Plan within the Integrated Strategic Planning and Reporting framework. This framework guides the Council in identifying community needs and aspirations over the long term (Community Vision),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

The following diagram provides an overview of the core legislated elements of an integrated strategic planning and reporting framework and outcomes.



Source: Department of Jobs, Precincts and Regions - <https://engage.vic.gov.au/local-government-act-2020/integrated-strategic-planning-and-reporting-framework>

The following figure demonstrates how each element might inform or be informed by other parts of the integrated framework.



Source: Department of Jobs, Precincts and Regions - <https://engage.vic.gov.au/local-government-act-2020/integrated-strategic-planning-and-reporting-framework>

1.1 Strategic Planning Principles

The Financial Plan is developed in the context of the following strategic planning principles, which reflect the strategic principles outlined in section 89 of the *Local Government Act 2020*:

- a) Council has an integrated approach to planning, monitoring and performance reporting.
- b) The Financial Plan underpins Council's capacity to fund the aspirations and actions of the Council Plan which are formulated in the context of the Community Vision.
- c) The Financial Plan statements articulate the 10-year financial resources available to implement the goals and aspirations of the Council Plan to achieve the Community Vision,
- d) Council's strategic planning principles identify and address the risks to effective implementation of the Financial Plan. The financial risks are included at section 1.2.2 below.
- e) The Financial Plan will be subject to regular review, nominally annually, to monitor progress and to identify and adapt to changing circumstances.

1.2 Financial Management Principles

The Financial Plan demonstrates the following financial management principles, which reflect the financial management principles outlined in section 101 of the *Local Government Act 2020*:

- 1.2.1 Revenue, expenses, assets, liabilities, investments and financial transactions are managed in accordance with Council's financial policies and strategic plans.
- 1.2.2 Management of the following financial risks:
 - a) the financial viability of the Council (refer to section 2.1 Financial Policy Statements).
 - b) the management of current and future liabilities of the Council. The estimated 10 year-liabilities are disclosed in section 3.2 Balance Sheet projections.
 - c) the beneficial enterprises of Council (where appropriate).
- 1.2.3 Financial policies and strategic plans are designed to provide financial stability and predictability to the community.
- 1.2.4 Council maintains accounts and records that explain its financial operations and financial position (refer section 3 Financial Statements).

1.3 Engagement Principles

Council has made a significant investment in community engagement through 2021 as it works through implementation of the *Local Government Act 2020*. This engagement provides important input to the development of Council's suite of Integrated Strategic Plans, including the Community Vision, Council Plan, Financial Plan and Asset Plan.

In addition to broad community engagement, Council has used deliberative engagement to inform its strategic planning, in accordance with Section 91 of the Act. A deliberative panel of 24 community members was convened to provide Council with an understanding of the aspirations of the Colac Otway community. The panel's work also provided important information that can guide Council's considerations as it seeks to balance its financial capacity with its community needs and expectations.

Achieving financial sustainability will require further community engagement as Council undertakes a series of service planning and reviews.

1.4 Service Performance Principles

Council will plan and deliver services in accordance with the service performance principles that are listed below, which are consistent with section 106 of the *Local Government Act 2020*:

- a) Services are provided in an equitable manner and are responsive to the diverse needs of the community. The Council Plan is designed to identify the key services and projects to be delivered to the community. The Financial Plan provides the mechanism to demonstrate how the service aspirations within the Council Plan may be funded.
- b) Services are accessible to the members of the municipal community for whom the services are intended.
- c) Council provides quality services that provide value for money to the community. The Local Government Performance Reporting Framework (LGPRF) is designed to communicate Council's performance regarding the provision of quality and efficient services.
- d) Council should seek to continuously improve service delivery to the municipal community in response to performance monitoring;
- e) Council is committed to develop a service delivery framework that considers and responds to community feedback and complaints regards service provision.

1.5 Asset Plan Integration

Integration to the Asset Plan is a key principle of the Council's strategic financial planning principles. The purpose of this integration is designed to ensure that future funding is allocated in a manner that supports service delivery in terms of the plans and the effective management of Council's assets into the future.

Council will develop and adopt an Asset Plan that sets out the operational and strategic practices which will ensure that Council manages assets across their life cycle in a financially sustainable manner. The Asset Plan, and associated asset management policies, strategies and sub-plans, provide Council with a sound base to understand the risk associated with managing its assets for the community's benefit.

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

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

2. FINANCIAL PLAN CONTEXT

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

2.1 What does sustainability mean

The following definition is taken from the *Local Government Planning and Performance and Reporting Framework Guidelines* (LGPPRF) developed in May 2013.

Sustainability is where a Council has the capacity to deliver services, absorb changes and shocks and make decisions in the best interests of the community over the long term.

This includes:

- meeting the agreed service needs of the community
- absorbing foreseeable changes and unexpected shocks without having to make disruptive revenue or expenditure adjustments
- having strong governance and management frameworks in place covering community engagement, planning, monitoring, reporting, and decision making.
- This definition is holistic and reflects the objectives of Colac Otway Shire to establish a financially sustainable position across its 10-year planning horizon.

The development of a 10 Year *Long Term Financial Plan* (LTFP) is considered essential to undertaking a sustainability assessment and is now mandatory under section 91 of the *Local Government Act 2020*.

2.2 What are the external influences on our finances

Council's financial situation is impacted by a range of external influences, some predictable and some highly variable. The following sections provide high-level information about key external influences.

2.2.1 Populations

Population is an important factor for Council to consider when planning the range of services to provide, setting the level of service to meet community expectations and maintaining the assets required to deliver those services. Population is also a key measure to use by governments to calculate grant funding to councils.

The Colac Otway Shire population forecast for 2021 is 22,068, and it is forecast to grow to 26,756 by 2041. It is not just the number of people residing in the municipality, but also the demographic composition, that impacts Council's services. Between 2016 and 2036, the age structure forecasts for Colac

Otway Shire indicate a 17.8% increase in population under working age, a 54.0% increase in population of retirement age, and a 7.2% increase in population of working age.

Older populations may have declining personal income levels, increased demand for health services and changing housing needs. These attributes can impact Council's ability to seek contributions through user fees, shift service delivery focus and require changes in land use and development.

Conversely, Council may counter trends generated by an aging population by attracting a higher proportion of 'productive age' residents who may seek to relocate from large metropolitan and regional centres due to lack of housing affordability and the attractiveness of the country lifestyle offered by the region. This demographic shift has the potential to generate demand for better lifestyle and an increase in the visitor economy, safety, housing and affordability, and advances in technology offer rural areas like Colac Otway Shire the opportunity to grow.

2.2.2 COVID-19 induced economic uncertainty and its consequences

As a result of impacts of COVID-19 the economy is slowly recovering, this is partly due to the Economic Recovery Plan which has been delivered by the Federal Government with the intent to secure Australian jobs and keep businesses running. This particular 10-year planning period will be a major challenge for Council and the Colac Otway community. There are a number of external factors which impact the ability of council to operate.

There is an increase in the reliance on own source funding with Council being highly vulnerable due to limited government support throughout these difficult times. There is a need to analyse capacity to pay within the shire with this in mind and how this will affect the wider shire community.

As the community recovers from the COVID-19 pandemic there are factors that need to be considered, including the unknown toll on local groups and council partners and their ability to assist with Council's strategic direction. These will become more evident as we move forward and follow the Federal and State Governments' COVID-19 Road Maps.

2.2.3 Inflation forecasts

According to the Australian Bureau of Statistics, there is no single best measure of inflation. A range of indexes can be used to plan for future expenditure. The Australian Consumer Price Index ("CPI") is considered the most suitable approach when the primary purpose of the CPI is as a macro-economic indicator of price inflation affecting households.

The Consumer Price Index (CPI) rose 0.8 per cent in the June 2021 quarter, according to the latest data from the Australian Bureau of Statistics (ABS). Annual inflation for the June 2021 quarter increased to 3.8 per cent following a rise of 1.1 per cent in the March quarter. The annual CPI movement was significantly influenced by COVID-19 related price changes from this time last year. Key drivers included the full unwinding of the Federal Government's free childcare package implemented in the June quarter last year, as well as a full return from the drop in fuel prices seen in the same quarter. These 'base effects' led to a sharp increase in the annual CPI movement.

Source: <https://www.abs.gov.au/media-centre/media-releases/cpi-rose-08-june-2021-quarter>

2.2.4 Interest rate movement

Interest rates are at record lows (RBA cash rate is currently at 0.10 per cent as of 17/09/2021) and are expected to remain at the current all-time low until the labour market returns to full employment, wage growth accelerates substantially and actual inflation is within an acceptable target range.

Source: <https://www.rba.gov.au/media-releases/2021/mr-21-19.html>

2.2.5 Fair Go Rates System

The Fair Go Rates system caps the increase to Council's total revenue from general rates and the municipal charge to a figure based on the Consumer Price Index. Each year the Minister for Local Government will set the rate cap for the next financial year.

In circumstances where the rate cap is insufficient to fund the provision of services and infrastructure to the community Council can apply to the Essential Services Commission for an increase higher than the cap. The cap applies to Council's total income received from General Rates and the Municipal Charge; it does not apply to waste charges or the Fire Services Property Levy.

The introduction of a rate cap means that councils are not able to introduce step-changes to rate increases or raise rates that exceed the cap in the short term (without an approved exemption) to respond to large shocks or projects. This means that Council may need to use cash reserves strategically to 'smooth' the funding of major investments over a number of years.

2.2.6 Climate change impacts

Climate change may impact Council's operations and finances:

- i. Directly, e.g. through increased frequency and severity of natural disasters impacting the built, natural and social environments of the municipality; and
- ii. Indirectly, e.g. through changes in State, National and International climate-related policies that impact how councils go about its business.

The key areas expected to be impacted in the municipality are public health, Council's infrastructure assets and the impact to the environment, summarised as follows:

- Public health impacts could include a higher demand on health services due to extreme changes in weather pattern, such as heat waves, and the socioeconomic impacts from changes in costs of living. There are also the impacts on the health of the community in relation to outdoor activities as a result of closure to areas that have been impacted by natural disasters.
- Council's approach to infrastructure provision and management could include a change in plant, equipment and materials, the change in construction standards and infrastructure capacity to deal with a hotter climate and higher intensity rainfall events that are expected to occur more frequently, keeping these assets to a standard that can withstand the more frequent weather events and the access and cost of potable water supplies. Other factors to consider are the increased costs associated with emergency response to disasters, the frequency and intensity of these extreme weather events, which then will impact the longevity of Council's assets in the future.

- Council has committed to becoming carbon neutral which is a great initiative that demonstrates leadership in climate change mitigation. These changes in corporate action may cost or save money as Council works to become more environmentally responsible, such as through the changeover of all street lighting to LEDs to reduce power consumption and changeover of heating for our leisure centre.

All of these items have impacts on Council's future planning. Some will have a negative impact where costs will be driven up by the need for compliance but others will reduce as a result of the reduced usage of fuels and energy.

2.2.7 Cost-shifting of other levels of government

Cost shifting occurs when Commonwealth and State governments transfer program or service responsibilities to local government with insufficient funding, or provide grants that do not keep pace with the actual delivery costs incurred by councils. Rate revenue is commonly used by councils to cover funding shortfalls and meet increasing service demands, new government policy, rising costs and community expectations.

For example, in 1975, public libraries were funded 50:50 by State and local government. Victorian Government funding has since declined to just 17 per cent of public library operating costs, with councils now contributing 83 per cent of the total cost. This is equal to \$73 million paid annually by Victorian councils to cover the State's funding shortfall.

2.2.8 Legislative changes

Council is exposed to changes in legislation that affects Council's finances, e.g. recent changes to the Environment Protection Act impacts on Council's obligations across a range of services from public health to road maintenance, and changes to landfill levies can increase the cost of disposal for of all Council's rubbish collection services. The Local Government Act 2020 has also introduced a range of new practices that councils are implementing at their own cost.

2.2.9 Superannuation – Defined Benefit

Council is exposed to financial obligations relating to Defined Benefits Superannuation. If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's Vested Benefit Index (VBI) is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purpose of SPS 160 and the Fund is required to put a plan in place to fund the shortfall within three years of the shortfall occurring. This may include payments from councils. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97 per cent.

2.2.10 Revenue in lieu of rates

Council receives revenue in lieu of rates from the Mt Gellibrand Wind Farm through an agreement that is based on provisions of section 94(4) of the *Electricity Industry Act 2000*. A recent Court of Appeal judgment (*Valuer-General Victoria v AWF Prop Co 2 Pty Ltd & Ors [2021] VSCA 274*) may have broader implications for wind farms across Victoria, including Mt Gellibrand Wind Farm, including a potential to significantly reduce Council's non-rate revenue.

Further to the risk of reduced 'rates-in-lieu- revenue, the judgement may have implications for the way commercial properties are valued. Any valuation principle that reduces the valuation of a specific category of properties relative to other rating categories, will affect the amount of revenue to be raised from that rating category and result in a shift of the rating burden to other rating categories. While Council's overall rate revenue could be maintained under this arrangement, the distribution of rate burden would shift and warrant a further review of Council's Rating and Revenue Plan.

2.3 What are the internal influences on our finances

2.3.1 Council's strategic direction

The Financial Plan provides a 10-year financial projection regarding how the actions of the Council Plan may be funded to achieve the Community Vision that is by 2050 Colac Otway Shire will be a destination where people come to appreciate our unique and diverse environment and friendly communities.

The strategic direction established through Council's integrated strategic planning work will help to ensure that Council's financial resources are focused on achieving Council's strategic objectives.

The draft Council Plan was endorsed in July 2021 for the purpose of seeking community feedback and outlined four key themes:

- A strong and resilient economy
- Valuing the natural and built Environment
- Healthy and inclusive community
- Strong leadership and management

Different themes will require different levels of investment to achieve the desired outcomes due to Council having a different role across these areas.

2.3.2 Service Planning

Council recognised the need for a Long Term Financial Plan a number of years ago and embarked on a 'bottom up' budgeting process to determine service delivery costs based on Council's current service delivery programs and practices. Council has invested considerable effort to gather valuable information regarding existing service delivery, including affirming the current:

- list of 52 discrete services

- regulated, documented or inferred service levels; and
- understanding of direct costs of delivery.

The service planning work conducted over recent years is important because it provides a comprehensive basis for the current financial projections and establishes a baseline for Council and the community to use when assessing service level changes.

When Council considers resource redirection or reduction, this requires a knowledge base to advise sound and informed comparative choice decisions.

This analysis will guide decision making with respect to the range of services and the level of service Council can realistically afford now and into the future. It challenges the capacity of the organisation to understand current and future demand, growth in demand and establishes the basis for community consultation.

2.3.3 Workforce matters

As a regional council, Colac Otway faces a number of significant challenges to ensure it has the workforce it needs to deliver its services in the most efficient and effective manner.

Not least of these challenges is its ability to attract the people to the region with the skills and experiences Council needs. Improved technology and flexible ways of working, including remote working, has created more opportunities but it is not suitable for all roles.

COVID-19 has impacted Council's workforce with people having to work under changing and at times stressful circumstances for a prolonged period. This will continue to have an impact for the foreseeable future and Council will need to continue to support staff who may be impacted by the pandemic.

The majority of Council's workforce operates under an Enterprise Agreement. The negotiated agreement sets out the employment conditions under which Council employees will work for the Council.

Under the *Local Government Act 2020* the Chief Executive Officer must develop and maintain a Workforce Plan that:

- describes the organisational structure of the Council
- specifies the projected staffing requirements for a period of at least 4 years
- and sets out measures to seek to ensure gender equality, diversity and inclusiveness.

Council must ensure that the Workforce Plan complies with gender equality, diversity and inclusiveness, as prescribed by the regulations.

Council's Workforce Plan is currently being developed, will be completed in time to comply with the requirements of the *Local Government Act 2020* and will inform future reviews of Council's LTFP.

2.3.4 Assets

The *Local Government Act 2020* requires Council to adopt a 10-Year Asset Plan by 30 June 2022.

The Asset Plan will be a strategic plan that will:

- provide an overview of the key elements and processes required by Council for the responsible management of assets
- ensure Council is positioned to comply with regulatory requirements
- establish funding allocations needed to provide the required levels of service over a minimum period of 10 years.

The Asset Plan will be informed by operational Asset Management Plans, which are currently being developed for six classes of infrastructure assets, namely:

- Roads
- Buildings
- Pathways
- Stormwater
- Bridges
- Recreation.

The Asset Management Plans are the basis for Council to determine alignment of its assets with delivery of Council's 52 services .

Council's adoption of the Asset Plan will enable integration of its strategic asset management approach with the Financial Plan.

2.3.5 Other Policies

Council policies are developed and implemented to provide direction and governance around how Council intends to do its business. At the time a policy is implemented there may be circumstances prevailing that require particular content in the policy. Over time, as the circumstances change, the particular policy may need to be reviewed to ensure it remains relevant.

Council has a number of policies that will, or could have an effect on, the Financial Plan including the Borrowing Policy and the Investment Policy. As new policies are developed, or current policies are reviewed, account should be taken of the effects on the LTFFP. The result may require either the LTFFP or the policy to be reviewed appropriately.

2.4 Assumptions that underpin the Financial Plan

Long term financial planning relies on a variety of assumptions that may change over time and therefore the Financial Plan will evolve as it is updated to reflect a series of impacts and decisions.

This section presents information regarding the assumptions to the Comprehensive Income Statement for the 10 years from 2021/22 to 2030/31. The assumptions comprise the annual escalations/movement for each line item of the Comprehensive Income Statement.

A summary of assumptions is included on the following page.

Table 1 - Assumptions underpinning movement over the life of the Financial Plan

Escalation Factors % movement	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Average Rate Revenue increase (incl. municipal charge)	1.5%	1.75%	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Supplementary Rates	100	100	125	150	150	200	200	200	200	200
Waste Charges	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Statutory fees and fines	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
User fees	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Grants - operating	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Financial Assistance Grants	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contribution – monetary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Income	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Share of net profit/(loss) in JV	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Employee costs	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials and services	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other expenses	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Operational initiatives	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capital Grants/Capital Works	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

2.4.1 Rates and charges

Average rate revenue is assumed to increase by 1.5% in the 2021/22 year which is based on the State Government rate cap. The modelling applies an increase in future periods ranging from 1.75% in 2022/23, 2.0% in 2023/24 and 2.25% in subsequent years. It is expected that supplementary rates will increase by \$100k in the 2021/22 and 2022/23 years, increasing to \$125k in the 2023/24 year, \$150k in the 2024/25 year and for the remainder of the model will be \$200k.

Waste charges are proposed to increase by 2.5% compared to 2020/21 levels in order to defray the total costs of waste management incurred across the Shire. The future year's waste charges are estimated to increase in line with the growth % increase to ensure Council continues to recover the full costs of providing waste services.

2.4.2 Statutory fees and fines

The Financial Plan indexes statutory fees, set by legislation, an indexation of 1.5% has been assumed for the remainder of the Financial Plan. This is often a best case scenario given some fees are outside of Council control and therefore may be subject to increases less than CPI.

2.4.3 User fees

Revenue from user fees is expected to increase by 1.5% for the 2021/22 year. Details of user fees for the 2021/22 budget year can be found in Council's schedule of Fees and Charges that is adopted in conjunction with the budget.

Revenue increases for the remaining years of the modelling are based on a conservative annual rate of increase of 1.5%.

2.4.4 Grants

Council currently receives grants for tied (specific purpose grants) and un-tied Financial Assistance grant funding received via the Victorian Local Government Grants Commission (VLGGC). Operating grants are expected to increase on an annual basis by approximately 1.5%.

2.4.5 Development Contributions

Council can receive contributions from developers. These contributions represent funds to enable Council to provide the necessary infrastructure and infrastructure improvements to accommodate development growth. These contributions are for specific purposes and often require Council to outlay funds for infrastructure works often before receipt of this income source. These contributions are statutory contributions and are transferred to a restricted reserve until utilised for a specific purpose through the capital works program or delivered as works in kind by developers.

2.4.6 Other income

Revenue from other income mainly comprises investment income plus the recovery income from a variety of sources and rental income received from the hire of Council buildings.

2.4.7 Employee costs

The 2021/22 year includes a 2.5% increase for employee costs that mainly reflects the salary increase for all staff pursuant to the Enterprise Bargaining Agreement. An indexation of 2.5% has been assumed for the remainder of the Financial Plan and will need to be reviewed after the next Enterprise Agreement is established.

2.4.8 Materials and services

Material costs include items required for the maintenance and repairs of Council buildings, roads, drains and footpaths which are more governed by market forces based on availability than CPI. Council's payments to family day carers are also included under this category. Other associated costs included under this category are utilities, materials for the supply of meals on wheels and consumable items for a range of services. Council also utilises external expertise on a range of matters, including legal services and audit. An assumption of CPI growth has been used for planning purposes.

2.4.9 Depreciation and amortisation

Depreciation estimates have been based on the projected capital spending contained within this LTFP document. Depreciation has been further increased by the indexing of the replacement cost of Council's fixed assets.

2.4.10 Borrowing costs

Borrowing costs comprise the interest expense to service Council's loan portfolio that is described in Section 5.1 Borrowing Plan.

2.4.11 Other expenses

Other expenses include administration costs such as Councillor allowances, election costs, sponsorships, partnerships, community grants, lease expenditure, fire services property levy, audit costs and other costs associated with the day to day running of Council.

2.5 Challenges and opportunities Council faces

2.5.1 Challenges and opportunities

Colac Otway faces a number of challenges, summarised as follows:

- COVID-19 pandemic uncertainty, economic recovery of the municipality and region, and the potential need for financial and non-financial support for communities to recover.
- The limited availability of developable land, particularly in Colac which is expected to have the highest level of population growth, may diminish the supplementary revenue in the next few years and negatively impact Council's revenue.
- Council has significantly diminished cash reserves that will impact service delivery and infrastructure management, particularly in the short term until reforms are established and start to deliver improvements
- Balancing the constraints of the Fair Go Rates System with affordability of services for the community, and understanding the capacity of the community to contribute to costs of services such as through user fees.
- Sharing Council's financial challenges with the community in a transparent and understandable manner and having the time and resources to engage in meaningful ways with the community as Council reviews its operations and finances.
- Building the capacity to enable the consideration of the changing expectations of the community.
- Harnessing the benefits of technology and managing the risks such as cybersecurity.
- The influence of the Workforce Plan and Asset Plan on the Financial Plan is yet to be established.
- Council may need to spend some money now to achieve future financial savings, but is constrained in being able to make immediate financial commitments to undertake this work.
- Council is challenged in setting fees and charges for Council services that provides a balance between affordability and user pays.

There are a number of opportunities that Council can utilise to enable positive change along with increased financial sustainability. Some of these opportunities include the following:

- Council may use borrowings for projects that deliver intergenerational benefits.
- Council may undertake a strategic review of its waste services to ensure that waste charges are used strategically.
- Explore opportunities to reduce cost through collaborative procurement and sharing services and systems with others.
- Explore how development contributions can offset future costs that may otherwise fall to Council.
- Focus on targeted service reviews and business reforms that deliver financial benefits while still delivering important services to the community.

- Explore opportunities for accessing income/revenue other than rates.
- Explore environmentally friendly opportunities, e.g. green economy, defined as low carbon, resource efficient and socially inclusive.
- Explore business partnering opportunities.

2.5.2 Overview of Council's current position

Without significant reform, Council is not sustainable on a *business as usual* model. Council's current financial position means that:

1. Council does not have sufficient cash to cover the commitments it has made to cash reserves.
2. Net earnings from the recurrent operations do not generate enough cash to fund Council's expected obligations (including asset renewal) over the life of the plan.
3. Council does not have financial capacity to fund discretionary projects or initiatives that may be desired by the community or important to its growth and prosperity.

2.6 Financial Policy Statements

This section defines the policy statements, and associated measures, that demonstrates Council's financial sustainability to fund the aspirations of the Community Vision and the Council Plan.

Table 2 – Financial Policy Statements

Policy Statement	Measure	Calculation	Unit	Target	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Achieve and sustain consistent underlying surplus results above 0% within 12 months and above 5% within 5 years to fund recurrent operations as well as fund Council's capital commitments.	Adjusted underlying result	Adjusted result/total revenue	%	More than 5%	(0.3%)	3.2%	3.8%	4.4%	4.9%	5.6%	6.3%	6.4%	7.2%	8.0%
Achieve and maintain a working capital above 1.5 within 12 months to maintain sufficient working capital to meet its debt obligations as they fall due.	Liquidity	Current assets/current liabilities	x	More than 1.5	1.45	1.52	1.52	1.54	1.58	1.64	1.73	1.81	1.95	2.11
Achieve and maintain cash-backed Other Reserves above 100% to ensure sufficient funding is available for externally restricted allocations (statutory reserves, conditional grant funds held) and internally restricted allocations.	Cash compared to Other Reserves	Cash and cash equivalents/other reserves	%	More than 100%	98.4%	99.5%	102.1%	106.1%	112.1%	120.2%	128.4%	138.9%	152.8%	246.7%
Council will only borrow where it has capacity to meet working capital and debt servicing obligations.	Loans and borrowings	Interest bearing loans and borrowings/rate revenue	%	Less than 70%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Maintain a renewal gap ratio above 1.2 to prioritise asset renewal over other capital works allocations.	Renewal gap ratio	Renewal and upgrade expenditure/depreciation	x	More than 1.2	1.51	1.25	1.26	1.28	1.30	1.32	1.34	1.36	1.38	1.40

2.7 Strategic actions

A review of Council's current financial situation (using 2021-22 as the baseline year) projected over the following nine years (using assumptions as per section 2.4) demonstrates that without taking action Council is not financially sustainable.

Council has identified the following strategic actions that will work to address this situation, and enable Council to continue to deliver important services into the future:

- Review financial policies to ensure that they are focussed on establishing financial sustainability.
- Review all commitments requiring cash and affirming the source of cash for each commitment.
- Develop an Asset Plan, inclusive of asset renewal funding strategy addressing the next 10-year renewal program, and incorporate this into the Financial Plan.
- Ensure anticipated “whole of life costs” are considered when funding or accepting new assets and ensure the operating budget funding for maintenance and operations is allocated to the recurrent operating budgets.
- Develop a Workforce Plan, in accordance with the *Local Government Act 2020*, and incorporate this into the Financial Plan.
- Implement a model for allocating corporate overheads to ensure that the total cost of service delivery is understood .
- Establish annual financial savings targets for recurrent operations and incorporate these into the Long Term Financial Plan (starting with target of \$250k p.a. and an annual capital allocation of approx. \$2 million lower than the baseline year).
- Establish external funding sources when introducing or expanding services, or identify services that can be reduced or stopped to offset new costs.
- Develop principles for borrowing funds for infrastructure that delivers intergenerational benefits .
- Identify land that is surplus to municipal needs and proactively sell land and/or assets to fund new infrastructure .
- Develop a strategic advocacy list that targets external funding programs that align to Council's strategic objectives .
- Engage with key partners that can collaborate on procurement and service delivery to achieve financial improvements .
- Introduce an ongoing review of targeted comprehensive service reviews that aim to maintain the community's access to services where they are needed, with a lower net cost to Council than currently required.

3. FINANCIAL PLAN STATEMENTS

This section presents information regarding the Financial Plan Statements for the 10 years from 2021/22 to 2030/31.

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

3.1 Comprehensive Income Statement

Colac Otway Shire Council										
Budgeted Comprehensive Income Statement										
For the ten years ending 30 June 2031										
	Budget				Projections					
	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000
Income										
Rates and charges	32,773	33,471	34,281	35,211	36,212	37,236	38,283	39,353	40,448	41,568
Statutory fees and fines	826	878	897	920	940	961	983	1,007	1,028	1,051
User fees	6,548	6,877	7,215	7,325	7,440	7,556	7,673	7,792	7,912	8,036
Grants - Operating	10,690	3,314	3,365	3,417	3,470	3,523	3,577	3,633	3,688	3,745
Grants - Capital	4,691	2,318	2,376	2,436	2,497	2,559	2,623	2,689	2,756	2,825
Contributions - monetary	420	125	125	125	125	125	125	125	125	125
Contributions - non-monetary	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	25	-	-	-	-	-	-	-	-	-
Fair value adjustments for investment property	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) on disposal of investment property	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) on disposal of intangible assets	-	-	-	-	-	-	-	-	-	-
Share of net profits/(losses) of associates and joint ventures	30	30	31	31	32	32	33	33	34	34
Other income	367	7,953	8,108	8,297	8,431	8,590	8,757	8,960	9,107	9,278
Total Income	56,370	54,966	56,399	57,762	59,147	60,581	62,053	63,592	65,099	66,661
Expenses										
Employee costs	(21,683)	(22,403)	(23,081)	(23,521)	(24,240)	(24,849)	(25,476)	(26,253)	(26,913)	(27,591)
Materials and services	(20,730)	(18,868)	(19,363)	(20,053)	(20,479)	(20,991)	(21,518)	(22,283)	(22,756)	(23,326)
Depreciation	(8,990)	(9,200)	(9,300)	(9,400)	(9,500)	(9,600)	(9,700)	(9,800)	(9,900)	(10,000)
Amortisation - intangible assets	-	-	-	-	-	-	-	-	-	-
Amortisation - right of use assets	(110)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	-
Bad and doubtful debts	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Borrowing costs	(39)	(33)	0	0	0	0	0	0	0	0
Finance Costs - leases	(139)	(95)	(88)	(79)	(69)	(58)	(44)	(29)	(11)	-
Other expenses	(1,389)	(1,893)	(1,669)	(1,430)	(1,178)	(914)	(636)	(343)	(35)	288
Total Expenses	(53,100)	(52,592)	(53,600)	(54,583)	(55,566)	(56,511)	(57,474)	(58,807)	(59,715)	(60,648)
Surplus/(deficit) for the year	3,270	2,374	2,799	3,180	3,581	4,070	4,579	4,785	5,383	6,013
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	-	-	-	-	-	-	-	-	-	-
Total comprehensive result	3,270	2,374	2,799	3,180	3,581	4,070	4,579	4,785	5,383	6,013

3.2 *Comprehensive Operating Statement

Colac Otway Shire Council										
*Recurrent Savings - Comprehensive Operating Statement										
For the ten years ending 30 June 2031										
	Budget		Projections		2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000
	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000						
Revenue from Operating Activities										
Rates and Charges	32,673	33,371	34,156	35,061	36,012	37,036	38,083	39,153	40,248	41,368
Supplementary Rates	100	100	125	150	200	200	200	200	200	200
Grants - Operating (Recurrent)	10,690	3,314	3,365	3,417	3,470	3,523	3,577	3,633	3,688	3,745
Grants - Capital (Recurrent)	1,700	1,787	1,831	1,877	1,924	1,972	2,021	2,072	2,124	2,177
Grants - Capital (Non-recurrent)	2,991	532	545	559	573	587	602	617	632	648
Contributions (Monetary)	420	125	125	125	125	125	125	125	125	125
User Charges	6,548	6,877	7,215	7,325	7,440	7,556	7,673	7,792	7,912	8,036
Statutory Fees and Fines	826	878	897	920	940	961	983	1,007	1,028	1,051
Financial Assistance Grants	-	7,448	7,595	7,747	7,902	8,060	8,221	8,385	8,553	8,724
Total Revenue from Operating Activities	55,948	54,428	55,855	57,181	58,586	60,019	61,484	62,984	64,511	66,073
Revenue from Outside of Operating Activities										
Interest Revenue	-	140	140	140	140	140	140	140	140	140
Other Revenue Outside of Operating Activities	367	367	373	410	390	390	396	435	413	414
Total Revenue from Outside Operating Activities	367	507	513	550	530	530	536	575	553	554
Total Revenue	56,315	54,936	56,368	57,731	59,115	60,549	62,020	63,559	65,065	66,627
Operating Expenses from Ordinary Activities										
Employee Costs	(21,883)	(22,403)	(23,081)	(23,521)	(24,240)	(24,849)	(25,476)	(26,253)	(26,913)	(27,591)
Materials & Consumables	(20,730)	(18,868)	(19,363)	(20,053)	(20,479)	(20,991)	(21,518)	(22,283)	(22,756)	(23,326)
Bad and Doubtful Debts	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Depreciation	(8,990)	(9,200)	(9,300)	(9,400)	(9,500)	(9,600)	(9,700)	(9,800)	(9,900)	(10,000)
Amortisation of Right-of-Use Assets	(110)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	-
Other Operating Expenses	(1,389)	(1,125)	(1,144)	(1,161)	(1,178)	(1,197)	(1,216)	(1,234)	(1,254)	(1,273)
Interest on Borrowings (Finance Costs)	(39)	(33)	0	0	0	0	0	0	0	0
Interest on Leases	(139)	(95)	(88)	(79)	(69)	(58)	(44)	(29)	(11)	-
Operational initiatives	-	(1,025)	(1,051)	(1,077)	(1,104)	(1,131)	(1,160)	(1,189)	(1,218)	(1,249)
Recurrent savings	-	256	525	808	1,104	1,414	1,740	2,080	2,437	2,810
Total Operating Expenses	(53,100)	(52,592)	(53,600)	(54,583)	(55,568)	(56,511)	(57,474)	(58,807)	(59,715)	(60,648)
Net Surplus/(Deficit) from Operations	3,215	2,344	2,768	3,149	3,549	4,038	4,547	4,752	5,349	5,979
Adjustments										
Net Gain/(Loss) on Disposal of Property Plant & Equipment	25	-	-	-	-	-	-	-	-	-
Unrealised Gain/(Loss) on investment in Associates)	30	30	31	31	32	32	33	33	34	34
Total Adjustments	55	30	31	31	32	32	33	33	34	34
Operating Surplus/(Deficit) after Adjustments	3,270	2,374	2,799	3,180	3,581	4,070	4,579	4,785	5,383	6,013
Adjusted Underlying Surplus (Deficit)	(141)	1,717	2,129	2,498	2,884	3,359	3,853	4,043	4,628	5,240

3.3 Balance Sheet

Colac Otway Shire Council										
Budgeted Balance Sheet										
For the ten years ending 30 June 2031										
	Budget	Projections								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets										
Current assets										
Cash and cash equivalents	13,254	12,832	12,979	13,318	13,837	14,620	15,672	16,748	18,116	19,932
Trade and other receivables	2,748	1,481	1,516	1,558	1,596	1,635	1,671	1,718	1,759	1,802
Other financial assets	-	-	-	-	-	-	-	-	-	-
Inventories	175	175	175	175	175	175	175	175	175	175
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
Other assets	366	366	366	366	366	366	366	366	366	366
Total current assets	16,543	14,854	15,036	15,417	15,974	16,796	17,884	19,006	20,416	22,275
Non-current assets										
Trade and other receivables	-	-	-	-	-	-	-	-	-	-
Investments in associates and joint ventures	501	531	562	593	625	657	690	723	757	791
Property, infrastructure, plant & equipment	362,565	364,835	367,293	369,944	372,796	375,857	379,135	382,637	386,372	390,347
Right-of-use assets	638	558	478	399	319	239	160	80	-	-
Investment property	-	-	-	-	-	-	-	-	-	-
Intangible asset	-	-	-	-	-	-	-	-	-	-
Landfill rehabilitation intangible asset	-	-	-	-	-	-	-	-	-	-
Total non-current assets	363,704	365,924	368,333	370,936	373,740	376,753	379,984	383,440	387,129	391,138
Total assets	380,247	380,779	383,369	386,352	389,714	393,550	397,868	402,446	407,545	413,413
Liabilities										
Current liabilities										
Trade and other payables	5,685	4,730	4,821	4,932	5,030	5,124	5,205	5,357	5,447	5,548
Trust funds and deposits	661	661	661	661	661	661	661	661	661	661
Provisions	4,357	4,357	4,357	4,357	4,357	4,357	4,357	4,357	4,357	4,357
Interest-bearing loans and borrowings	596	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Lease liabilities	100	53	62	72	83	96	112	130	-	-
Total current liabilities	11,399	9,801	9,901	10,021	10,131	10,238	10,335	10,504	10,465	10,566
Non-current liabilities										
Provisions	9,005	8,759	8,513	8,267	8,021	7,775	7,529	7,283	7,037	6,791
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-
Lease liabilities	553	554	493	421	338	242	130	-	-	-
Total non-current liabilities	9,558	9,313	9,006	8,688	8,359	8,017	7,659	7,283	7,037	6,791
Total liabilities	20,957	19,115	18,906	18,710	18,490	18,255	17,994	17,787	17,502	17,357
Net assets	359,290	361,664	364,463	367,643	371,224	375,295	379,874	384,659	390,042	396,055
Equity										
Accumulated surplus	138,117	140,491	143,290	146,470	150,051	154,122	158,701	163,486	168,869	174,882
Reserves	221,173	221,173	221,173	221,173	221,173	221,173	221,173	221,173	221,173	221,173
Total equity	359,290	361,664	364,463	367,643	371,224	375,295	379,874	384,659	390,042	396,055

3.4 Statement of Changes in Equity

Colac Otway Shire Council Budgeted Statement of Changes in Equity

	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020/21			
Balance at beginning of the financial year	130,527	208,131	16,765
Surplus/(deficit) for the year	594	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	2,733	-	(2,732)
Balance at end of financial year	133,854	208,131	14,033
2021/22			
Balance at beginning of the financial year	133,854	208,131	14,033
Surplus/(deficit) for the year	3,270	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	993	-	(991)
Balance at end of financial year	138,117	208,131	13,042
2022/23			
Balance at beginning of the financial year	138,117	208,131	13,042
Surplus/(deficit) for the year	2,374	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	140,491	208,131	13,042
2023/24			
Balance at beginning of the financial year	140,491	208,131	13,042
Surplus/(deficit) for the year	2,799	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	143,290	208,131	13,042
2024/25			
Balance at beginning of the financial year	143,290	208,131	13,042
Surplus/(deficit) for the year	3,180	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	146,470	208,131	13,042

2025/26			
Balance at beginning of the financial year	146,470	208,131	13,042
Surplus/(deficit) for the year	3,581	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	150,051	208,131	13,042
2026/27			
Balance at beginning of the financial year	150,051	208,131	13,042
Surplus/(deficit) for the year	4,070	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	154,122	208,131	13,042
2027/28			
Balance at beginning of the financial year	154,122	208,131	13,042
Surplus/(deficit) for the year	4,579	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	158,701	208,131	13,042
2028/29			
Balance at beginning of the financial year	158,701	208,131	13,042
Surplus/(deficit) for the year	4,785	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	163,486	208,131	13,042
2029/30			
Balance at beginning of the financial year	163,486	208,131	13,042
Surplus/(deficit) for the year	5,383	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	168,869	208,131	13,042
2030/31			
Balance at beginning of the financial year	168,869	208,131	13,042
Surplus/(deficit) for the year	6,013	-	-
Net asset revaluation increment/(decrement)	-	-	-
Transfer (to)/from reserves	-	-	-
Balance at end of financial year	174,882	208,131	13,042

3.5 Statement of Cash Flows

Colac Otway Shire Council										
Budgeted Statement of Cash Flows										
For the ten years ending 30 June 2031										
	Budget	Projections								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities										
Rates and charges	32,661	34,232	34,250	35,171	36,172	37,195	38,245	39,309	40,406	41,525
Statutory fees and fines	825	898	897	919	939	960	982	1,006	1,028	1,050
User fees	6,548	7,033	7,204	7,319	7,434	7,550	7,668	7,786	7,907	8,030
Grants - operating	10,671	3,389	3,362	3,414	3,467	3,520	3,574	3,630	3,685	3,742
Grants - capital	4,691	2,371	2,374	2,433	2,494	2,556	2,621	2,686	2,753	2,822
Contributions - monetary	420	125	125	125	125	125	125	125	125	125
Interest received	-	140	140	140	140	140	140	140	140	140
Dividends received	-	-	-	-	-	-	-	-	-	-
Trust funds and deposits taken	-	-	-	-	-	-	-	-	-	-
Other receipts	368	7,994	7,961	8,148	8,285	8,443	8,610	8,811	8,960	9,131
Net GST refund / payment	-	-	-	-	-	-	-	-	-	-
Employee costs	(21,683)	(22,899)	(23,014)	(23,466)	(24,161)	(24,782)	(25,415)	(26,160)	(26,841)	(27,516)
Materials and services	(20,778)	(19,285)	(19,314)	(19,972)	(20,432)	(20,935)	(21,466)	(22,193)	(22,704)	(23,263)
Short-term, low value and variable lease payments	-	-	-	-	-	-	-	-	-	-
Trust funds and deposits repaid	(63)	-	-	-	-	-	-	-	-	-
Other payments	(1,389)	(2,181)	(1,940)	(1,702)	(1,452)	(1,189)	(913)	(621)	(315)	7
Net cash provided by/(used in) operating activities	12,271	11,818	12,045	12,531	13,012	13,584	14,171	14,519	15,143	15,791
Cash flows from investing activities										
Payments for property, infrastructure, plant and equipment	(13,692)	(11,470)	(11,757)	(12,051)	(12,352)	(12,661)	(12,978)	(13,302)	(13,635)	(13,975)
Proceeds from sale of property, infrastructure, plant and equipment	500	-	-	-	-	-	-	-	-	-
Payments for investment property	-	-	-	-	-	-	-	-	-	-
Proceeds from investment property	-	-	-	-	-	-	-	-	-	-
Payments for intangible assets	-	-	-	-	-	-	-	-	-	-
Proceeds from intangible assets	-	-	-	-	-	-	-	-	-	-
Payments for investments	-	-	-	-	-	-	-	-	-	-
Proceeds from investments	-	-	-	-	-	-	-	-	-	-
Loan and advances made	-	-	-	-	-	-	-	-	-	-
Repayments of loans and advances	-	-	-	-	-	-	-	-	-	-
Net cash provided by/(used in) investing activities	(13,192)	(11,470)	(11,757)	(12,051)	(12,352)	(12,661)	(12,978)	(13,302)	(13,635)	(13,975)
Cash flows from financing activities										
Finance costs	(39)	(33)	0	0	0	0	0	0	0	0
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(142)	(596)	-	-	-	-	-	-	-	-
Interest paid - lease liability	(29)	(95)	(88)	(79)	(69)	(58)	(44)	(29)	(11)	-
Repayment of lease liabilities	(110)	(46)	(53)	(62)	(72)	(83)	(96)	(112)	(130)	-
Net cash provided by/(used in) financing activities	(320)	(769)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	0
Net increase/(decrease) in cash & cash equivalents	(1,241)	(422)	147	339	519	783	1,052	1,076	1,368	1,816
Cash and cash equivalents at the beginning of the financial year	14,495	13,254	12,832	12,979	13,318	13,837	14,620	15,672	16,748	18,116
Cash and cash equivalents at the end of the financial year	13,254	12,832	12,979	13,318	13,837	14,620	15,672	16,748	18,116	19,932

3.6 Statement of Capital Works

Colac Otway Shire Council										
Budgeted Capital Works Statement										
For the ten years ending 30 June 2031										
	Budget	Projections								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property										
Land	-	-	-	-	-	-	-	-	-	-
Total land	-	-	-	-	-	-	-	-	-	-
Buildings	702	798	818	838	859	880	902	925	948	972
Total buildings	702	798	818	838	859	880	902	925	948	972
Total property	702	798	818	838	859	880	902	925	948	972
Plant and equipment										
Plant, machinery and equipment	2,100	2,308	2,366	2,425	2,485	2,547	2,611	2,676	2,743	2,812
Fixtures, fittings and furniture	8	319	327	335	344	352	361	370	379	389
Computers and telecommunications	80	368	377	386	396	406	416	426	437	448
Total plant and equipment	2,188	2,994	3,069	3,146	3,225	3,305	3,388	3,473	3,559	3,648
Infrastructure										
Roads	5,713	6,841	7,013	7,188	7,368	7,552	7,741	7,934	8,133	8,336
Bridges	1,440	659	676	693	710	728	746	765	784	803
Footpaths and cycleways	372	245	251	257	263	270	277	284	291	298
Drainage	350	465	476	488	500	513	526	539	552	566
Recreational, leisure and community facilities	-	1,063	1,090	1,117	1,145	1,174	1,203	1,233	1,264	1,296
Parks, open space and streetscapes	-	532	545	559	573	587	602	617	632	648
Other infrastructure	2,927	-	-	-	-	-	-	-	-	-
*Reduction in annual Capital program allocation	-	(2,127)	(2,181)	(2,235)	(2,291)	(2,348)	(2,407)	(2,467)	(2,529)	(2,592)
Total infrastructure	10,802	7,678	7,870	8,067	8,269	8,475	8,688	8,905	9,127	9,355
Total capital works expenditure	13,692	11,470	11,757	12,051	12,352	12,661	12,978	13,302	13,635	13,975
Represented by:										
New asset expenditure	118	-	-	-	-	-	-	-	-	-
Asset renewal expenditure	8,570	11,470	11,757	12,051	12,352	12,661	12,978	13,302	13,635	13,975
Asset upgrade expenditure	5,004	-	-	-	-	-	-	-	-	-
Total capital works	13,692	11,470	11,757	12,051	12,352	12,661	12,978	13,302	13,635	13,975
Funding sources represented by:										
Grants	4,691	2,318	2,376	2,436	2,497	2,559	2,623	2,689	2,756	2,825
Contributions	120	-	-	-	-	-	-	-	-	-
Council Cash	8,881	9,152	9,381	9,615	9,856	10,102	10,355	10,614	10,879	11,151
Borrowings	-	-	-	-	-	-	-	-	-	-
Total capital works expenditure	13,692	11,470	11,757	12,051	12,352	12,661	12,978	13,302	13,635	13,975

3.7 Statement of Human Resources

Colac Otway Shire Council										
Budgeted Statement of Human Resources										
For the ten years ending 30 June 2031										
	Budget	Projections								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Staff expenditure										
Employee costs - Operating	(21,249)	(21,955)	(22,619)	(23,050)	(23,755)	(24,352)	(24,966)	(25,728)	(26,375)	(27,039)
Employee costs - Capital	(434)	(448)	(462)	(470)	(485)	(497)	(510)	(525)	(538)	(552)
Total staff expenditure	(21,683)	(22,403)	(23,081)	(23,521)	(24,240)	(24,849)	(25,476)	(26,253)	(26,913)	(27,591)
Staff numbers	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT
Employees	238	238	238	238	238	238	238	238	238	238
Total staff numbers	238	238	238	238	238	238	238	238	238	238

4. FINANCIAL PERFORMANCE INDICATORS

A range of indicative financial indicators are used to assess the financial sustainability of Council's 10-year Financial Plan. The indicators aim to assist the reader to gain a better understanding of the key measures, which are often not apparent when financial information is presented in the financial statements. Use of indicators over a ten year horizon allows trends to be assessed to confirm the financial sustainability of Council's service delivery, infrastructure renewal, rating, liquidity and indebtedness.

This section of the Financial Plan presents the forecast 10 year period against a number of financial performance indicators:

- i. VAGO indicators: The Victorian Auditor General publishes seven financial sustainability indicators, for each Council, on an annual basis assess the financial viability of councils.
- ii. LGPRF indicators: Local Government regulations require Councils to report actual results against prescribed indicators contained in the Local Government Performance Reporting Framework (LGPRF). Prescribed financial performance indicators are included in the annual budget. Results against these indicators are also reported in Council's annual performance statement included in the annual report.
- iii. Other indicators: Council uses additional key strategic financial performance indicators to assist in monitoring achievement of specific financial strategies, such as ensuring Council's intended allocations to Other Reserves (equity) are cash-backed with funds to deliver future outcomes.

All indicators in this section of the Financial Plan include a **\$0.25M** per annum reduction in recurrent operating expenditure and a reduction capital works allocation that is **\$2.0M** than the baseline year of 2021-22, resulting in an improvement to the financial performance indicators as shown in Tables 5 and 7.

4.1 VAGO indicators

VAGO use sustainability indicators to assess if councils have some excess capacity at any point in time to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies. VAGO use the following risk matrix to measure performance against seven indicators, which enables assessment of the overall financial sustainability of each council. VAGO indicators are included in the table on the following page including risk ratings used by VAGO.

Table 3 - VAGO Financial Sustainability Risk Indicator levels

VAGO financial sustainability risk indicator levels							
Risk	Net result	Adjusted underlying result	Liquidity	Internal financing	Indebtedness	Capital replacement	Renewal gap
High	<p>Less than negative 10%</p> <p>Insufficient revenue is being generated to fund operations and asset renewal.</p>	<p>Less than 0%</p> <p>Insufficient surplus being generated to fund operations</p>	<p>Less than 0.75</p> <p>Immediate sustainability issues with insufficient current assets to cover liabilities.</p>	<p>Less than 75%</p> <p>Limited cash generated from operations to fund new assets and asset renewal.</p>	<p>More than 60%</p> <p>Potentially long-term concern over ability to repay debt levels from own-source revenue.</p>	<p>Less than 1.0</p> <p>Spending on capital works has not kept pace with consumption of assets.</p>	<p>Less than 0.5</p> <p>Spending on existing assets has not kept pace with consumption of these assets.</p>
Medium	<p>Negative 10%–0%</p> <p>A risk of long-term run down to cash reserves and inability to fund asset renewals.</p>	<p>0%–5%</p> <p>Surplus being generated to fund operations</p>	<p>0.75–1.0</p> <p>Need for caution with cashflow, as issues could arise with meeting obligations as they fall due.</p>	<p>75–100%</p> <p>May not be generating sufficient cash from operations to fund new assets.</p>	<p>40–60%</p> <p>Some concern over the ability to repay debt from own-source revenue.</p>	<p>1.0–1.5</p> <p>May indicate spending on asset renewal is insufficient.</p>	<p>0.5–1.0</p> <p>May indicate insufficient spending on renewal of existing assets.</p>
Low	<p>More than 0%</p> <p>Generating surpluses consistently.</p>	<p>More than 5%</p> <p>Generating strong surpluses to fund operations</p>	<p>More than 1.0</p> <p>No immediate issues with repaying short-term liabilities as they fall due.</p>	<p>More than 100%</p> <p>Generating enough cash from operations to fund new assets.</p>	<p>40% or less</p> <p>No concern over the ability to repay debt from own-source revenue.</p>	<p>More than 1.5</p> <p>Low risk of insufficient spending on asset renewal.</p>	<p>More than 1.0</p> <p>Low risk of insufficient spending on asset base.</p>

Source: VAGO

Table 4 - VAGO Financial Sustainability Indicator meanings

Indicator	Meaning
Net result (Net result/total revenue)	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term. The net result and total revenue are obtained from the comprehensive operating statement.
Adjusted underlying result (Adjusted underlying surplus (or deficit)/adjusted underlying revenue)	This measures an entity's ability to generate surplus in its ordinary course of business, excluding non-recurrent capital grants, non-monetary asset contributions and other contributions to fund capital expenditure from its net result. A surplus or increasing surplus suggests an improvement in the operating position.
Liquidity (Current assets/current liabilities)	This measures an entity's ability to pay existing liabilities in the next 12 months. A ratio of one or more means that an entity has more cash and liquid assets than short-term liabilities. A ratio less than one means that an entity does not have sufficient cash and liquid assets to pay short-term liabilities.
Internal financing (Net operating cash flow/net capital expenditure)	This measures an entity's ability to finance capital works using cash generated from its operating cash flows. The higher the percentage, the greater the ability for the entity to finance capital works from its own funds. Net operating cash flows and net capital expenditure are obtained from the cash flow statement.
Indebtedness (Non-current liabilities/own-sourced revenue)	This assesses an entity's ability to pay liabilities beyond 12 months, as and when they fall due, from the funds Council generates. The lower the ratio, the less revenue the entity is required to use to repay its total debt. Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.
Capital replacement (Cash outflows for the addition of new infrastructure, property, plant and equipment/depreciation)	This compares the rate of spending on new infrastructure, property, plant and equipment with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciating rate. This is a long-term indicator because capital expenditure can be deferred in the short term if there are insufficient funds available from operations and borrowing is not an option. Cash outflows for infrastructure are taken from the cash flow statement. Depreciation is taken from the comprehensive operating statement.
Renewal gap (Renewal and upgrade expenditure/depreciation)	This compares the rate of spending on renewing, restoring and replacing existing assets with depreciation. Ratios higher than 1.0 indicate that spending on existing assets is faster than the depreciation rate.

Note: indebtedness includes liabilities more broadly than Council's loans, eg. future liabilities due to ongoing leases are included in this calculation

Table 5 – Projected VAGO ratios

VAGO Ratios		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	VAGO Target										
Net result	>0 %	5.8%	4.3%	5.0%	5.5%	6.1%	6.7%	7.4%	7.5%	8.3%	9.0%
Adjusted underlying result	>5.0 %	(0.3%)	3.2%	3.8%	4.4%	4.9%	5.6%	6.3%	6.4%	7.2%	8.0%
Liquidity	>1.0 x	1.45	1.52	1.52	1.54	1.58	1.64	1.73	1.81	1.95	2.11
Internal financing	>100 %	89.6%	103.0%	102.4%	104.0%	105.3%	107.3%	109.2%	109.1%	111.1%	113.0%
Indebtedness	<40 %	23.6%	18.9%	17.8%	16.8%	15.8%	14.7%	13.7%	12.7%	12.0%	11.3%
Capital replacement ratio	>1.5 x	1.52	1.25	1.26	1.28	1.30	1.32	1.34	1.36	1.38	1.40
Renewal gap ratio	>1.0 x	1.51	1.25	1.26	1.28	1.30	1.32	1.34	1.36	1.38	1.40

NB: Refer to VAGO Risk Matrix above for definitions of High (red), Medium (orange) and Low (green) risk indicator results.

4.2 LGPRF indicators

The table of LGPRF projected performance indicators below is aligned with the measures included in Council’s annual budget and reported in the performance statement in Council’s annual report. Council’s five year historical performance against the VAGO financial indicators and key Council strategic financial indicators, are also reported in Council’s annual report.

The tables below highlight Council’s projected performance across a range of key financial performance indicators and are based on a set of assumptions. These indicators provide an analysis of Council’s 10-year financial projections and should be interpreted in the context of the Council’s objectives, financial strategies and financial management principles.

Table 6 - LGPRF Indicator meanings

Indicator	Meaning
Adjusted underlying result (Adjusted underlying surplus (or deficit)/adjusted underlying revenue)	This measures an entity’s ability to generate surplus in its ordinary course of business, excluding non-recurrent capital grants, non-monetary asset contributions and other contributions to fund capital expenditure from its net result. A surplus or increasing surplus suggests an improvement in the operating position.
Working capital (Liquidity) (Current assets/current liabilities)	This measures an entity’s ability to pay existing liabilities in the next 12 months. A percentage of 100% or more means that an entity has more cash and liquid assets than short-term liabilities. A percentage of less than 100% means that an entity has insufficient cash and liquid assets to pay short-term liabilities.
Unrestricted cash (Unrestricted cash/current liabilities)	This measures availability of cash that is not subject to external restrictions (Council is bound by an Act or contractual agreement restricting the use of cash held) to pay existing liabilities in the next 12 months.

Indicator	Meaning
	<p>The larger the percentage, the stronger capacity Council has to make internal decisions to allocate cash to meet other specific objectives, e.g. internal allocations from Other Reserves (excluding Reserves already subject to external restrictions).</p> <p>A percentage below 100% indicates that Other Reserves are not cash-backed and are insufficient to fund all internal allocations by Council. Results below 100% cannot be sustained in the long term.</p> <p>Unrestricted cash is obtained from the notes to the financial statements and current liabilities is obtained from the balance sheet. Unrestricted cash represents cash and cash equivalents less externally restricted cash, which includes some reserves and liabilities (statutory reserves, trust funds and deposits, conditional grant funds held)</p>
<p>Loans and borrowings (debt) (Interest bearing loans and borrowings/rate revenue)</p>	<p>This measures an entity's ability to repay borrowings.</p> <p>The higher the percentage, the greater the ability for the entity to repay borrowings from its own funds.</p> <p>Loans and borrowings are obtained from the balance sheet and rate revenue is obtained from the comprehensive income statement.</p>
<p>Loans and borrowings payments (debt commitment) (Interest and principal repayments on interest bearing loans and borrowings/rate revenue)</p>	<p>This measures an entity's ability to repay borrowings and interest.</p> <p>The higher the percentage, the greater the ability for the entity to repay borrowing commitments from its own funds.</p> <p>Interest and principal repayments are obtained from the cash flow statement and rate revenue is obtained from the comprehensive income statement.</p>
<p>Indebtedness (Non-current liabilities/own-sourced revenue)</p>	<p>This assesses an entity's ability to pay liabilities beyond 12 months, as and when they fall due, from the funds Council generates.</p> <p>The lower the ratio, the less revenue the entity is required to use to repay its total debt.</p> <p>Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions. Non-current liabilities is obtained from the balance sheet.</p>
<p>Asset renewal and upgrade (Asset renewal and upgrade expenditure/depreciation)</p>	<p>This assesses an entity's rate of spending on infrastructure, property, plant and equipment.</p> <p>A percentage below 100% indicates that spending on capital works has not kept pace with consumption of assets.</p> <p>This is a long term indicator, as capital expenditure can differ in the short-term if there are insufficient funds available from operations or borrowings.</p> <p>Asset renewal and upgrade expenditure is obtained from the capital works statement and depreciation is obtained from the comprehensive income statement.</p>
<p>Rates concentration (Rate revenue/adjusted underlying revenue)</p>	<p>This assesses an entity's reliance on rate revenue.</p> <p>A percentage above 50% indicates that Council is generating the majority of its revenue from its own sources.</p> <p>A ratio below 50% indicates Council has a higher dependence on other recurrent sources of revenue other than rates, such as recurrent grant funding.</p> <p>Rate revenue and adjusted underlying revenue are obtained from the comprehensive income statement. Adjusted underlying revenue excludes non-recurrent revenue, such as non-recurrent capital grant funding and contributions.</p>

Table 7 – Projected LGPRF indicators

Local Government Performance Reporting Framework		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Target										
Operating position											
Adjusted underlying result	>5.0 %	-0.3%	3.2%	3.8%	4.4%	4.9%	5.6%	6.3%	6.4%	7.2%	8.0%
Liquidity											
Working capital (current assets as a percentage of current liabilities)	>100 %	145.1%	151.6%	151.9%	153.8%	157.7%	164.1%	173.0%	180.9%	195.1%	210.8%
Unrestricted cash (unrestricted cash compared to current liabilities)	>100 %	110.5%	124.2%	124.4%	126.3%	130.1%	136.3%	145.2%	153.1%	166.8%	182.4%
Obligations											
Loans and borrowings (as a percentage of rate revenue)	<70 %	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and borrowings payments (as a percentage of rate revenue)	<20 %	0.6%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indebtedness (Non-current liabilities compared to own-source revenue)	<70 %	23.6%	18.9%	17.8%	16.8%	15.8%	14.7%	13.7%	12.7%	12.0%	11.3%
Asset renewal and upgrade (compared to depreciation)	>100% %	151.0%	124.7%	126.4%	128.2%	130.0%	131.9%	133.8%	135.7%	137.7%	139.8%
Stability											
Rates concentration (Rates compared to adjusted underlying revenue)	>50 %	61.7%	61.4%	61.3%	61.4%	61.6%	61.9%	62.1%	62.3%	62.6%	62.8%

4.3 Other Council Strategic Financial Indicators

Improvement in long-term liquidity is a key strategic financial indicator for Council. Council needs the ability to maintain sufficient working capital to meet its obligations as they fall due, including the ability to fund Council’s intended allocations from Other Reserves, which fund external obligations and Council’s internal allocations set aside to fund future Council objectives. As a result, Council also measures its ability to fund Other Reserves from projected cash levels over the long-term, that is, cash compared to other reserves.

Indicator	Meaning
Cash compared to Other Reserves (Cash and cash equivalents/Other Reserves)	A result above 100% indicates that Council’s intended future allocations of cash will be cash-backed, and the larger the percentage, the better positioned Council will be to meet cash flow needs for working capital commitments and internal allocations from Other Reserves to meet specific Council objectives. A result less than 100% indicates insufficient cash to fund Council’s intended future allocations of cash. Insufficient cash to fund allocations from Other Reserves cannot be sustained in the long term as future decisions to allocate funds from Other Reserves to meet Council objectives will inhibit Council’s ability to meet working capital commitments. Cash and cash equivalents and other reserves are obtained from the balance sheet.

Table 8 – Other projected indicators

Council Strategic Financial Indicators		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Target										
Cash compared to Other Reserves											
(Cash levels available to fund intended Council allocations (cash compared to Other Reserves)	>100 %	98.4%	99.5%	102.1%	106.1%	112.1%	120.2%	128.4%	138.9%	152.8%	246.7%

5. STRATEGIC FINANCIAL PLANNING

This section describes key strategies and policies that will support the Financial Plan. These will also be reviewed to inform updates to the Financial Plan.

5.1 Borrowing Strategy

5.1.1 Current Debt Position

The total amount borrowed as at 30 June 2022 is \$0.57 million. At the end of the 2022/23 financial year Council will have no outstanding borrowings. The current appetite for Council to borrow funds is relatively low so now new borrowings are projected to be undertaken for the duration of the modelling.

5.1.2 Future Borrowing Requirements

Council has not planned to borrow more funds at this time so no new borrowings are projected to be undertaken for the duration of the modelling.

5.1.3 Performance Indicators

The following table highlights Council's projected performance across a range of debt management performance indicators. Council maintains its loan borrowing within prudent and manageable limits as demonstrated by the following performance indicators.

Table 9 – Projected debt management performance indicators

Debt Performance Indicators										
	Year Ending									
Ratio	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26	30-Jun-27	30-Jun-28	30-Jun-29	30-Jun-30	30-Jun-31
Loans and borrowings (as a percentage of rate revenue)	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and borrowings payments (as a percentage of rate revenue)	0.6%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indebtedness (Non-current liabilities compared to own-source revenue)	23.6%	18.9%	17.8%	16.8%	15.8%	14.7%	13.7%	12.7%	12.0%	11.3%
Debt Commitment Ratio	0.5%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: indebtedness includes liabilities more broadly than Council's loans, eg. future liabilities due to ongoing leases are included in this calculation

5.2 Reserves Strategy

5.2.1 Current Reserves

Carried Forward Projects Reserve

- Purpose – The Carried Forward Projects Reserve recognises the funds allocated and received in prior financial periods that are committed to unfinished projects. This includes grants received in advance for specific projects and funds allocated from prior financial years for projects that are still incomplete at the end of the current financial year.
- Movements – Transfers to the reserve (inflows) for unfinished projects are funded in prior financial periods and not budgeted, but forecast during the financial year. Transfers from the reserve (outflows) are applied and forecast after the budget is adopted to allocate funds from prior financial periods to complete unfinished capital projects on an annual basis.

Port of Apollo Bay Reserve

- Purpose – The Port of Apollo Bay Reserve holds funds 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.
- Movements - Transfers to/from the reserve (inflows/outflows) comprise an annual increase or decrease to the balance of the reserve to adjust the cash assets owed to the Department of Transport, to meet the requirements of the Port of Apollo Bay Management Agreement.

Waste Management Reserve

- Purpose - The Waste Management Reserve is discretionary in nature and set up as a source of funding for the replacement of kerbside bins.
- Movements - Transfers to the reserve (inflows) comprise funds collected from the waste collection service charge. Transfers from the reserve (outflows) are used only in connection with the waste collection service.

Long Service Leave Reserve

- Purpose - The Long Service Leave Reserve ensures that the nominal long service leave balances owing to employees are maintained.
- Movements – Transfers to/from the reserve (inflows/outflows) comprise an annual increase or decrease to the balance of the reserve to adjust the nominal amount owing to employees.

Landfill Rehabilitation (Alvie) Reserve

- Purpose - The Landfill Rehabilitation (Alvie) Reserve is discretionary in nature and holds funds required to restore the Alvie landfill site. The rehabilitation reserve will continue to grow until sufficient funds are available to meet this obligation.

- Movements - Transfers to the reserve (inflows) comprise funds set aside in the annual budget process to fund Council's obligations to restore the Alvie landfill site. Transfers from the reserve (outflows) are applied to budgeted rehabilitation and aftercare works at the landfill site on an annual basis.

Recreational Lands Reserve

- Purpose - The Recreational Lands Reserve holds funds contributed by developers for works associated with developing and improved public open space and recreational facilities within the shire. Funds are contributed in accordance with the Subdivision Act and transfers are restricted to the purpose of creating open space such as parks, playgrounds, pavilions and other such items where it is deemed that these works should occur at a later point than the initial development.
- Movements - Transfers to the reserve (inflows) comprise contribution income from subdividers in lieu of the 5.0% Public Open Space requirement. Transfers from the reserve (outflows) are applied to fund budgeted Open Space capital projects on an annual basis.

Colac Livestock Selling Centre Reserve

- Purpose - The Colac Livestock Selling Centre Reserve is discretionary in nature and holds funds for works at the Colac Livestock Selling Centre and all funds are derived from any surplus made from the operations of the Colac Livestock Selling Centre.
- Movements – Transfers to/from the reserve (inflows/outflows) comprise an annual increase or decrease to the balance of the reserve to adjust the funds available for works at the Colac Livestock Selling Centre.

Rehabilitation Reserve

- Purpose - The Rehabilitation Reserve is discretionary in nature and holds funds required to restore the various closed waste disposal sites across the Colac Otway Shire. The rehabilitation reserve will continue to grow until sufficient funds are available to meet this obligation.
- Movements - Transfers to the reserve (inflows) comprise funds set aside in the annual budget process to fund Council's obligations to restore the closed landfill sites. Transfers from the reserve (outflows) are applied to budgeted rehabilitation and aftercare works at the landfill site on an annual basis.

Plant Replacement Reserve

- Purpose – This reserve funds the replacement of Council's plant at the end of their useful lives.
- Movements – Inflows to the reserve accrue out of any plant operating surplus and are mainly sourced from budget savings in plant maintenance and operations. Transfers from the reserve are applied to the changeover of plant on an annual basis.

Tirrengower Drainage Reserve

- Purpose - The Tirrengower Drainage Reserve funds are collected via a special rate and must be expended in accordance with the purpose of the drainage scheme at Tirrengower.

- Movements - Transfers to the reserve (inflows) comprise funds collected from ratepayers contributing under the drainage scheme and deriving benefits from the Tirrengower drainage works. Transfers from the reserve (outflows) are applied to Tirrengower drainage works in connection with the scheme.

Unallocated Surplus Reserve

- Purpose – The Unallocated Surplus Reserve is discretionary in nature and designed to set aside funds to match any unforeseen grant opportunities that arise post the setting of the budget.
- Movements – Transfers to the reserve (inflows) comprise anticipated Council contributions required to match grant funding opportunities identified by Council after the budget has been adopted. Transfers from the reserve (outflows) are applied to meet Council's unbudgeted contributions to specific projects identified by Council, which have resulted in a successful funding application and meet the requirements of the funding agreement.

Strategic Projects Reserve

- Purpose - The Strategic Projects Reserve holds funds set aside by Council for strategic projects and acquisitions of new or expanded assets that are of an intergenerational nature.
- Movements - Transfers to the reserve (inflows) comprise budgeted and unbudgeted funds required to deliver strategic projects and acquisitions identified by Council. Transfers from the reserve (outflows) are applied to fund delivery of budgeted strategic capital projects on an annual basis.

Financial Assistance Grants received in advance Reserve

- Purpose - The Financial Assistance Grants received in advance Reserve holds any Commonwealth Financial Assistance Grant funding received in advance of its intended allocation.
Movements - Transfers to the reserve (inflows) comprise the Financial Assistance Grant allocation received from the Commonwealth in advance for the coming financial year. Transfers from the reserve (outflows) apply the funding allocation received in advance in the previous financial year to fund delivery of budgeted operational and capital works.

Disaster Recovery Reserve

- Purpose - The Disaster Recovery Reserve holds any Commonwealth disaster recovery grant funding received in advance for use in the recovery of disaster events.
Movements - Transfers to the reserve (inflows) comprise Commonwealth disaster recovery grant funding received from the Commonwealth and unspent at balance date. Transfers from the reserve (outflows) apply the funding allocation received in accordance with the terms of the disaster relief funding agreements.

Water Saving Urban Design Reserve

- Purpose - The Water Saving Urban Design Reserve holds funds contributed by developers for works associated with construction of future water quality infrastructure within the shire. Funds are contributed in accordance with the Subdivision Act and transfers are restricted to the purpose of providing future water saving urban design infrastructure.

- Movements - Transfers to the reserve (inflows) comprise contribution income from subdividers. Transfers from the reserve (outflows) are applied to fund budgeted water saving urban design capital projects on an annual basis.

Asset Revaluation Reserve

- Purpose - The Asset Revaluation Reserve is required to comply with legislative financial reporting requirements and accounts for property, plant and equipment revaluation movements to their fair value during the financial year.
- Movements - Transfers to/from the reserve (increments/decrements) comprise revaluation increments (increases) and decrements (decreases to the extent prior increments are included in the reserve for that class of asset) for property, plant and equipment revalued during the financial year.

5.2.2 Reserve Usage Projections

The table below discloses the balance and annual movement for each reserve over the 10-year life of the Financial Plan. Total amount of reserves, for each year, is to align with the Statement of Changes in Equity.

Table 10 – Projected Reserve Usage

Colac Otway Shire Council										
Budgeted Reserves										
For the ten years ending 30 June 2031										
	Budget				Projections					
	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000
Reserves										
Carried Forward Projects	-	-	-	-	-	-	-	-	-	-
Port of Apollo Bay	389	389	389	389	389	389	389	389	389	389
Waste Management	1,617	1,617	1,617	1,617	1,617	1,617	1,617	1,617	1,617	1,617
Long Service Leave reserve	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652
Landfill rehabilitation (Alvie)	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094
Recreational lands	992	992	992	992	992	992	992	992	992	992
Colac livestock selling centre	-	-	-	-	-	-	-	-	-	-
Rehabilitation reserve	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048
Plant replacement	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Tirrengower Drainage Scheme	24	24	24	24	24	24	24	24	24	24
Unallocated Surplus Reserve	-	-	-	-	-	-	-	-	-	-
Strategic Projects Reserve	602	602	602	602	602	602	602	602	602	602
Financial Assistance Grants received in advance	3,498	3,498	3,498	3,498	3,498	3,498	3,498	3,498	3,498	3,498
Disaster Recovery Reserve	-	-	-	-	-	-	-	-	-	-
Water Saving Urban Design	44	44	44	44	44	44	44	44	44	44
Asset Revaluation Reserve	208,131	208,131	208,131	208,131	208,131	208,131	208,131	208,131	208,131	208,131
Total reserves	221,173	221,173	221,173	221,173	221,173	221,173	221,173	221,173	221,173	221,173

