



Colac Otway

SHIRE

COLAC OTWAY SHIRE BUDGET 2019/20

This Budget Report has been prepared with reference to Local Government Victoria (LGV) Local Government Model Financial Report (LGMFR) 2019/20.

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Mayor's Summary

Colac Otway Shire Council's 2019-20 Budget proposes an average 0.5% rate increase, compared with the State's 2.5-per-cent cap, and no change to the kerbside collection charge.

The Budget proposes \$10.8 million in asset renewal, with an allocation of \$2 million for the Shire's sealed road reconstruction program, \$1.2 million for resealing, \$1.4 million for unsealed road reconstruction and \$1.5 million for heavy plant replacement so we can maintain our roads and drainage systems.

Council is also planning to embark on major redevelopment projects across our shire.

Council's success in securing State and Commonwealth funding for City Deal projects and significant sporting and community facility upgrades, has enabled Council to include the commencement of major works in the proposed budget.

Key highlights for the 2019-20 Budget include:

- Commencement of City Deal Projects: Apollo Bay Harbour Precinct Redevelopment, Skenes Creek-Apollo Bay Trail, Kennett River Infrastructure Redevelopment
- Implementation of Colac Otway Tourism Parking and Traffic Strategy including interim toilets
- Completion of Council's long-term Financial Plan
- Implementation of Council's Information & Communications Strategy
- Completion of the Reticulated Drainage Project in Wye River and Separation Creek
- Rural Councils Transformation Program
- Colac Civic and Rail Precinct Master Plan development
- Central Reserve lighting and netball court redevelopment
- Western Reserve oval redevelopment and lighting
- Memorial Square play space renewal

Council thanks the residents and ratepayers who took time to make suggestions and share their priorities during the planning process last year.

The Budget for 2019-20 aims to prioritise the community's needs and expectations.

Cr Jason Schram
Mayor

Executive Summary

In the 2019/20 Budget, Council is proposing to deviate from its adopted Council Plan and implement an average rate increase of 0.5% rather than the 2.5% that was adopted in the Strategic Resource Plan. Council has proposed to recoup this reduction in revenue by reducing employee costs by an equivalent amount. Council has stipulated that these savings are to be identified in services that are not funded by tied grants.

This decision will result in a reduction of service to the community and negatively impact many key financial sustainability indicators such as Working Capital, Cash Balance, Rate Concentration and Asset Renewal. For example, Council's working capital ratio is now forecast to reduce annually until reaching 116% by 30 June 2023, with a cash balance of \$5.1m of which 75% will be restricted to meet other obligations (Including \$2.6m of 2023/24 Federal Assistance Grants received in advance)

As this reduction in revenue had not been discussed at planning sessions earlier in 2019, the Chief Executive is not yet clear on what services will be impacted by this decision.

The 2019/20 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989* (the Act) and the *Local Government (Planning and Reporting) Regulations 2014*.

In preparing the Budget, Council has a responsibility to consider 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;
- Recognising that funding from State and Federal Government is a crucial element of financial sustainability.

Meeting these principles has become more challenging over recent years as Council has taken a position to regularly increase average rates by an amount less than that allowed under the rate capping system. In actual terms this means the cost of delivering services to the community has been increasing at a greater rate than Council's revenue.

As indicated in the Financial Performance Indicators in Section 5 of this budget, Council's position has and will continue to place pressure on Council's financial sustainability indicators. To ensure financial sustainability is maintained, Council will need to undertake a review of its current service levels as part of its Long Term Financial Plan, which is currently in development.

This restriction on revenue growth was further compounded by the Federal Assistance Grants being frozen for a three-year period between 2015 and 2018, creating a permanent impact on Council's reserves.

Furthermore, Council has a requirement to implement the principles of sound financial management as required under Section 136 of 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 has been further exacerbated due to Council taking the position to increase average rates by an amount less than that allowed under the rate capping system. 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 0.50%. Table 1 provides a summary of the calculation, according to the formula prescribed by the State Government.

Table 1

Forecast Annualised Rate Revenue at 30 June 2019	\$27,446,982
Forecast Number of Assessments at 30 June 2019	15,395
Forecast Base Average Rate 2018/19 per assessment	\$1,782.85
Budget Rate Revenue 2019/20	\$27,584,217
Capped Average Rate 2019/20 per assessment	\$1,791.76
Average Capped Increase	0.50%

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 0.5% and lower valued properties increasing by less than 0.5%.

In real terms, when taking the kerbside collection charge into consideration, total average rates will increase by a total of 0.45%. This is due to no proposed change in the kerbside collection charge for 2019/20.

MAJOR INITIATIVES

As per section 127 of the Act, the following seven initiatives have been identified by Council as priorities to be undertaken during the 2019/20 financial year:

1. Commence 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

2. Implement Coastal Tourism Parking, Traffic and Interim Toilet Project

This project will provide for new strategies to manage current parking issues along the Great Ocean Road and surrounding areas.

Due to the large volumes of traffic the coast experiences each year there are limited areas where vehicles can park safely, particularly relating to the demand for public conveniences, which are limited in certain areas.

3. Long Term Financial Plan

The completion of this project in 2019/20 will produce an integrated Long Term Financial Plan that takes into consideration proposed service levels, asset maintenance and renewal requirements and funding requirements for the Colac Otway community for the next ten years.

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 2019/20 the program of works will see major upgrades and improvements in the following systems:

- Multisite 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;
- Implementation of an updated GIS software suite (Geospatial Information System);
- Development of an effective Works Management System for services and operations.

5. Complete the Reticulated Drainage project in Wye River/Separation Creek

This project relates to the funding Council received to install a reticulated drainage system in the communities of Wye River and Separation Creek. This project will greatly reduce the likelihood of flooding and land slips that have been experienced following both fire and storm events in recent years.

This project will be complete by 30 June 2020.

6. Participate in the Local Government Transformation Program

The Rural Councils Transformation Program (RCTP) is a Victorian Government initiative aimed at supporting local government to find solutions, based on collaboration, to the significant financial challenges faced by many rural and regional councils. Colac Otway Shire Council is a participant in the G21 group of Councils making an application for funding; this group includes Borough of Queenscliffe, Surf Coast Shire Council, Golden Plains Shire Council and the City of Greater Geelong (lead council).

The G21 Councils identified and articulated key problems and desired benefits through a mapping process, the research from which informed the development of a range of options which were further explored, as were service delivery modes, which resulted in the G21 Councils: Regional Service Collaboration project, to be implemented over three years commencing 1 July 2019. An overview of the project scope is as follows:

1. Procurement and implementation of a single Strategic Asset Management System for the region with integration to each councils' core financial/asset corporate systems;
2. Establishment of Centres of Excellence for the following key functions:
 - i. Strategic asset management;
 - ii. Strategic procurement and contract management;
 - iii. Capital program and project management; and
3. Establishment of a regional staff sharing framework.

Should Colac Otway Shire Council resolve to participate in the next phase of the RCTP and if the joint business case application is successful, project implementation will occur over three years.

7. 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 2019/20 Council will be working on completing the Precinct Plan.

FINANCIAL PERFORMANCE AND SUSTAINABILITY

The key financial outcomes from the attached budget include:

- Net Surplus \$1.4m
- Adjusted Underlying Deficit \$582k
- Closing Cash Balance of \$9.4m
- Closing Working Capital Surplus of \$5.0m, or 161%
- \$1.6m in debt will be repaid; \$1m of this will be funded from the Bond Repayment Reserve
- \$13.1m Capital Works Program.
- \$10.8m capital renewal, which equates to 102% 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 2019/20 deficit of \$582k is calculated as follows:

Table 2

	\$'000
Total Comprehensive Result	1.354
Non-recurrent grants used to fund capital expenditure	(1,850)
Non-monetary asset contributions	-
Other contributions to fund capital expenditure	(86)
Adjusted Underlying Deficit	(582)

Revenue

The following key points relate to the budgeted revenue of \$51.3m which is budgeted to increase from \$47.3m.

- Rates and charges total \$31.2m. This increase is the result of a 0.5% average increase in rates, compounded by a greater number of supplementary valuations from the previous two years.
 - The average increase of 0.5% includes a Municipal Charge of \$191
 - The annual kerbside collection charge will remain at \$315 for weekly collections and \$215 for fortnightly collections. No increase from 2018/19.
- User Fees and Charges have increased by \$500k to \$5.3m. This increase is largely due to the increased service levels and fees associated with funded Home Care packages.
- Operating grants have increased by \$2.6m to \$10m. This is primarily the result of recognising the full Federal Assistance Grant in 2019/20, rather than the 50% that was expected in 2018/19.
- Capital grants have increased by \$576k to \$3.3m. This is primarily the result of funding relating to Western Reserve (\$500k), Central Reserve (\$800k), Memorial Square (\$550) and the initial works relating to the City Deal Project (\$500k) being offset by a reduction in Roads to Recovery Funding (\$700k) and Lake Colac Foreshore Masterplan (\$445k).
- Other income is budgeted to decrease by \$115k to \$416k. This is primarily due to the change in annual valuations as Council will not receive annual revenue from the State Revenue Office for valuation data. This loss of revenue is offset due to the fact Council is no longer responsible for the expenditure relating to the annual valuations.

Expenditure

The following key points relate to the budgeted expenditure of \$50.0m which has increased by \$1.2m.

- Employee costs have increased by \$320k, or 1.7%, to \$19.7m.
- Materials and services have increased by \$440k, or 2.4%, to \$18.4m.
- Depreciation expense will increase by \$250k to \$10.6m.
- Borrowing costs will decrease by \$69k to \$112k. This reduction is due to the reduced level of debt in 2019/20.

Balance Sheet

The key points to note are:

- Council's working capital will reduce by \$2.5m, from \$7.5m to \$5.0m.
- Council's net worth will increase by \$1.4m to \$292m.
- Property, infrastructure, plant and equipment comprise 96% of Council's total assets.
- Working capital is in surplus \$5.0m. Current assets will be 1.6 times current liabilities at the end of the financial year, down from 1.9 in 2018/19.
- Provisions are budgeted to increase by \$1.1m primarily due to an increase in the landfill provision.
- \$1.6 million in debt will be repaid. \$1 million of this will be funded from the Bond Repayment Reserve.

Cash Flow

The closing cash balance is budgeted to be \$9.4m at 30 June 2020.

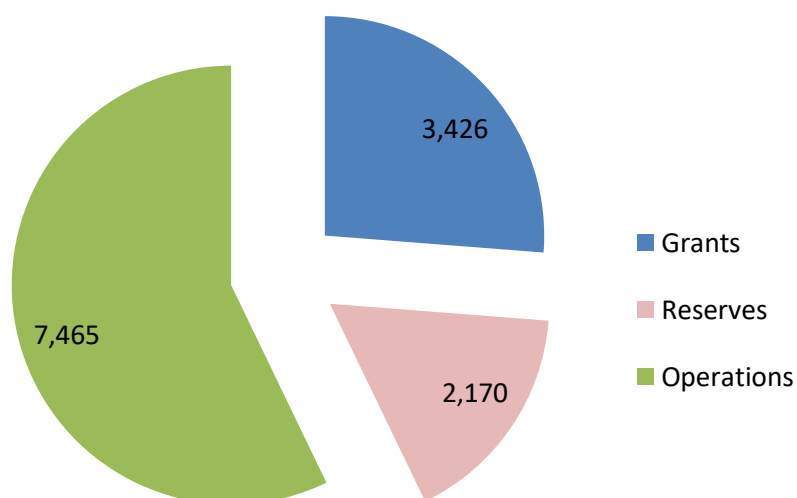
- Under the regulations \$7.4m of this balance will be classified as unrestricted, with the remaining \$2m being restricted within statutory and discretionary reserves.
- The cash balance at 30 June 2020 is budgeted to include \$3.2m of Federal Assistance Grants received in advance.
- Cash inflow generated from operating activities will be applied to capital expenditure (\$13.1m).
- As shown in Chart 1, the cash flow trend for 2019/20 is expected to be similar to 2018/19 and previous years.

Capital Works

The key points to note are:

- The capital works program for 2019/20 totals \$13.1m, \$2m less than the 2018/19 forecast of \$15.1m.
- The program is divided between capital renewal (82%), capital upgrade (5%) and new assets (13%).
- The capital works budget is funded from a mix of external and internal sources. Chart 1 below demonstrates that 26% is funded by grants and contributions, 57% by operations and 17% by reserves.

Chart 1 – Capital Works funding sources



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

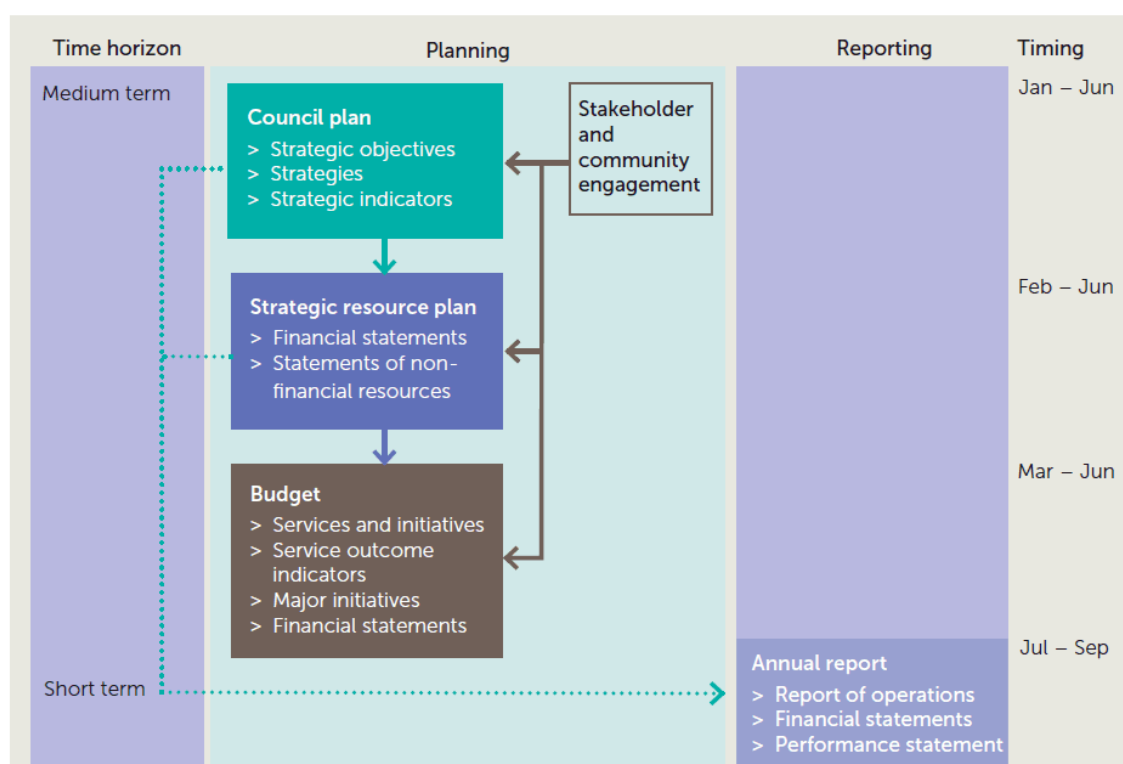
- Sealed road reconstruction program \$2.0m.
- Heavy Plant replacement \$1.5m.
- Unsealed road reconstruction program \$1.4m.
- Sealed road resealing program \$1.2m.
- Central Reserve lighting and netball court redevelopment \$850k.
- Western Reserve oval redevelopment and lighting \$795k.
- Building renewal program \$726k.
- Bridge rehabilitation program \$715k.
- Memorial Square play space renewal \$600k.

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 to account (Annual Report).

1.1 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.

1.2 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 value 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.

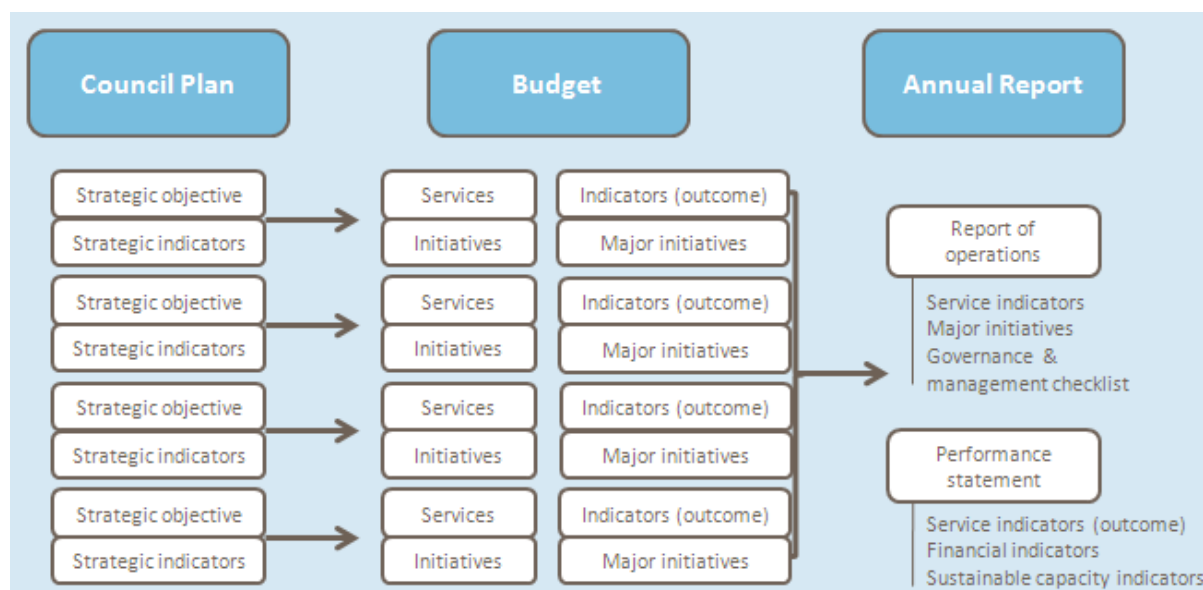
1.3 Strategic objectives

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 Strategic Objectives as described in the Council Plan.

Strategic Theme	Description
1. <i>Our Prosperity</i>	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. <i>Our Places</i>	Our places are well-planned. We work with local and government partners to plan healthy, safe environments which promote community life and enhance well-being. Our infrastructure assets are managed so that they are sustainable for the long term.
3. <i>Our Community</i>	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. <i>Our Leadership & Management</i>	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 initiatives and service performance outcome indicators

This section provides a description of the services and initiatives to be funded in the Budget for the 2019/20 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	Expenditure (Revenue) Net Cost \$'000
Building Control	This service provides for planned building developments to meet present and future community requirements.	1,216 (184) 1,032
Events	This service provides for active community involvement in the provisioning of management and support for community entertainment and events, including funding for Festival and Events grants.	117 (3) 114
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. The service also facilitates Councils community grant program.	942 (2) 940
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.	949 (344) 604
Apollo Bay Harbour	This service manages and maintains the Apollo Bay Harbour for the enjoyment of the community.	1,060 (1,060) 0
Colac Livestock Selling Centre	This service provides a vital link in our rural infrastructure by providing a marketplace for buying and selling livestock.	376 (417) (41)
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.	1,649 (308) 1,341
Strategic Planning	This service ensures that land use planning is undertaken to meet the sustainable long term needs of current and future generations.	281 0 281

Major Initiatives

Major Initiatives
Commencement of the City Deal Project
Implement Coastal Tourism Parking, Traffic and Interim Toilet Project
Commence Colac Civic and Rail Precinct Master Plan

Service Performance Outcome Indicators

LGPRF Service Performance Outcome Indicators

The following indicators outlines how we intend to measure achievement of service objectives.

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 healthy, safe environments which promote community life and enhance well-being. Our infrastructure assets are managed so that they are sustainable for the long term.

Services

Service area	Description of services provided	Expenditure (Revenue)
Sustainable Asset Management	This service provides for sustainable planning, development and use of Council's assets with the aim to maximise community utility in the present and for future generations.	0 0
Emergency Management	This service provides for Council's preparedness to support agencies and the community in the event of an emergency.	213 (15) 198
Environment	This service provides for management of our natural environment to the betterment and enjoyment of all members of our community.	627 0 627
Fire Prevention	This service promotes community safety by aiming to eliminate potential fire risks within our community.	0 0 0
Infrastructure Services	This service provides for the physical assets required by the community to maintain a happy, healthy and sustainable lifestyle.	6,147 (773) 5,375
Parks, Gardens and Reserves	This service provides for the maintenance of open space for the enjoyment of all community members.	2,188 0 2,188
Street Lighting	This service actively promotes community safety by providing a clear and safe environment in our towns after dark.	0 0 0
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.	4,272 (3,368) 904

Major Initiatives

Major Initiatives
Complete the Reticulated Drainage project in Wye/Seperation Creek

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
Environment	Greenhouse Emission Target	Reduction in the proportion of greenhouse gas emissions for the Colac Otway Shire Council.	[Sum of emissions for council buildings, street lights and council fleet / total council greenhouse gas emissions] x100
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	Expenditure (Revenue) Net Cost \$'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.	1,203 (566) 637
Recreation	This service provides for active community involvement and the promotion of healthy lifestyles by providing for suitable sporting and recreational facilities.	234 0 234
Bluewater Leisure Centre	This service actively promotes a healthy lifestyle for our community by directly providing swimming and gymnasium facilities.	2,150 (1,332) 818
Local Laws	This service provides for community safety and health by providing for a framework for behaviours which affect our community well-being.	965 (531) 434
Public Health	This service promotes a healthy and safe lifestyle by actively promoting and policing public health issues.	581 (217) 364
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.	3,334 (3,089) 245
Children and Family Services	This service provides support to our children, families and youth to encourage and nurture their growth and development.	965 (782) 183
Library Service	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.	778 (62) 716

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]
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
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	Expenditure (Revenue) Net Cost \$'000
Councillors and Chief Executive Office	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.	1,563 0 1,563
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.	1,765 (3,762) (1,997)
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.	478 0 478
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.	398 (22) 376
Contract Management Service	This service provides oversight and governance on contractual and procurement services undertaken by Council	307 0 307
Information Services	This service provides management and governance of information flows, storage and retrieval within the organisation in accordance with appropriate legislation and standards.	3,053 0 3,053
People, Performance & Culture	This service provides and develops a culture of high performance, productivity and accountability across the organisation.	885 0 885
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.	693 0 693

Major Initiatives

Major Initiatives
Complete Long Term Financial Plan
Implementation of the Information Communications and Technology (ICT) Strategy
Participate in the Local Government Transformation Program (part of G21)

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 the performance of Council in making decisions in the interest of the community

2.5 Reconciliation with budgeted operating result

	Total	Net Cost Expenditure	(Revenue)
	\$'000	\$'000	\$'000
Our Prosperity	4,271	6,589	(2,318)
Our Places	9,292	13,447	(4,155)
Our Community	3,631	10,209	(6,578)
Our Leadership & Management	5,358	9,142	(3,784)
Total services and initiatives	22,551	39,387	(16,836)
Depreciation & Finance Costs	10,600		
Deficit before funding sources	33,151		
Funding sources:			
Rates & charges (excluding Waste)	(31,165)		
Capital grants	(3,340)		
Total funding sources	(34,505)		
(Surplus)/Deficit for the year	(1,354)		

3. Financial statements

This section presents information in regard to the Financial Statements and Statement of Human Resources. The budget information for the year 2019/20 has been supplemented with projections to 2022/23 extracted from the Strategic Resource Plan.

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 2019/20 budget has been prepared based on the accounting standards applicable at the date of preparation. This means that pending accounting standards that will be in effect from the 2019/20 financial year have not been considered in the development of the budget.

Standards that are likely to impact on the 2019/20 financial statements, not considered in the preparation of the budget include:

- AASB 16 Leases
- AASB 15 Revenue from Contracts with Customers, and
- AASB 1058 Income of Not for Profit Entities.

While it is not possible to determine the precise impact of these standards at this time, the broad impact on Council is estimated to be as follows:

- AASB 16 Leases – Introduces a single lessee accounting model whereby the Council will be required to recognise a right of use asset and associated liability for leases longer than 12 months, except those considered to be of low value.
- AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not for Profit Entities – Change the way that Councils recognise income and also address matters such as grant funding, contribution of assets and volunteer services. A key change is replacement for some transactions of the criteria of control as a determinant of the timing of income recognition, with the criteria of satisfying performance obligations in an enforceable agreement. These new standards have the potential to impact the timing of how the Council recognises income.

3.1 Comprehensive Income Statement

For the four years ending 30 June 2023

	Notes	Forecast	Budget	Strategic Resource Plan Projections		
		2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000
Income						
Rates and charges	4.1.1	30,600	31,165	31,991	32,838	33,709
Statutory fees and charges	4.1.2	901	816	838	859	882
User fees and charges	4.1.3	4,768	5,268	5,405	5,546	5,690
Grants - Operating	4.1.4	7,448	10,022	10,273	10,530	10,793
Grants - Capital	4.1.4	2,764	3,340	3,424	3,509	3,597
Contributions - monetary	4.1.5	109	132	135	138	142
Contributions - non-monetary	4.1.5	-	-	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		147	147	147	147	147
Fair value adjustments for investment property		-	-	-	-	-
Share of net profits/(losses) of associates and joint ventures		35	35	35	35	35
Other income	4.1.6	534	416	401	387	373
Total income		47,306	51,341	52,647	53,989	55,366
Expenses						
Employee costs	4.1.7	19,336	19,656	20,038	20,419	20,807
Materials and services	4.1.8	17,991	18,431	18,984	19,553	20,140
Bad and doubtful debts		5	2	2	2	2
Depreciation and amortisation	4.1.9	10,350	10,600	10,812	11,028	11,249
Borrowing costs		181	112	53	39	32
Other expenses	4.1.10	1,422	1,186	1,222	1,258	1,296
Total expenses		49,285	49,987	51,111	52,300	53,526
Surplus/(deficit) for the year		(1,979)	1,354	1,537	1,689	1,840
Other comprehensive income						
Items that will not be reclassified to surplus/(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		(1,979)	1,354	1,537	1,689	1,840

3.2 Balance Sheet

For the four years ending 30 June 2023

	Notes	Forecast	Budget	Strategic Resource Plan Projections		
		2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000
Assets						
Current assets						
Cash and cash equivalents		12,217	9,358	7,618	6,574	5,113
Trade and other receivables		3,885	3,336	3,685	3,779	3,876
Inventories		169	201	206	211	216
Other assets		0	228	234	239	245
Total current assets		16,270	13,123	11,742	10,804	9,450
Non-current assets						
Trade and other receivables		-	-	-	-	-
Investments in associates and joint ventures		346	390	425	460	495
Property, infrastructure, plant & equipment		291,503	295,741	298,464	301,304	304,268
Intangible assets		75	-	-	-	-
Total non-current assets		291,924	296,131	298,889	301,764	304,762
Total assets		308,194	309,254	310,631	312,568	314,213
Liabilities	4.2.1					
Current liabilities						
Trade and other payables		2,245	2,455	2,301	2,359	2,418
Trust funds and deposits		468	512	468	468	468
Provisions		4,310	4,870	4,992	5,117	5,245
Interest-bearing loans and borrowings	4.2.2	1,697	286	142	596	0
Total current liabilities		8,720	8,124	7,904	8,539	8,131
Non-current liabilities						
Provisions		7,542	8,130	8,334	8,542	8,756
Interest-bearing loans and borrowings	4.2.2	1,024	738	596	0	-
Total non-current liabilities		8,566	8,868	8,929	8,542	8,756
Total liabilities		17,286	16,992	16,833	17,081	16,886
Net assets		290,908	292,261	293,798	295,487	297,327
Equity						
Accumulated surplus		121,633	124,443	127,471	130,689	134,097
Reserves	4.3	169,274	167,819	166,327	164,798	163,230
Total equity		290,908	292,261	293,798	295,487	297,327

3.3 Statement of Changes in equity

For the four years ending 30 June 2023

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2018/19 Forecast				
Balance at beginning of the financial year	292,887	116,159	155,097	21,631
Surplus/(deficit) for the year	(1,980)	(1,980)	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	0	-	0
Transfer from other reserves	-	7,454	-	(7,454)
Balance at end of the financial year	290,908	121,633	155,097	14,177
2019/20 Budget				
Balance at beginning of the financial year	290,908	121,633	155,097	14,177
Surplus/(deficit) for the year	1,354	1,354	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	3,782	-	(3,782)
Transfer from other reserves	-	(2,326)	-	2,326
Balance at end of the financial year	292,261	124,443	155,097	12,722
2020/21 Strategic Resource Plan				
Balance at beginning of the financial year	292,261	124,443	155,097	12,722
Surplus/(deficit) for the year	1,537	1,537	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	3,876	-	(3,876)
Transfer from other reserves	-	(2,385)	-	2,385
Balance at end of the financial year	293,798	127,471	155,097	11,230
2021/22 Strategic Resource Plan				
Balance at beginning of the financial year	293,798	127,471	155,097	11,230
Surplus/(deficit) for the year	1,689	1,689	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	3,973	-	(3,973)
Transfer from other reserves	-	(2,444)	-	2,444
Balance at end of the financial year	295,487	130,689	155,097	9,701
2022/23 Strategic Resource Plan				
Balance at beginning of the financial year	295,487	130,689	155,097	9,701
Surplus/(deficit) for the year	1,840	1,840	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer to other reserves	-	4,073	-	(4,073)
Transfer from other reserves	-	(2,505)	-	2,505
Balance at end of the financial year	297,327	134,097	155,097	8,133

3.4 Statement of Cash Flows

For the four years ending 30 June 2023

	Forecast	Budget	Strategic Resource Plan Projections		
	2018/19 Notes \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	29,929	31,253	31,951	32,824	33,694
Statutory fees and fines	796	816	838	859	882
User fees	4,654	5,268	5,405	5,546	5,690
Grants - capital	930	10,269	10,116	10,487	10,750
Grants - operating	6,196	3,587	3,266	3,467	3,553
Contributions - monetary	57	132	135	138	142
Trust funds and deposits taken	0	44	0	0	0
Other receipts	593	416	401	387	373
Employee costs	(19,394)	(18,508)	(19,713)	(20,086)	(20,466)
Materials and services	(16,761)	(18,223)	(19,140)	(19,498)	(20,083)
Trust funds and deposits repaid	(203)	0	(44)	-	-
Other payments	(2,017)	(1,186)	(1,222)	(1,258)	(1,296)
Net cash provided by/(used in) operating activities	4.4.1	4,781	11,992	12,866	13,238
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(15,736)	(15,409)	(13,908)	(14,268)	(14,638)
Proceeds from sale of property, infrastructure, plant and equipment	490	490	515	540	567
Net cash provided by/ (used in) investing activities	4.4.2	(15,246)	(13,393)	(13,728)	(14,071)
Cash flows from financing activities					
Finance costs	(181)	(112)	(53)	(39)	(32)
Repayment of borrowings	(649)	(1,697)	(286)	(142)	(596)
Net cash provided by/(used in) financing activities	4.4.3	(830)	(339)	(182)	(628)
Net increase/(decrease) in cash & cash equivalents	(11,295)	(2,859)	(1,741)	(1,044)	(1,461)
Cash and cash equivalents at the beginning of the financial year	23,512	12,217	9,358	7,618	6,574
Cash and cash equivalents at the end of the financial year	12,217	9,358	7,618	6,574	5,113

3.5 Statement of Capital Works

For the four years ending 30 June 2023

	Notes	Forecast	Budget	Strategic Resource Plan Projections		
		2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000
<u>Property</u>						
Land		-	-	-	-	-
Buildings		1,009	726	1,735	1,778	1,823
Total land & Buildings		1,009	726	1,735	1,778	1,823
Total property	4.5.2	1,009	726	1,735	1,778	1,823
<u>Plant and equipment</u>						
Plant, machinery and equipment		1,865	2,170	1,646	1,687	1,729
Fixtures, fittings and furniture		366	840	628	643	660
Computers and telecommunications		701	140	254	260	267
Total plant and equipment	4.5.2	2,932	3,150	2,527	2,591	2,655
<u>Infrastructure</u>						
Roads		7,846	5,942	6,987	7,162	7,341
Bridges		690	715	590	605	620
Footpaths and cycleways		647	383	554	568	582
Drainage		703	450	530	543	557
Other infrastructure		1,244	1,695	464	475	487
Total infrastructure	4.5.2	11,130	9,185	9,125	9,353	9,587
Total capital works expenditure		15,071	13,061	13,388	13,722	14,065
Represented by:						
New asset expenditure		1,041	1,645	1,686	1,728	1,771
Asset renewal expenditure		11,580	10,776	11,045	11,322	11,605
Asset upgrade expenditure		2,450	640	656	672	689
Total capital works expenditure		15,071	13,061	13,388	13,722	14,065
Funding Sources represented by:						
Grants		2,764	2,790	3,424	3,509	3,597
Contributions		-	86	-	-	-
Council Cash		12,307	10,185	9,964	10,213	10,468
Borrowings		-	-	-	-	-
Total capital works expenditure		15,071	13,061	13,388	13,722	14,065

3.6 Statement of Human Resources

For the four years ending 30 June 2023

	Forecast	Budget	Strategic Resource Plan Projections		
	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000
Staff expenditure					
Employee costs - operating	19,336	19,656	20,038	20,419	20,807
Employee costs - capital	700	700	700	700	700
Total staff expenditure	20,036	20,356	20,738	21,119	21,507
	EFT	EFT	EFT	EFT	EFT
Staff numbers					
Employees	223.1	226.2	226.2	226.2	224.7
Total staff numbers	223.1	226.2	226.2	226.2	224.7

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

Department	Budget	Permanent		Casual	Temporary
	2019/20 \$'000	Full Time \$'000	Part Time \$'000	\$'000	\$'000
Chief Executive Office	834	734	60	39	-
Corporate Services	3,825	2,898	638	62	227
Development and Community Services	7,506	3,786	3,538	109	73
Infrastructure and Leisure Services	7,491	6,430	680	381	-
Disaster Recovery	-	-	-	-	-
Total staff expenditure	19,656	13,848	4,917	590	300

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

Department	Budget	Permanent		Casual	Temporary
	FTE	Full Time	Part Time		
Chief Executive Office	7.0	6.0	0.5	0.5	-
Corporate Services	39.1	30.0	6.6	-	2.5
Development and Community Services	79.2	40.0	37.4	0.8	1.0
Infrastructure and Leisure Services	100.9	86.5	9.2	5.2	-
Disaster Recovery	-	-	-	-	-
Total Staff	226.2	162.5	53.7	6.5	3.5

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 2019/20 the FGRS cap has been set at 2.50%. 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 0.50% which is within the rate cap.

This will raise total rates and charges for 2019/20 as shown below.

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

	2018/19 Budget \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
General rates*	24,387	24,810	423	1.7%
Municipal charge*	2,710	2,774	65	2.4%
Waste management charge	3,127	3,172	45	1.4%
Special rates and charges	21	22	1	6.5%
Supplementary rates and rate adjustments	-	70	70	-
Revenue in lieu of rates	-	222	222	-
Interest on rates and charges	138	94	(44)	(31.9%)
Total rates and charges	30,383	31,165	782	2.6%

*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	2018/19 Budget cents/\$CIV	2019/20 Budget cents/\$CIV	Change %
Commercial/Industrial - BOS	0.005980	0.005697	(4.7%)
Commercial/Industrial - Colac	0.007048	0.006714	(4.7%)
Holiday Rental	0.004271	0.004069	(4.7%)
Residential - BOS	0.003631	0.003459	(4.7%)
Residential - Colac	0.004271	0.004069	(4.7%)
Rural Farm	0.003204	0.003052	(4.8%)

NB* The above decrease is a direct result of this being a revaluation year with average valuations projected to increase by 5% across the shire.

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	2018/19 Budget \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Commercial/Industrial - BOS	1,047	1,037	(10)	(1.0%)
Commercial/Industrial - Colac	2,165	2,174	10	0.4%
Holiday Rental	1,013	1,071	57	5.6%
Residential - BOS	7,729	7,770	42	0.5%
Residential - Colac	6,844	6,998	154	2.2%
Rural Farm	5,588	5,759	171	3.1%
Total amount to be raised by general rates	24,387	24,810	423	1.7%

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	2018/19 Budget Number	2019/20 Budget Number	Change	
			Number	%
Commercial/Industrial - BOS	340	336	(4)	(1.2%)
Commercial/Industrial - Colac	649	652	3	0.5%
Holiday Rental	426	445	19	4.5%
Residential - BOS	5,378	5,342	(36)	(0.7%)
Residential - Colac	5,667	5,734	67	1.2%
Rural Farm	2,809	2,886	77	2.7%
Total number of assessments	15,269	15,395	126	0.8%

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	2018/19 Budget \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Commercial/Industrial - BOS	175,117	182,062	6,945	4.0%
Commercial/Industrial - Colac	307,143	323,860	16,717	5.4%
Holiday Rental	237,266	263,115	25,849	10.9%
Residential - BOS	2,128,657	2,246,679	118,022	5.5%
Residential - Colac	1,602,346	1,719,931	117,585	7.3%
Rural Farm	1,744,423	1,887,161	142,738	8.2%
Total value of land	6,194,952	6,622,808	427,856	6.9%

NB* The above increase is a direct result of this being a revaluation year in addition to property growth per section 4.1.1(d)

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 Budget 2018/19 \$	Per Rateable Property Budget 2019/20 \$	Change	
			\$	%
Municipal Charge	188.35	191.00	3	1.4%

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

Type of Charge	2018/19 Budget \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Municipal Charge	2,710	2,774	65	2.4%

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 Budget 2018/19 \$	Per Rateable Property Budget 2019/20 \$	Change	
			\$	%
Weekly Kerbside collection	315	315	0	0.0%
Fortnightly Kerbside collection	215	215	0	0.0%

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	2018/19 Budget \$'000	2019/20 Budget \$'000	Change \$'000 %	
Weekly Kerbside collection	3,092	3,137	45	1.5%
Fortnightly Kerbside collection	35	35	0	0.0%

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

Type of Charge	2018/19 Budget \$'000	2019/20 Budget \$'000	Change \$'000 %	
General rates	24,387	24,810	423	1.7%
Municipal charge	2,710	2,774	65	2.4%
Kerbside collection and recycling	3,127	3,172	45	1.4%
Tirrengower Drainage Scheme	21	22	1	6.5%
Rates and charges	30,245	30,779	534	1.8%

NB The above increase is a direct result of this (a) being a revaluation year, (b) growth in properties per section 4.1.1(d) and the 0.50% average rate increase per the rate capping calculation.*

4.1.1(l) Fair go rates Compliance.

Colac Otway Shire is fully compliant with the State Government's Fair Go Rates System.

Type of Charge	2018/19 Budget \$'000	2019/20 Budget \$'000
Forecast Annualised Rate Revenue	\$26,639	\$27,455
Forecast Number of Assessments	15,299	15,395
Forecast Base average rate per assessment (\$)	\$1,741	\$1,783
Maximum rate increase (set by the State Government) (%)	2.25%	2.50%
Capped Average Rate per assessment (\$)	\$1,780	\$1,828
Maximum General Rates and Municipal Charges Revenue	\$27,238	\$28,133
Budgeted General Rates and Municipal Charges Revenue	\$27,096	\$27,573
Budgeted Supplementary Rates	\$0	\$70
Budgeted Total Rates and Municipal Charges Revenue	\$27,096	\$27,584

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;
- The variation of returned levels of value (i.e. valuation appeals)
- Changes of use of land such that rateable land becomes non-rateable land and vice versa; and
- 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 2019 to 30 June 2020.

4.1.2 Statutory fees and fines

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Statutory Planning Operations	304	304	0	0.0%
Public Health Operations	190	185	(5)	(2.8%)
Building Services Operations	182	159	(23)	(12.6%)
Local Laws Operations	198	137	(61)	(30.8%)
Emergency Management Operations	18	5	(14)	(75.0%)
Strategic Planning Operations	3	0	(3)	(100.0%)
Total Statutory fees and fines	901	816	(85)	(9.4%)

The 2019/20 budgeted figures are consistent with the Original Budget for 2018/19. Statutory Fees have decreased within Local Law Operations, as some of these fees are now correctly recognised as User Fees, which is reflected in the User Fee favourable change.

4.1.3 User fees

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Aged Care Management Administration	1,293	1,845	552	42.7%
Bluewater Fitness Centre Operations	1,264	1,307	43	3.4%
COPACC Management Operations	458	448	(11)	(2.3%)
Colac Livestock Selling Centre Operations	566	417	(149)	(26.3%)
Local Laws Operations	243	339	97	39.8%
Great Ocean Road VIC Operations	323	305	(19)	(5.8%)
Apollo Bay Harbour Admin	120	155	35	29.4%
Transfer Station Operations	183	108	(75)	(40.8%)
Strategic Asset & Property Services Operations	82	91	9	11.0%
Family & Children's Services Operations	75	75	0	-
Waste Management Administration	21	69	49	236.6%
Colac Visitor Information Centre Operations	46	40	(6)	(13.2%)
Building Services Operations	0	25	25	-
Infrastructure Customer Services	0	22	22	-
Emergency Management Operations	0	10	10	-
Public Health Operations	8	9	1	11.8%
Statutory Planning Operations	5	4	(1)	(20.8%)
Economic Development Operations	3	2	(1)	(35.5%)
Financial Control Operations	61	0	(61)	(100.0%)
Capital Works Management	18	0	(18)	(100.0%)
IT Services Operations	2	0	(2)	(100.0%)
VicRoads Operations	1	0	(1)	(100.0%)
Total User fees	4,768	5,268	500	10.5%

In the Aged services area there is an increase of budgeted fees due to increased numbers using the Home Care Services that council provides to the community. There is a budgeted decrease in the income for the Livestock Selling Centre due to the decline in throughput. Budgeted User Fees have increased within Local Law Operations due to some of these fees being correctly recognised as User Fees, rather than Statutory Fees, which is reflected in the Statutory Fees unfavourable change.

4.1.4 Grants

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

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change \$'000 %	
a) Operating Grants				
Recurrent - Commonwealth Government				
Victorian Grants Commission	3,324	6,880	3,557	107.0%
Family & Children's Services Operations	371	371	0	-
Aged Care Management Administration	40	66	26	65.5%
Diesel Fuel Rebate	38	66	28	73.7%
Public Health Operations	2	2	0	-
Plant Operations	50	-	(50)	(100.0%)
Recurrent - State Government				
Aged Care Management Administration	1,086	952	(134)	(12.3%)
Apollo Bay Harbour Admin	913	905	(8)	(0.8%)
Maternal & Infant Health Operations	270	337	67	24.9%
Regional Assessment Service Operations	234	226	(8)	(3.4%)
COPACC Management Operations	95	95	-	-
School Crossing Supervision Operations	77	55	(22)	(28.6%)
Property & Rates Operations	-	46	46	-
Public Health Operations	5	21	16	336.4%
Other	339	-	(339)	(100.0%)
Strategic Asset & Property Services Operations	110	-	(110)	(100.0%)
Strategic Planning Operations	100	-	(100)	(100.0%)
Health & Community Service Management Operations	79	-	(79)	(100.0%)
Environmental and Community Safety Operations	50	-	(50)	(100.0%)
Economic Development Operations	25	-	(25)	(100.0%)
Bluewater Fitness Centre Operations	19	-	(19)	(100.0%)
Arts & Leisure Management	1	-	(1)	(100.0%)
Total recurrent grants	7,226	10,022	2,797	38.7%
Non-recurrent - State Government				
Disaster Recovery	97	-	(97)	(100.0%)
Environmental and Community Safety Operations	60	-	(60)	(100.0%)
Strategic Planning Operations	50	-	(50)	(100.0%)
Health & Community Service Management Operations	15	-	(15)	(100.0%)
Total non-recurrent grants	222	-	(222)	(100.0%)
Total operating grants	7,448	10,022	2,575	34.6%
b) Capital Grants				
Recurrent - Commonwealth Government				
Roads to Recovery	2,209	1,490	(719)	(32.5%)
Total recurrent grants	2,209	1,490	(719)	(32.5%)
Non-recurrent - Commonwealth Government				
Recreation, Leisure and Community Facilities	446	725	279	62.6%
Non-recurrent - State Government				
Recreation, Leisure and Community Facilities	-	1,125	1,125	-
Buildings	109	-	(109)	(100.0%)
Total non-recurrent grants	555	1,850	1,295	233.4%
Total capital grants	2,764	3,340	576	20.9%

The budgeted increase in Operating Grants predominantly relates to the expectation that Federal Assistant Grant funding will increase, with 50% received in advance. Capital Grants are also expected to increase due to anticipated funding for Western Reserve Lighting, Central Reserve Lighting and Netball Court Redevelopment, and the Memorial Square Playspace. The 2019/20 Roads to Recovery Grant is significantly less than the 2018/19 Forecast due to the Forecast figure including funding carried-forward from previous years.

4.1.5 Contributions

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Monetary	109	132	22	20.3%
Total Contributions	109	132	22	20.3%

The budgeted monetary contributions have increased due to expected contributions for community projects like the Western Reserve Lights.

4.1.6 Other income

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Interest	230	200	(30)	(13.0%)
Other income	104	137	33	31.9%
Rates Legal Costs Recovered	40	40	0	-
Reimbursements	159	39	(121)	(75.7%)
Scheme Interest Received	1	0	(1)	(100.0%)
Total Other Income	534	416	(119)	(22.2%)

The reduction in Other Income is predominantly related to land valuations becoming centralised under Valuer-General Victoria (VGV), with a new annual cycle of valuations for land tax, the Fire Services Property Levy and council rates setting purposes. The State Revenue Office will no longer be providing income to Council to complete land valuations. The reduction in Other income also relates to interest the council receives from investments, due to the council not holding as much cash as in previous years.

4.1.7 Employee costs

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Wages & Salaries	14,429	14,445	17	0.1%
Employee Leave	1,581	1,910	329	20.8%
Superannuation	1,568	1,589	22	1.4%
Casual Staff	797	590	(207)	(26.0%)
Sick Leave	386	540	155	40.1%
Other Employee Benefits	218	181	(37)	(17.0%)
Fringe Benefits Tax	203	200	(3)	(1.6%)
WorkCover	155	201	45	29.3%
Total Employee Costs	19,336	19,656	320	1.7%

This modest increase in employee costs is a direct result of Council's unplanned decision to limit the total increase to \$320k. The Chief Executive is currently investigating how this may be achieved and to what extent it may impact service delivery. Council is also in the process of negotiating a new Enterprise Agreement with staff.

4.1.8 Materials and services

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Contractors	9,935	9,330	(605)	(6.1%)
Materials	2,772	2,998	226	8.2%
Subscriptions and memberships	1,153	1,793	640	55.5%
Utilities	1,023	1,076	53	5.2%
Plant and equipment maintenance	770	768	(3)	(0.3%)
Consultants	1,158	681	(478)	(41.2%)
Legal costs	268	487	219	81.5%
Agency staff	221	432	210	95.0%
Training costs	285	426	142	49.8%
Insurances	344	350	7	2.0%
Venue Hire	58	71	12	21.3%
Other expenditure	0	11	11	-
Merchant Fees	1	5	5	900.0%
Permits	4	4	-	-
Total Materials and Services	17,991	18,431	440	2.4%

This overall budgeted increase of Materials and Services is slightly above CPI, however inflation has historically increased above CPI within the local government sector. Waste Management expenditure is now included within Materials and Services, rather than Other Expenses, which is reflected in the Other Expenses favourable change.

4.1.9 Depreciation and amortisation

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Buildings	1,296	1,327	31	2.4%
Plant and Equipment	2,197	2,250	53	2.4%
Infrastructure	6,857	7,023	166	2.4%
Total Depreciation and Amortisation	10,350	10,600	250	2.4%

4.1.10 Other Expenses

	2018/19 Forecast \$'000	2019/20 Budget \$'000	Change	
			\$'000	%
Grants and donations paid	627	546	(81)	(12.9%)
Elected Members Allowances	206	212	6	2.7%
Other costs	173	182	8	4.7%
Fire service levy	67	65	(2)	(3.4%)
Auditors` remuneration	45	43	(2)	(4.4%)
Elected Members Superannuation C Contrib	33	34	1	2.6%
Rates - Com. (Bal. of Shire) Written Off	29	29	(0)	(1.7%)
Animal registration levy	25	20	(5)	(20.0%)
Corporate Card Expenses	2	2	0	0.4%
Waste management	160	0	(160)	(100.0%)
Total Other Expenses	1,422	1,186	(236)	(16.6%)

This budgeted movement predominantly relates to Waste Management. Waste Management expenditure is now included within Materials and Services, reflected in the Materials and Services unfavourable change.

4.2 Balance Sheet

4.2.1 Liabilities

There has been a large increase in the landfill provision, and a decrease in the Interest Bearing Loans, reflecting the large repayment falling due in the 2019/20 financial year. \$1 million of this will be funded from the Bond Repayment Reserve.

4.2.2 Borrowings

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

	2018/19 Forecast \$'000	2019/20 Budget \$'000
Opening Borrowings	3,370	2,721
Redeemed Borrowings	(649)	(1,697)
Closing Borrowings	2,721	1,024

4.3 Statement of Changes in Equity

4.3.1 Reserves

Reserve Name	Contractual/ Discretionary/ Statutory	Reserve Description	2018/19 Forecast \$'000	2019/20 Budget \$'000
Asset Revaluation Reserve	Discretionary	Shown as the current and probable value of assets that have been revalued	155,097	155,097
Landfill Rehabilitation (Alvie)	Discretionary	Funds allocated by Council for future rehabilitation of Alvie Landfill site	923	980
Plant Renewal	Discretionary	Funds allocated from sale of plant and from operational usage of plant for plant renewal	1,706	833
Home Care Packages Reserve	Discretionary	Retained funds for future uses for home care clients	0	-
Colac Livestock Selling Centre	Discretionary	Funds set aside from the saleyards net surplus for future reinvestment into the Saleyards	118	0
Open Space Reserve	Statutory	Funds collected via developer contributions set aside by region for open space development	541	556
Port of Apollo Bay	Contractual	Unspent port funding required to be set aside under the management agreement with the State Government	0	0
Land Rehabilitation Reserve	Discretionary	Funds allocated by Council for future rehabilitation of Landfill sites (excluding Alvie)	789	932
Kerbside Bin Replacement	Discretionary	Surplus funds collected from waste charges and transfer station fees to cover future waste management requirements	2,122	2,222
Tirrengower Drainage Scheme	Contractual	Excess funds collected under the Tirrengower drainage scheme to be spent on Tirrengower drainage works in the future	11	11
Bond Repayment Reserve	Discretionary	Funds set aside for annual surplus to cover future bond repayments (Balloon payments)	1,004	4
Long Service Leave	Discretionary	Setting aside of funds to cover future Long Service Leave provision	2,832	2,832
Matching Grants Reserve	Discretionary	Funds set aside to match any unforeseen grant opportunities that arise post the setting of the budget	432	432
Contingent Liability Reserve	Discretionary	Funds set aside by Council to cover future liabilities contingent upon a future event/decision	500	500
Project Reserve	Discretionary	Funds set aside for Council projects as prioritised by Council	0	220
Prepaid Grants reserve	Discretionary	Setting aside funds from grants that have been paid in advance (i.e. VGC grants)	3,199	3,199
Disaster Recovery Reserve	Contractual	Net collected/spent disaster recovery funding relating to specific events	-	0
Total Equity Reserves			169,274	167,819

4.4 Statement of Cash Flows

4.4.1 Net cash flows provided by/(used in) operating activities

There is an increase in cash provided by operating activities, predominantly due to the expectation of increased receipts from grants. A large component of this relates to the expectation that Federal Assistance Grant funding will increase, with 50% received in advance. Cash inflow from Rates and charges is also expected to increase. Interest received was included within 'Other receipts' in previous years, however this has been separated within the 2019/20 Budgeted figures.

4.4.2 Net cash flows provided by/(used in) investing activities

Due to Capital Works carried-forward from previous years, the capital programme forecasted for 2018/19 is larger than the 2019/20 budgeted programme. This is highlighted by the budgeted decrease in 'Payments for property, infrastructure, plant and equipment.'

4.4.3 Net cash flows provided by/(used in) financing activities

There is a significant increase in repayment of borrowings budgeted in 2019/20, which is reflected in the reduced outflow of finance costs.

4.5 Capital Works Program

This section presents a listing of the capital works projects that will be undertaken for the 2019/20 year, classified by expenditure type and funding source.

4.5.1 Summary

Capital Works Area	2018/19 Forecast	2019/20 Budget	Change					
	\$'000	\$'000	\$'000	%				
4.5.1a Summary								
PROPERTY	1,009	726	(283)	(28.048%)				
PLANT AND EQUIPMENT	2,932	3,150	218	7.435%				
INFRASTRUCTURE	11,130	9,185	(1,945)	(17.474%)				
TOTAL CAPITAL WORKS EXPENDITURE	15,071	13,061	(2,010)	(13.336%)				
Capital Works Area	Project cost	Asset expenditure type			Summary of funding sources			
		New	Renewal	Upgrade	Grants	Contrib.	Council cash	Borrowing
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
4.5.1b Summary								
PROPERTY	726	0	726	-	-	-	726	-
PLANT AND EQUIPMENT	3,150	0	2,900	250	550	-	2,600	-
INFRASTRUCTURE	9,185	795	7,290	1,100	2,790	86	6,309	-
TOTAL CAPITAL WORKS EXPENDITURE	13,061	795	10,916	1,350	3,340	86	9,635	-

The 2019/20 budgeted Capital Works Program has increased from the 2018/19 Original Budget. The 2018/19 forecast figures include capital works carried-forward from previous years.

4.5.2 Current Budget

Capital Works Area	Project cost	Asset expenditure type			Summary of funding sources			
		New	Renewal	Upgrade	Grants	Contrib.	Council cash	Borrowing
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
4.5.2 Current Budget								
<u>Property</u>								
Land								
Buildings								
Building Renewal Programme	726	-	726	-	-	-	726	-
Total property	726	-	726	-	-	-	726	-
<u>Plant and equipment</u>								
Plant, machinery and equipment								
Heavy Plant Replacement Programme	1,540	-	1,540	-	-	-	1,540	-
Light Fleet Vehicles Replacement Programme	630	-	630	-	-	-	630	-
Furniture and Equipment								
Street Furniture Programme	240	-	240	-	-	-	240	-
Memorial Square Playspace	600	-	350	250	550	-	50	-
					-	-	-	-
Computers and telecommunications								
Wide Area Network (WAN) Upgrade and Expansion	70	-	70	-	-	-	70	-
ICT Strategy Implementation	70	-	70	-	-	-	70	-
Total plant and equipment	3,150	-	2,900	250	550	-	2,600	-

Capital Works Area	Project cost	Asset expenditure type			Summary of funding sources			
		New	Renewal	Upgrade	Grants	Contrib.	Council cash	Borrowing
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
4.5.2 Current Budget (cont.)								
Infrastructure								
Roads								
Roadslip Programme	362	-	362	-	-	-	362	-
Kerb & Channel Renewal Programme	75	-	75	-	-	-	75	-
Local Roads Reseal & Major Patch Programme	1,738	-	1,738	-	-	-	1,738	-
Sealed Road Reconstruction Programme	2,017	-	2,017	-	1,490	-	527	-
Unsealed Road Re-Sheet Programme	1,400	-	1,400	-	-	-	1,400	-
Strategic Local Roads Renewal Programme	100	-	100	-	-	-	100	-
Coastal Tourism parking, Traffic and Interim Toliets	250	-	0	250	-	-	250	-
Bridges								
Bridge Rehabilitation Programme	715	-	715	-	-	-	715	-
Footpaths and cycleways								
Footpath Renewal Programme	383	-	383	-	-	-	383	-
Drainage								
Urban Drainage Renewal Programme	300	-	300	-	-	-	300	-
Forrest Caravan Park Waste Water Upgrade	150	-	150	-	-	-	150	-
Other infrastructure								
Open Space Renewal Programme	50	-	50	-	-	-	50	-
Western Reserve Lighting Lighting	795	795	-	-	500	86	209	-
Central Reserve Lighting and Netball Court Redevelopment	850	-	-	850	800	-	50	-
Total infrastructure	9,185	795	7,290	1,100	2,790	86	6,309	-
Total capital works expenditure	13,061	795	10,916	1,350	3,340	86	9,635	-

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	Strategic Resource Plan						
			Actual 2017/18	Forecast 2018/19	Budget 2019/20	Projections			Trend +/-
Operating position									
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	1	1.0%	-5.4%	-1.2%	2.2%	2.4%	2.5%	+
Liquidity									
Working Capital	Current assets / current liabilities	2	254.7%	186.6%	161.5%	148.6%	126.5%	116.2%	+
Unrestricted cash	Unrestricted cash / current liabilities		9.4%	108.9%	78.1%	58.2%	41.1%	24.5%	+
Obligations									
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	3	11.4%	8.9%	3.3%	2.3%	1.8%	0.0%	+
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue		2.8%	2.7%	5.8%	1.1%	0.6%	1.9%	+
Indebtedness	Non-current liabilities / own source revenue		30.3%	23.2%	23.4%	23.0%	21.5%	21.4%	+
Asset renewal	Asset renewal expenditure / depreciation	4	115.6%	111.9%	101.7%	102.2%	102.7%	103.2%	-
Stability									
Rates concentration	Rate revenue / adjusted underlying revenue	5	58.5%	65.5%	63.1%	61.2%	61.3%	61.4%	-
Rates effort	Rate revenue / CIV of rateable properties in the municipality		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	o
Efficiency									
Expenditure level	Total expenditure / no. of property assessments		\$3,280	\$3,228	\$3,247	\$3,185	\$3,233	\$3,301	-
Revenue level	Residential rate revenue / No. of residential property assessments		\$1,664	\$1,319	\$1,333	\$1,348	\$1,363	\$1,378	+

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 indicator shows a minor increase over the SRP forecast period. There is a drop in the 2018/19 forecast due to only 50% of Federal Assistant Grant funding being budgeted for. The 2019/20 budget is below the LGPRF target, however adjusted underlying deficits are sustainable in the short term, providing other indicators remain healthy.

2. Working Capital

This indicator decreases over the SRP period due to the forecasted impacts of rate capping.

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.

4. Asset renewal

This shows a consistent level of funds being spent on asset renewal in comparison to Depreciation. The renewal dollars spent for the SRP period is above the consumption of council's assets (as measured by Depreciation).

5. Rates concentration

This period shows a relatively consistent trend for the SRP period reflecting Colac Otway Shire's high dependency on Rates. This number will fluctuate depending on the level of Non-recurrent capital grant funding obtained.