

OFFICIAL



Government
Services

Local Government Better Practice Guide

Model Budget 2024-25

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1 Acronyms

AAS	Australian Accounting Standards
BPG	Better Practice Guide
COVID-19	Coronavirus (COVID-19) Pandemic
DGS	Department of Government Services
FinPro	Local Government Finance Professionals
FTE	Full Time Equivalent
FY	Financial Year
FGRS	Fair Go Rates System
ISPRF	Integrated Strategic Planning and Reporting Framework
LGMFR	Local Government Model Financial Report
LGPRF	Local Government Performance Reporting Framework
LGV	Local Government Victoria
VAGO	Victorian Auditor-General's Office

2 Changes to this Year's Model Budget

Welcome to the 2024-25 version of this Better Practice Guide (BPG) which accompanies the Local Government Model Budget (Model Budget). Material changes from the previous year's (2023-24) Guide are highlighted in yellow.

The main changes made to the 2024-25 Model Budget include:

- Comprehensive Income Statement - The line item "Amortisation - right of use assets" has been changed to "Depreciation - right of use assets" to better reflect the terminology in AASB 16 Leases;
- Comprehensive Income Statement - The line item "Bad and doubtful debts - allowance for impairment losses" has been changed to "Allowance for impairment losses" to better reflect the terminology in AASB 9 Financial Instruments;
- Comprehensive Income Statement - The line item "Net asset revaluation increment/(decrement)" has been changed to "Net asset revaluation gain / (loss)" to better reflect the terminology in AASB 13 Fair Value Measurement;
- Balance Sheet - The line item "Unearned income/revenue" under current liabilities has been replaced with "Contract and other liabilities" to better reflect terminology in AASB 15 Revenue from Contracts with Customers. A new line item of "Contract assets" has been added under current assets to reflect this potential line item under AASB 15 Revenue from Contracts with Customers;
- Statement of Changes in Equity - The line item "Net asset revaluation increment/(decrement)" has been changed to "Net asset revaluation gain / (loss)" to better reflect the terminology in AASB 13 Fair Value Measurement;
- Note 4 Rates and charges – The line item "Waste management charge" has been removed since service rates and charges can only relate to 'waste, recycling or resource recovery services' under the *Local Government Act 1989*;
- Revenue in lieu of rates - Further guidance has been added to this Better Practice Guide regarding the line item 'Revenue in lieu of rates' to clarify what should be included under this line item;
- Service rates and charges - Additional guidance has been added to this Better Practice Guide regarding the release of Good Practice Guidelines for Service Rates and Charges by the Minister for Local Government;
- The text for indicators and measures in Note 5a and 5b (targeted performance indicators and financial performance indicators) have been updated to better align with the text in the *Local Government (Planning and Reporting) Regulations 2020*.
- An optional additional note 5c has been added to include the two indicators used by the Department of Treasury and Finance to conduct credit assessments of councils under the Treasury Corporation of Victoria (TCV) loans framework.
- Guidance in relation to the calculation of the two TCV loans framework indicators has been added to this better practice guide at item G16b.

The Model Budget has also been updated to reflect the 2024-25 rate cap of 2.75% set by the Minister for Local Government. A more detailed *summary* of the changes made to both the Model Budget and BPG is available in the Model Budget excel file which is available at www.localgovernment.vic.gov.au.

3 Introduction

Local government in Victoria manages approximately \$125.7 billion of community assets and infrastructure and spends around \$10.2 billion on the provision of services annually.¹ Local government, in partnership with other levels of government, is responsible for aspects of everyday life that people care about – from clean and safe public spaces, to accessible libraries, to strong local business and employment opportunities. Effective planning and reporting by councils is essential for ensuring transparency and accountability to the community and other levels of government as to how public money is being spent and the quality of services delivered.

Local Government Act 2020

Objectives and purpose

The objectives of the *Local Government Act 2020* (the Act) are as follows:

The objectives of this Act are to ensure that –

- (a) local government continues to be constituted as a democratically elected tier of Government in Victoria; and*
- (b) Councils are constituted as representative bodies that are accountable, transparent, collaborative, efficient and engaged with their communities; and*
- (c) Councils have the functions and powers necessary to enable Councils to perform their role.²*

The purpose of the Act is as follows:

*The purpose of this Act is to give effect to section 74A(1) of the **Constitution Act 1975** which provides that local government is a distinct and essential tier of government consisting of democratically elected Councils having the functions and powers that the Parliament considers are necessary to ensure the peace, order and good government of each municipal district.³*

Role of a council

The Act specifies the role of a council is:

“...to provide good governance in its municipal district for the benefit and wellbeing of the municipal community.”⁴

¹ Victorian Auditor-General's Office (2023), *Results of 2021-22 Audits: Local Government*

² Section 4(a), 4(b) and 4(c) of the *Local Government Act 2020*

³ Section 1 of the *Local Government Act 2020*

⁴ Section 8(1) of the *Local Government Act 2020*

⁵ Local Government Model Budget 2024/25 – Better Practice Guide

The provision of good governance includes a council performing its role in accordance with the overarching governance principles. The overarching governance principles are set out in section 9(2) of the Act. The overarching governance principles include (amongst other principles) that:

- Council decisions are to be made and actions taken in accordance with the relevant law;
- The economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;
- The ongoing financial viability of the Council is to be ensured; and
- The transparency of Council decisions, actions and information is to be ensured.⁵

The overarching governance principles are supplemented by the supporting principles. Section 9(3) requires councils to take into account the supporting principles in giving effect to the overarching governance principles. The supporting principles are:

- The community engagement principles;
- The public transparency principles;
- The strategic planning principles;
- The financial management principles; and
- The service performance principles.⁶

It is a statutory requirement under the Act that councils prepare and report on long, medium and short-term plans to discharge their duties of accountability and transparency to their communities.

⁵ Section 9(2) of the *Local Government Act 2020*

⁶ Section 9(3) of the *Local Government Act 2020*

About this guide

Councils are required to prepare and adopt a budget for each financial year and the subsequent 3 financial years.⁷

This guide has been developed to help local government in meeting statutory requirements relating to the preparation of their budget.

This guide is presented in three sections.

- › **Integrated Strategic Planning and Reporting Framework** provides an overview of the relationship between the key planning and reporting documents.
- › **Local Government Model Budget (overview)** provides an overview of statutory and other requirements in relation to developing the budget annually.
- › **Local Government Model Budget (guidance)** provides detailed guidance on the preparation and content of the budget annually in the sequence of the Model Budget 2024-25.

The guide is intended for use by local government finance professionals. Each council is responsible for preparing its budget, including the format and the disclosures made. This guide, along with the Model Budget 2024-25, represents the budget presentation required by LGV. The guide directs users to related information and further guidance where applicable. Footnotes are used to reference legislative provisions and other relevant information. Illustrative information and examples are provided in tables and boxed text.

⁷ Section 94(1) of the *Local Government Act 2020*

Preparation of this better practice guide

LGV convened a working group to guide the development of both the Model Budget 2024-25 and this guide.

The working group for the Model Budget 2024-25 is comprised of representatives from the local government finance professionals (FinPro), the accounting profession and LGV. LGV thanks members of the working group for their contributions.

Model Budget 2024-25 working group membership

Accounting profession	
Martin Thompson, CPA	Crowe Australasia
Local government finance professionals (FinPro)	
Tony Rocca, CA	Maroondah City Council
Nathan Morsillo, FCPA	Greater Bendigo City Council
Melissa Baker, CPA	Casey City Council
Simone Wickes, CA	Monash City Council
Department of Government Services	
Daniel O'Shea, CPA	Local Government Victoria
Dr Leighton Vivian	Local Government Victoria

4 Integrated Strategic Planning and Reporting Framework

Part 4 of the *Local Government Act 2020* addresses planning and financial management. The legislative requirements to develop strategic planning, budgeting and annual reporting documents in Part 4 came into operation on 24 October 2020.

The Act introduces strategic planning principles for Victorian councils which include an integrated approach to planning, monitoring and performance reporting.⁸ This is an important shift from a more prescriptive form of legislation to an Act that is principles-based.

Part 4 of the *Local Government Act 2020* requires councils to prepare the following:

- A Community Vision (for at least the next 10 financial years);⁹
- A Council Plan (for at least the next 4 financial years);¹⁰
- A Financial Plan (for at least the next 10 financial years);¹¹
- An Asset Plan (for at least the next 10 financial years);¹²
- A Revenue and Rating Plan (for at least the next 4 financial years);¹³
- A Budget (for the next 4 financial years);¹⁴
- A Quarterly Budget Report;¹⁵
- An Annual Report (for each financial year);¹⁶ and
- Financial Policies.¹⁷

The Act also requires councils to prepare:

- A Workforce Plan (including projected staffing requirements for at least 4 years);¹⁸

The legislative timeframes for development, review and adoption of the elements of the Integrated Strategic Planning and Reporting Framework (ISPRF) and the time horizons for each element vary. However there are also many linkages, including the central importance of community engagement. It is therefore vital to recognise the relationships and degrees of

⁸ Section 89(2)(a) of the *Local Government Act 2020*

⁹ Section 88 of the *Local Government Act 2020*

¹⁰ Section 90 of the *Local Government Act 2020*

¹¹ Section 91 of the *Local Government Act 2020*

¹² Section 92 of the *Local Government Act 2020*

¹³ Section 93 of the *Local Government Act 2020*

¹⁴ Section 94 of the *Local Government Act 2020*

¹⁵ Section 97 of the *Local Government Act 2020*

¹⁶ Section 98 of the *Local Government Act 2020*

¹⁷ Section 102 of the *Local Government Act 2020*

¹⁸ Section 46(4)(a) of the *Local Government Act 2020*

integration between different elements. To aid this process, visual representations of the ISPRF have been developed.

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

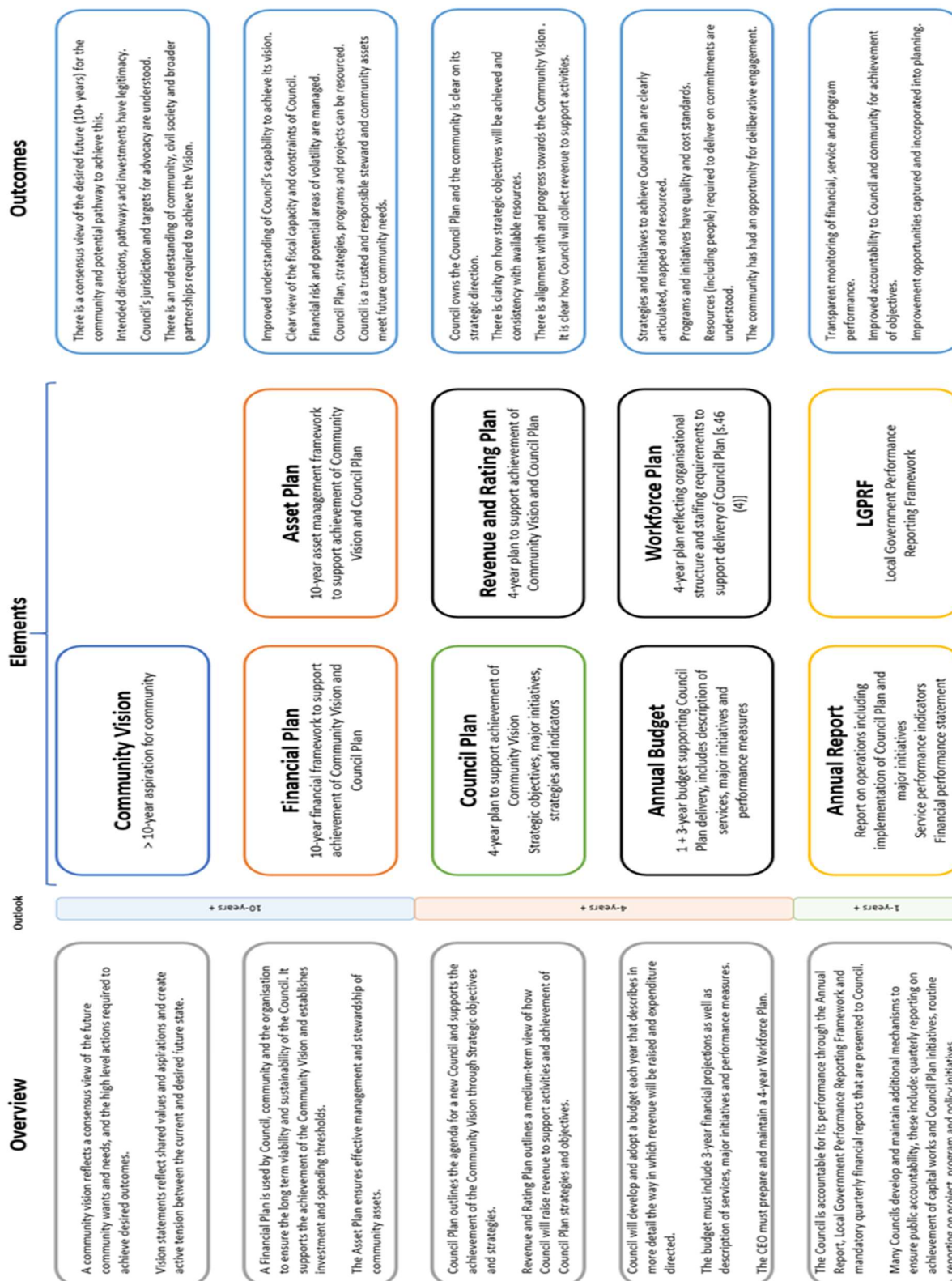


Figure 1: Department of Jobs, Precincts and Regions 2020

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

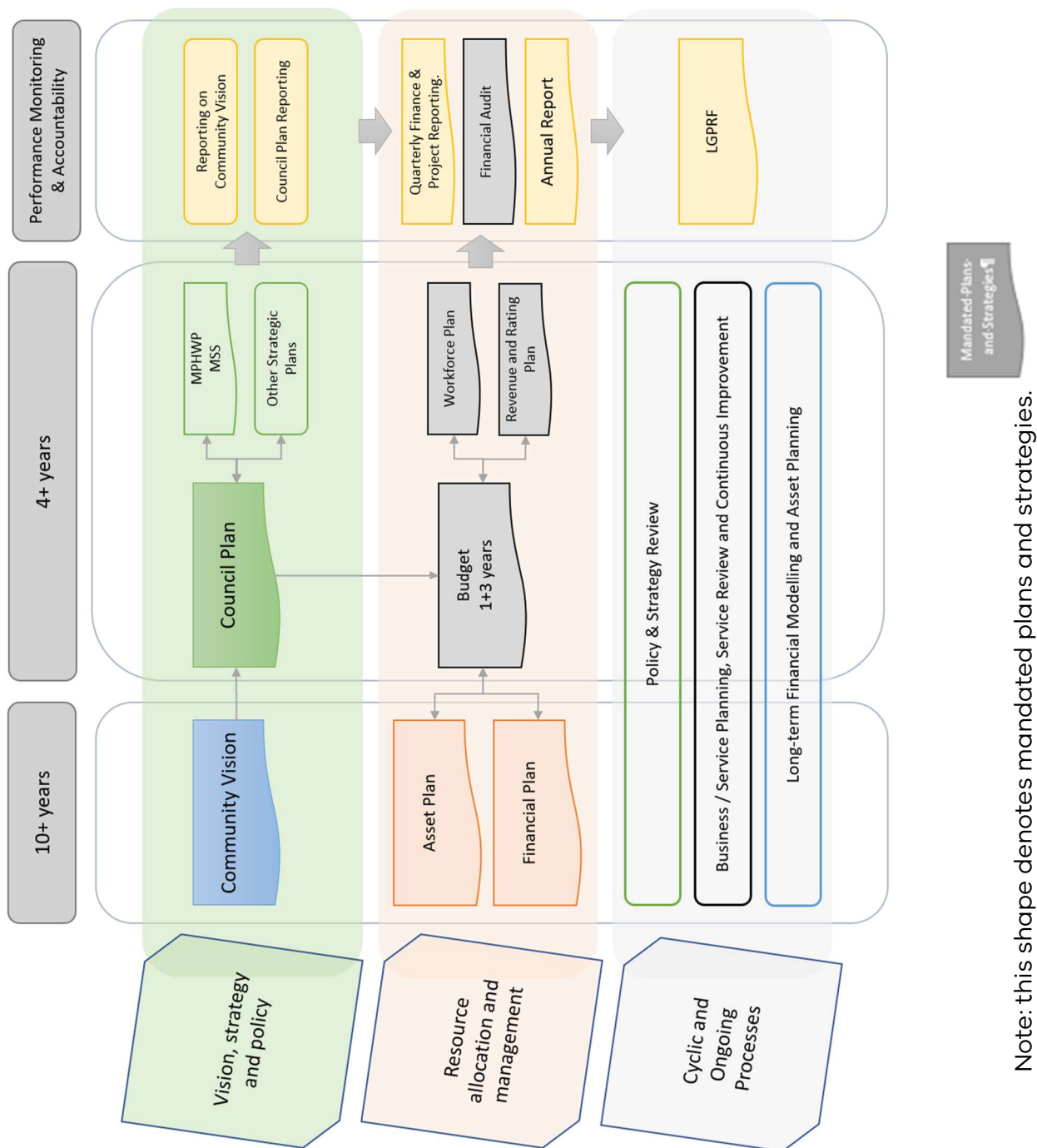


Figure 2: Department of Jobs, Precincts and Regions 2020

While this guide is focused on one element of the ISPRF – the financial statements within an Annual Budget – it is important to recognise the broader framework within which this reporting occurs.

5 Local Government Model Budget (Overview)

Statutory requirements

"The Act requires councils to prepare a budget for each financial year and the three subsequent financial years."

Section 94 of the Act requires that:

- a Council must prepare and adopt a budget for each financial year and the subsequent 3 financial years by 30 June each year (or any other date fixed by the Minister for Local Government).¹⁹
- a Council must ensure that the budget gives effect to the Council Plan and contains financial statements in the form and containing the information required by the regulations.²⁰
- the budget must include a general description of services and initiatives to be funded.²¹
- the budget must identify major initiatives identified by the Council as priorities in the Council Plan to be undertaken during each financial year.²²
- the budget must contain, for services to be funded in the budget, the prescribed indicators and measures of service performance that must be reported against in the performance statement.²³
- the budget must contain the total amount which the council intends to raise by general rates, municipal charges, service rates and service charges and whether general rates will be raised by the application of a uniform rate, differential rate or limited differential rate.²⁴
- the budget must include a description of any fixed component of the rates, if applicable.²⁵
- if the council intends to declare a uniform rate, it must specify a percentage as the uniform rate.²⁶

19 Section 94 (1) of the *Local Government Act 2020*

20 Section 94 (2)(a) of the *Local Government Act 2020*

21 Section 94 (2)(b) of the *Local Government Act 2020*

22 Section 94 (2)(c) of the *Local Government Act 2020*

23 Section 94 (2)(d) of the *Local Government Act 2020*

24 Section 94 (2)(e)(f) of the *Local Government Act 2020*

25 Section 94 (2)(g) of the *Local Government Act 2020*

26 Section 94 (2)(h) of the *Local Government Act 2020*

- if the council intends to declare a differential rate for any land, it must include details of the differential rate in the budget²⁷
- the budget must contain a statement if council intends to apply for a special order to increase the average rate cap, or if it has made an application to the ESC for a special order to increase the average rate cap, or if a special order has been made and a higher cap applies for the financial year²⁸

In addition to section 94 of the Act, councils should review part 3 of the *Local Government (Planning and Reporting) Regulations 2020* for further details relating to the preparation of the budget or revised budget.²⁹

Regulations 7 and 8 in part three of the regulations state that the financial statements included in a budget or revised budget must:

- be in the form set out in the Local Government Model Financial Report³⁰
- contain a statement of capital works for the budget year and subsequent 3 financial years to which the financial statements relate³¹
- Contain specified other information in relation to the financial year to which the budget or revised budget relates.³²

Checklist

The budget must include:

- financial statements describing the required financial resources for the next twelve months and subsequent 3 financial years
- a description of the services and initiatives to be funded in the budget
- a statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the council plan
- the prescribed indicators and measures of service performance to be reported against in the performance statement
- major initiatives identified as priorities to be undertaken during the financial year
- the prescribed outcome indicators and measures of service performance for services funded in the budget

27 Section 94 (2)(i) of the *Local Government Act 2020*

28 Section 94 (3) of the *Local Government Act 2020*

29 For information on revised budgets see Section 95 of the *Local Government Act 2020*

30 Regulation 7(1)(b) of the *Local Government (Planning and Reporting) Regulations 2020*

31 Regulation 7(1)(a) of the *Local Government (Planning and Reporting) Regulations 2020*

32 Regulation 8 of the *Local Government (Planning and Reporting) Regulations 2020*

- the amount to be raised by rates and charges
- a statement, if applicable, regarding the status of an application for a higher rate cap
- any other information prescribed by the regulations.

6 Local Government Model Budget (Guidance)

Better practice guidance

The budget is a short-term plan which specifies the resources required to fund a council's services and initiatives over the next 12 months and subsequent 3 financial years and should be consistent with the first four years of the Financial Plan.

The budget includes both strategic and operational information. At the strategic level, the budget details how the services and initiatives to be funded will contribute to the achievement of the strategic objectives in the council plan as well as the indicators and measures to monitor service performance outcomes. It must also contain major initiatives which have been identified by council as priorities. At the operational level it should express the funding of services and initiatives through financial statements describing in detail the income, expenditure, assets, liabilities, equity, cash and capital works required.

It is expected that local government finance professionals exercise professional judgement in preparing the financial statements included in a budget or revised budget in the form set out in the Local Government Model Financial Report (LGMFR). At a minimum the budget must include:

- financial statements including a statement of capital works³⁵
- a detailed list of planned capital works expenditure in relation to non-current assets, classified in accordance with the asset classes and asset expenditure types specified in the *Local Government Model Financial Report* and a summary of funding sources in relation to the planned capital works expenditure³⁶
- a statement of human resources³⁷
- a summary of planned expenditure in relation to permanent human resources and a summary of the planned number of permanent full time equivalent staff by organisational structure³⁸

Revised budget

A council must prepare a revised budget before it can make a variation to the declared rates or charges, undertake any borrowings that were not approved in the budget or make a change to the budget that the council considers should be the subject of community engagement. It must contain all the information prescribed by the regulations and be adopted as soon as practicable after being developed.³³ If a council decides to prepare a revised budget, it must be developed in accordance with the financial management principles and the council's community engagement policy.³⁴

33 Section 95(1)(2)(3) of the *Local Government Act 2020*

34 Section 96(1)(a)(b) of the *Local Government Act 2020*

35 Regulation 7(1)(a) of the *Local Government (Planning and Reporting) Regulations 2020*

36 Regulation 8(4) of the *Local Government (Planning and Reporting) Regulations 2020*

37 Regulation 8(4)(c) of the *Local Government (Planning and Reporting) Regulations 2020*

38 Regulation 8(4)(d) and (e) of the *Local Government (Planning and Reporting) Regulations 2020*

- the performance indicators and measures set out in Schedule 4 and results expected by the Council in relation to those indicators and measures³⁹
- a list of grants by type and source classified separately as to recurrent operating, recurrent capital, non-recurrent operating and non-recurrent capital⁴⁰
- details about borrowings, including the amount to be borrowed, the amount to be redeemed and total borrowings⁴¹
- details about rates and charges, including the types of rates and charges to be levied, the value of land, number of assessments and the amount to be raised.⁴²

A key consideration of the budget preparation process is setting the rates and charges to be paid by each of the properties within the municipal district. From the 2016-17 financial year, all councils were subject to an average rate cap set by the Minister. An individual council may apply for a higher cap by making an application to the ESC. The application amongst other things must specify how the views of ratepayers and the community have been considered in proposing the higher cap.⁴³ A community consultation process will need to be undertaken to support an application for a higher cap. The budget should therefore include a separate section on rates and charges including the proposed increase in the total amount of rates and charges to be raised (including justification) and the rating structure to be used for allocating the burden to the different types or classes of land. Councils are required to develop a Revenue and Rating Plan which underpins decisions about rates and charges.⁴⁴

The following specific guidance is provided to assist local government finance professionals in preparing the council's budget. It is designed as a complementary reference to the Model Budget 2024-2025. For ease of referencing each piece of guidance has been assigned a unique number.

Reference	Guidance
General	
	<p>The model budget has been prepared to provide councils with guidance in relation to the minimum legislative requirements for the preparation of a council budget. The model is not designed to meet each and every need of all councils, accordingly each council will need to make careful consideration of what additional information or detail is appropriate to include.</p> <p>While the model has been made available in an excel version, a deliberate decision has been made to not fully utilise the formula and linking capabilities within excel. As such functionality can be easily impacted on by minor edits to the template documentation it is not possible to ensure the</p>

39 Regulation 8(4)(ea) of the *Local Government (Planning and Reporting) Regulations 2020*

40 Regulation 8(4)(f) of the *Local Government (Planning and Reporting) Regulations 2020*

41 Regulation 8(4)(g) and (h) of the *Local Government (Planning and Reporting) Regulations 2020*

42 Regulation 8(5) of the *Local Government (Planning and Reporting) Regulations 2020*

43 Section 94(3) of the *Local Government Act 2020*

44 Section 93 of the *Local Government Act 2020*

integrity of any linkages and formulas once the document is made available for editing by councils. Each council is responsible for ensuring the accuracy of any formulas and linkages within the document, and appropriate time should be allocated to this process.

Mayor and CEO's Introduction

G1 The Mayor and CEO's Introduction serves two purposes, which are as follows.

1. To provide an overview of the budget in the context of the integrated strategic planning and reporting framework (Community Vision, Council Plan and other elements required by the *Local Government Act 2020*).

The purpose of the Mayor's and CEO's introduction is to provide an accessible and consumable overview of the budget which is integrated to council's four-year vision as articulated in the Council Plan. It also provides an avenue to demonstrate that the council has, in setting the budget, taken community feedback and concerns into account and demonstrate ownership of the budget by the council. The Mayor has an important role in the process for developing the Council's Community Vision and Council Plan. These messages will usually also highlight key issues of interest to the community including major capital projects as well as emerging challenges and how council proposes addressing them.

With the advent of rate capping, it is important to confirm whether council has complied with the cap or intends to seek a variation. Following the introduction of annual revaluations (previously biennial) it is important to highlight that actual rate increase experiences for individual ratepayers may be different.

Finally, the message should encourage the reader to delve into the detail and be a participant in the budget process.

2. To provide a financial snapshot of the current budget

The second purpose of the section is to provide the reader with a high level "snapshot" of the budget. The section should focus on making the summary readable by citizens without a financial background. Ideally, if citizens only read the budget summary, they will understand the key elements of the budget. More details and analysis are provided later in the budget. The summary should consider the following areas:

- a) Key projects or initiatives that are being funded by the budget
- b) The rate increase and other charges
- c) Key statistics. Use of infographics is encouraged to make this user friendly for non-financial readers
- d) Key budget influences
- e) Other sections as applicable to each council

This executive summary is not mandatory and so the contents are not prescribed. This provides an opportunity for each council to include a summary addressing budget issues that may come up (or that the council wants to convey to citizens).

Example Disclosure

Budget Summary

It gives us great pleasure to recommend this budget to the Victorian City Council (VCC) community.

This document outlines the broad range of services provided by council from home care for the elderly to road construction, urban planning, actions to keep our environment clean and providing leisure facilities plus so much more. It also details the funding that is required to deliver these services and maintain community infrastructure.

A great deal of work has been completed by council officers to find cost savings and this is reflected in the 2024-2025 budget. Rate increases have been capped at 2.75% in line with the Victorian Government's Fair Go Rates System. The Council has chosen to adopt this amount – as it is the highest amount it can do so without seeking a higher rate cap from the Essential Services Commission. Despite the increase in rates this poses, council is determined to maintain and enhance its services. In continuing council's efforts to keep financial pressure on the community to a minimum, the rate for general residential, commercial and industrial rates has been increased by __ per cent for the 2024-2025 financial year, below the cap. Along with this, the cost for garbage collection on an 80-litre bin has only increased by __ cents for 2024-2025. Council will also fund several new initiatives and will allocate additional funds to renew the council's infrastructure.

A community consultation process was undertaken in early 2023 regarding the Council Plan and the 10 Year Financial Plan, the results of which have informed the Council Plan and Financial Plan that accompany this budget.

The 2024-2025 budget follows through with completing priorities that were identified in the previous Council Plan, such as the \$__ million upgrade of the VCC Sports and Aquatic Precinct, council's largest capital project to date, and beginning to scope the new priorities identified from the 2021-2025 Council Plan.. Council plans to continue to seek community input and engage the Victorian City Council community in the important decisions.

The budget includes several initiatives and projects in 2024-2025:

- Upgrade of the VCC Sports and Aquatic Precinct (\$__M)
- VCC Community Centre (\$__M)
- VCC Oval Grandstand masterplan (\$__M)
- <List additional initiatives and projects as appropriate>

The Capital Works program for 2024-2025 will be \$__M, excluding projects that may be carried over from the 2023-2024 year. Of the \$__M in capital funding required, \$__M will come from Council operations, \$__M from external grants and contributions, \$__M from reserve cash and investments with no new borrowings required or (and \$__M to be funded by new borrowings).

We look forward to working with you in the community to deliver these exciting projects throughout the coming year.

Financial Snapshot

Total Income	\$-	\$-
Total Expenditure	\$-	\$-
Comprehensive Operating Surplus	\$-	\$-
Underlying operating surplus	\$-	\$-
Cash result	\$-	\$-
Capital Works Program	\$-	\$-
Funding the Capital Works Program		
Council	\$-	\$-
Reserves	\$-	\$-

<i>Borrowings</i>	\$-	\$-
<i>Grants</i>	\$-	\$-
<i>Budgeted expenditure by strategic objective</i>	<i>Budget \$million</i>	<i>Budget %</i>
<i>Strategic Objective 1</i>	\$-	x%
<i>Strategic Objective 2</i>	\$-	x%
<i>Strategic Objective 3</i>	\$-	x%
<i>Strategic Objective 4</i>	\$-	x%

Link to the Council Plan

- G2** The purpose of linkage to the Council Plan is to show how the budget contributes to the achievement of the Council Plan. This section should include as a minimum, the following:
- Integrated Strategic Planning and Reporting Framework;
 - Our purpose; and
 - Strategic objectives.

Integrated Strategic Planning and Reporting Framework

- G3** This section gives the reader a wider picture of how the budget fits into the Integrated Strategic Planning and Reporting Framework. As a significant number of readers may not be trained in financial management and corporate planning techniques, the planning and reporting framework is best illustrated diagrammatically with a brief explanation. The diagram should highlight how Council's overall longer-term objectives feed into the Council Plan, link to the Budget and show how they are expressed numerically in the financial statements included in the Financial Plan and Budget.
- Council's will have developed and adopted a Community Vision, Financial Plan, Revenue and Rating Plan and Asset Plan. Where possible the links to these documents and how they interact with the current budget should be made clear. The Council Plan, Financial Plan, Revenue and Rating Plan, Asset Plan, Workforce Plan, Budget and Annual Report (containing Audited Statements) are statutory requirements.

Council's purpose

- G4** This section describes the vision, mission and values of the Council as set out in its Community Vision and Council Plan. Councils in the inaugural year of the *Local Government Act 2020* developed a Community Vision and Council Plan in line with their own community engagement policies. This section should reflect the details from those plans, including any updates if applicable.

Strategic objectives

G5

This section provides an overview of the strategic objectives listed in the Council Plan to support the achievement of the Community Vision. A description is provided to allow the reader to understand each objective. The section should detail each strategic objective and include a brief overview.

Services and initiatives and service performance outcome indicators

G6

1. The purpose of the services, initiatives and service performance outcome indicators section is to show the strategic objectives and key strategies included in the Council Plan and how these will be translated into services delivered, initiatives and major initiatives undertaken in the forthcoming year. This enables the reader to obtain an understanding as to how income and expenditure levels are set and then how rating levels are determined. As a minimum this section should include the following:
 - a. Services, initiatives and major initiatives
 - b. Service performance outcome indicators
 - c. Reconciliation with budgeted operating result.

Section 94(2)(b) of the Act requires the budget to contain a general description of the services and initiatives to be funded in the budget. A statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the Council Plan would provide the reader clarity on how revenue is allocated towards achieving the Community Vision and Council Plan. Section 94(2)(c) of the Act requires that the budget must also include major initiatives, being initiatives identified by the Council as priorities in the Council Plan, to be undertaken during each financial year. This section complies with these requirements and sets out what the council believes are the services, initiatives and major initiatives that will be achieved in line with the Council Plan.

2. The services delivered by council are those undertaken to meet the needs of the community as reflected in the Council Plan. They tend to be ongoing in nature and have internal and external customers. It will be important that this section does not become a list of all services delivered by the council, since this level of disclosure would not be useful to the readers. It is recommended that the services be described at a level which gives the reader a good understanding (but not detailed) of the services undertaken by council. The services should be grouped under the relevant strategic objective (Council Plan) to which they relate to show the linkage between the budget services and the Council Plan. For example, a typical council may aggregate its services into the following categories:
 - Planning
 - Building
 - Roads and parking
 - Community services
 - Waste management
 - Recreation and culture, and

- Emergency management.

Within some of these categories there would be a further breakdown of more specific services. For example, Community services could include:

- Family and young children's services
- Youth services
- Aged services
- Disability services, and
- Home and community care

3. In addition to the services provided by council, the major initiatives to be undertaken during each financial year should also be described. Major initiatives are significant initiatives that the council has identified as priorities and that directly contribute to the achievement of the Council Plan during the budget period. The major initiatives should be limited to only those initiatives that will have a significant impact on the operations of the council in that budget period and will be of interest to the reader. They should be disclosed under the strategic objective to which they relate to show a clear linkage to the Council Plan including an estimate of the surplus / (deficit).

Service performance outcome indicators

G7

1. This section of the model budget includes the service performance outcome indicators (prescribed indicators of service performance) and prescribed measures that must be included in the budget under section 94(2)(d) of the Act.

The prescribed indicators of service performance are required to be reported against in the performance statement under section 98 of the Act. Section 98(4)(a) of the Act, states that the indicators of service performance that must be reported against in the performance statement are prescribed in the Regulations.

Regulation 9 and 11 of the regulations state that the indicators of service performance to be reported against in the performance statement are set out in Schedule 2 and 3 of the regulations. These indicators are to be linked to a strategic objective in the Council budget.

The Local Government (Planning and Reporting) Regulations 2020 were amended by the Local Government (Planning and Reporting) Amendment Regulations 2022. The amendments are now reflected in the regulations and a copy is available at <https://www.legislation.vic.gov.au/in-force/statutory-rules/local-government-planning-and-reporting-regulations-2020/003>.

Where a service is not funded in the budget or is funded but the council does not have 'operational control' the relevant service performance outcome indicator is not required to be disclosed.

Councils are encouraged to include actual, forecast and budget results in the budget report to give readers a better understanding of the Council's performance on these indicators. Where possible this should include:

- a. Previous year's actual;
- b. Current year forecast; and
- c. Budgeted result for the budget year.

The introduction of target setting in the 2023-24 Model Budget required all Victorian councils to set targets for eight measures as part of the budget process.

Further information about target setting is available at G16.

Background to the indicators

2. The Victorian Government introduced a Local Government Performance Reporting Framework (LGPRF) which became mandatory for implementation by councils as part of the planning and reporting cycle in FY 2015-16.
3. The Act provides the legislative basis for the LGPRF, supported by prescribed indicators contained within the regulations.
4. The objective of the LGPRF is to provide comprehensive performance information that meet the needs of stakeholders to ensure that:
 - councils have information to support strategic decision-making and continuous improvement;
 - communities have information about council performance and productivity;
 - regulators have information to monitor compliance with relevant reporting requirements; and
 - State and Commonwealth Governments are better informed to make decisions that ensure an effective, efficient and sustainable system of local government.
5. To provide a comprehensive picture of council performance, four indicator sets – service performance, financial performance, sustainable capacity and governance and management – have been developed across three thematic areas – service performance, financial performance and sustainability. The performance statement comprises the service performance outcome indicators, financial performance and sustainable capacity indicators as established in section 98(4) of the Act and prescribed in part 4, division 2 and schedule 2 and 3 of the Regulations.

Reconciliation of strategic objectives with budgeted operating result

G8

The reconciliation with budgeted operating result is not mandated however, it is suggested that such a reconciliation is good practice as it shows how the strategic objectives contained in the Council Plan have been funded in the

Budget. The reconciliation should show the costs attributable to each strategic objective.

Financial statements

G9

Purpose of Financial statements

1. Section 94(2)(a) of the Act requires that the budget contain financial statements in the form and containing the matters required by the regulations. The financial statements include a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Human Resources and Statement of Capital Works. Each statement must include the budget year and subsequent 3 financials years.
2. Regulation 7(1)(b) of the regulations requires that the financial statements must be in the form set out in the Local Government Model Financial Report. The financial statements in this Model Budget align with the draft Local Government Model Financial Report at the date of publication. Budget preparers should carefully review the form of the financial statements in the Local Government Model Financial Report issued by LGV to ensure the correct format is applied.
3. Regulation 7(1)(a) of the regulations requires that the budget include a statement of capital works for the budget year and subsequent 3 financial years.
4. The audited financial statements included in the annual report must also be prepared in accordance with current accounting standards and the Local Government Model Financial Report, ensuring budgeted and actual financial statements are directly comparable. Care must be taken in preparation of the financial statements to ensure the terminology used for line items in the budget is consistent with the line items in the financial statements at the end of the financial year. The model budget does not consider the impact of accounting standards not yet effective. Where a pending standard is likely to have a significant impact, consideration should be given to incorporating this into the budget. If this is not possible, as a minimum, a description and estimate of the financial impact of the pending standard should be disclosed in the narrative of the budget.

Financial Plan

Section 91(1) of the *Local Government Act 2020* requires all Victorian councils to develop, adopt and keep in force a Financial Plan. Section 91(2) of the Act states that the scope of a Financial Plan is a period of at least the next 10 financial years. The 2024-25 Model Budget includes an option to present 10-year financial

statements (with the first four being the budget year and subsequent 3 years). This option is included at tab 7 titled "7 (10 Yr FS option)".

Councils may still select to simply present the typical four years associated with the budget (budget year and subsequent 3 years). This presentation is included at tab 3.

It is important to note that councils must either choose to present 4 years or 10 years, not both.

The 10-year presentation allows councils the ability to update the financial statement projections in their Financial Plan on a rolling basis.

Councils may also choose to update and re-issue their full Financial Plan separately on an annual basis. LGV produce a Financial Plan template which is available at www.localgovernment.vic.gov.au.

Human resources

G10

Regulation 8(1)(b) requires that the budget must contain a statement of human resources, defined as meaning a statement which shows all Council staff expenditure and the number of full-time equivalent Council staff. This is required for the four financial years. Regulation 8(4)(d)–(e) requires that the budget contain a summary of the planned human resources expenditure and the planned number of full-time equivalent Council staff categorised by the organisational structure. Each summary is required for the budget year and 3 subsequent financial years and must be broken down between:

- Permanent full-time staff, further subcategorised as women, men or persons of self-described gender
- Permanent part time staff, further subcategorised as women, men or persons of self-described gender

The model also includes details of temporary and casual staff for the budget year which, although not required, provide additional information that is useful to the users of the budget.

An optional format has been included for the 4-Year summary of planned human resources expenditure and FTE. The optional format allows for the inclusion of new and vacant positions in addition to the gender classifications required by the regulations. This format is optional and is not required by the regulations.

Where councils have a Workforce Plan as required by the Act, which can be referenced by this section, the plan should be linked and/or referenced within this section.

In future years, it is expected that there will be more cross-over once a Workforce Plan is in place and embedded across all councils.

Rates and charges

The regulations require certain information to be disclosed within the budget (and revised budget) and some of these disclosures relating to rates and charges are made in this section. Preparers of budgets should refer to the compliance checklist in this guide in order to review the requirements of the Act and Regulations.

Rates and charges

1. Section 94(2)(e)-(j) of the Act requires the budget to contain the following:
 - a. The total amount that the Council intends to raise by rates and charges
 - b. A statement as to whether the rates will be raised by application of a uniform rate or a differential rate
 - c. a description of any fixed component of the rates, if applicable
 - d. If the Council proposes to declare a uniform rate, the matters specified in section 160 of the *Local Government Act 1989*
 - e. If the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the *Local Government Act 1989*, and
 - f. any other information prescribed by the regulations.
2. The Regulations set out the rates and charges information the council is required to declare under Section 158(1) of the *Local Government Act 1989*. This section requires the disclosure of the amount which the council intends to raise by general rates, municipal charges, service rates and service charges and whether the general rates will be raised by the application of a uniform rate, differential rates (under Section 161 and 161(2)) or urban farm rates, farm rates or residential use rates (under Section 161A and 161(2)).
3. Regulation 8(4) includes the following disclosure requirements in relation to rates and charges:
 - i. The rate in the dollar to be levied for each type or class of land
 - ii. The basis of valuation to be used under Section 157 of the *Local Government Act 1989*.
4. Regulation 8(5)(a)-(o) sets out an extensive list of information required to be disclosed in the budget in regard to rates and charges, including:
 - a. The percentage change in the rate in the dollar to be levied for each type or class of land compared with the previous financial year
 - b. The estimated amount to be raised by general rates in relation to each type or class of land compared with the previous financial year
 - c. The estimated amount to be raised by general rates compared with the previous financial year
 - d. The number of assessments in relation to each type or class of land compared with the previous financial year
 - e. The number of assessments compared with the previous financial year

-
- f. The estimated value of each type or class of land compared with the previous financial year
 - g. The estimated total value of land rated under section 158 of the *Local Government Act 1989* compared with the previous financial year
 - h. The municipal charge under section 159 of the *Local Government Act 1989* compared with the previous financial year
 - i. The percentage change in the municipal charge compared with the previous financial year
 - j. The estimated amount to be raised by municipal charges compared with the previous financial year
 - k. The rate or unit amount to be levied for each type of service rate or charge under section 162 of the *Local Government Act 1989* compared with the previous financial year
 - l. The percentage change for each type of service rate or charge compared with the previous financial year
 - m. The estimated amount to be raised by each type of service rate or charge compared with the previous financial year
 - n. The estimated total amount to be raised by service rates and charges compared with the previous financial year
 - o. The estimated total amount to be raised by all rates and charges compared with the previous financial year

Regulation 8(1)(d) requires disclosure of any potential significant changes that may affect the estimated amounts for the above listed items contained in sub regulation 5.

Although not required by the regulations the inclusion of a reconciliation between rates and charges disclosed in the notes and that detailed in the Comprehensive Income Statement is recommended as it results in improved transparency and accountability.

- 5. The regulations require the rates information above to be disclosed in relation to 'each type or class of land', regardless of whether the Council has levied a differential rate for those classes of land. The disclosures in this guide illustrate this requirement by showing rates information for the major types and classes of land for Victorian City Council of residential, commercial and industrial land (Victorian City Council having no farm or other land), even though Victorian City Council has only declared differential rates for residential and commercial land.

Differential rates

- 6. Differential rates are a complex area and the disclosure required in this section is unique to each differential rate. Differential rates are covered by section 161 of the *Local Government Act 1989*, which requires councils to make specific disclosures regarding the differential rate/s.

Section 94(2)(i) of the *Local Government Act 2020* requires councils to include the information listed in section 161(2) of the *Local Government Act 1989* in their budget if they declare differential rates or limited differential rates.

To ensure appropriate disclosure councils should seek professional guidance to ensure compliance with requirements is met.

Revenue in lieu of rates

7. Rates and charges must be disclosed in a manner that is consistent with council's presentation in their annual report and include the rate categories detailed in section 155 of the *Local Government Act 1989*. The line item 'Revenue in lieu of rates' is intended to capture revenue council raises from properties under other legislation or via private agreement instead of general rates under the *Local Government Act 1989*. Examples of revenue items to be classified as 'Revenue in lieu of rates' include revenue under:

- *Cultural and Recreational Lands Act 1963* (more on this below)
- *Electricity Industry Act 2000*
- Via private agreements with properties such as Commonwealth owned occupancies such as airports and military barracks

Further detail or itemising of the above revenue items – where applicable - is desirable on grounds of public transparency and disclosure.

A Note on Recreational Land

8. Section 4 of the *Cultural and Recreational Land Act 1963* requires that rates for recreational lands shall be levied at "such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands".

Rates for recreational lands need to be assessed case by case using the above guidance (and supplemented by council policies such as the Revenue and Rating Plan) and this may mean that Council has different arrangements for different recreational lands subject to the assessment outcome.

It is important to note that rates for cultural and recreational land are not differential rates under section 161 of the *Local Government Act 1989* and should not be presented as such.

Rate Capping and Annualised Rates

9. Section 185B of the *Local Government Act 1989* defines the calculation for the 'Base Average Rate' which includes 'the total annualised revenue leviable from general rates, municipal charges and any other prescribed rates or charges on rateable properties within the Council's municipal district as at 30 June in the base year'.

Any annualised rate income arising from any supplementary rates levied up until the time a proposed budget (if applicable) is prepared (typically late

April) must be supported by auditable reports from the rating system or equivalent system.

For the period between budget preparation and 30 June, care needs to be taken when forecasting the annualised revenue arising from any supplementary rates levied during this time. The forecast will need to be documented and all variables have a reasonable level of science to support them.

Note that if the budgeted rate revenue + forecast annualised supplementary rate revenue exceeds the actual rate income for the year of the calculation of the 'Base Average Rate', the Council may not have complied with the rate cap legislation and will invite investigation by the Essential Services Commission. Councils should consider acting conservatively when forecasting annualised supplementary rate revenue. Where budgeted rate revenue + forecast annualised supplementary rate revenue does not exceed the actual rate income, the difference will be made up the following year when calculating the 'Base Average Rate'.

10. Section 94(3) of the Act requires, if applicable, the budget to contain a statement:
 - a. That the Council intends to apply for a special Order to increase the Council's average rate cap for the financial year or any other financial year, or
 - b. That the Council has made an application to the ESC for a special Order and is waiting for the outcome of the application, or
 - c. That a special Order has been made in respect of the Council and specifying the average rate cap that applies for the financial year or any other financial year.
11. Rate cap projections - it is preferable that each council applies consistent rate cap projections, based on advice from Department Treasury and Finance (DTF), unless there is a proposal to seek a variation from the rate cap.

<https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators>

Minister's Good Practice Guidelines for Service Rates and Charges

12. In December 2023 the Minister for Local Government made Good Practice Guidelines for Service Rates and Charges under section 87 of the *Local Government Act 2020*. The guidelines take effect from 1 March 2024. They set out what constitutes good practice by councils in the determination and declaration of Service Rates and Charges under Section 162 of the *Local Government Act 1989* and any other matters related to compliance and accountability by councils. The Guidelines are available at <https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting>.

Income (excluding rates and grants) and expenses

G12

Further details of items of income (excluding rates and grants) and expenditure are not required to be disclosed in the budget by the Act or regulations. However, inclusion is encouraged to give readers a better appreciation of the budgeted financial statements and to further align the budgeted financials to the Model Accounts. Further information about the council's revenue strategies is included within the Revenue and Rating Plan per section 93 of the Act.

Council is encouraged to provide commentaries on material variances between the budgeted and prior comparative period numbers. Commentaries are to be meaningful and clearly indicate the drivers of variances.

The disclosure of fees and charges to be levied for various goods and services provided during the budget year is optional and is not required by legislation. While not required it is considered best practice and good governance for disclosure purposes to consider the setting of user fees and charges set by Council as part of the budget process. There may also be fees and charges set by statute in accordance with legislative requirements which can also be disclosed as part of the budget process or reflected on Council's website once these are updated for the budget year.

Grants

G13

1. Regulation 8(4)(f) states that a Council must disclose details of all grants received in the period, including:
 - a. type and source
 - b. recurrent and non-recurrent
 - c. operating and capital.
2. Amounts received through the Victoria Local Government Grants Commission funding process are to be disclosed as Commonwealth funded grants.
3. The regulations define a non-recurrent grant as a 'grant obtained on the condition that it be expended in a specified manner and not expected to be received again during the period covered by a Council's budget'. Where Council has a reasonable expectation that funding will continue for a particular activity, amounts are to be classified as recurrent. The determination of whether a grant is operating or capital will be based on the substance of the grant agreement.
4. Contributions from non-government sources are to be treated as monetary contributions.

A movement schedule of grants received on the condition that they be expended in a specific manner, that had not been expended at balance date, is to be included in the financial report.

Borrowings

G14

Section 104 of the Act states that a Council cannot borrow money unless the proposed borrowings were included in the budget or a revised budget.

As required by the *Local Government (Planning and Reporting) Regulations 2020*, Council must provide in the budget the following information in relation to borrowings:

- in a budget that has not been revised, the total amount to be borrowed (other than borrowings to refinance existing loans) during the budget year compared with the previous financial year per Regulation 8(1)(a); or
- in a revised budget, any additional amount to be borrowed (other than borrowings to refinance existing loans) compared with the budget initially adopted or the most recent revised budget (as applicable) per Regulation 8(2)(b);
- the total amount borrowed as at 30 June of the budget year compared with the previous financial year as per Regulation 8(4)(g);
- the total amount projected to be redeemed during the budget year compared with the previous financial year as per Regulation 8(4)(h).

Councils are strongly encouraged to provide information on borrowings for the budget year and the 3 subsequent years in accordance with the presentation format in the Model Budget. This is particularly the case for councils wishing to borrow under the Treasury Corporation of Victoria (TCV) loans framework since DTF's credit assessment process considers both historic and projected debt levels.

Capital works program

G15

Purpose of capital works program statement

Regulation 7(1)(a) requires that the budget contain a statement of capital works for the budget year and subsequent 3 financial years.

Regulation 8(4)(a) stipulates a detailed list of planned capital works expenditure for the budget year in relation to non-current assets by class according to the Local Government Model Financial Report, classified separately as to asset expenditure type (i.e. renewal, new, upgrade and expansion). In addition, the budget must also contain a summary of funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings as per Regulation 8(4)(b).

Regulation 8(3)(a) also requires a summary of planned capital works expenditure and funding sources for the subsequent 3 years set out according to asset expenditure type in accordance with the Local Government Model Financial Report.

Disclosure

Although not mandated by the regulations, it is suggested that the disclosures should show separately:

- a. Total works to be funded in the current year (4.5.1).
- b. New works (4.5.2)
- c. Works carried forward from the prior year (4.5.3)

Separating the works carried forward from the prior year provides greater transparency in showing the readers what part of the total works program relates to projects that have previously been budgeted but not yet completed.

In addition, it is recommended that the narrative include details of major projects that are of interest to the user of the budget.

4.5.1 Summary

The capital works summary section is to include all capital works for the 2024-25 year, both new and those that are expected to be carried forward from the current year.

4.5.2 Current budget

The current budget section should detail all new capital works projects that are incorporated into the Council budget for the first time for the 2024-25 year. Regulation 8(4)(a) requires the budget year to include a detailed list of planned capital works expenditure, in relation to non-current assets by class according to the Local Government Model Financial Report, and classified separately as to asset expenditure type (i.e. renewal, new, upgrade and expansion). The planned capital works expenditure must also include a summary of funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings.

4.5.3 Works Carried forward from the 2023-24 year

The Works Carried Forward section should detail the best estimates of works that were budgeted for in a prior period and are expected to be carried forward into this budget for the 2024-25 year.

4.6 Summary of Planned Capital Works (3 subsequent years)

The summary of planned capital works is used for the 3 subsequent years (following the budget year) as per Regulation 7(1)(a) and (b) and Regulation 8(3)(a) and (b). In addition to the statement of capital works, the budget must contain a summary of planned capital works expenditure for the 3 subsequent years in relation to non-current assets by class according to the Local Government Model Financial Report, classified separately as to asset expenditure type (i.e. renewal, new, upgrade and expansion). The budget must also contain a summary of funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings.

Optional – Additional Capital Works Statements

Some councils may choose to add additional capital works reports broken down into more detail (i.e. the detailed project level) in addition to the required formats mentioned above in the purpose of the capital works statement and 4.6 Summary of Planned Capital works (3 subsequent years). This can be inserted after section 4.6 along with any other visualisations of data captured in 4.5 and 4.6 which can be utilised for better engagement with the Budget Document (for example, graphs showing a breakdown of asset types etc.)

Targeted performance indicators

G16

1. The *Local Government (Planning and Reporting) Amendment Regulations 2022* introduced changes to the Local Government Performance Reporting Framework (LGPRF). These changes were made after sector consultation during the Technical Working groups in 2021.
2. The changes included the introduction of target setting. From the 2023-24 financial year, councils will be required to set targets for eight measures as part of the Council's budget. Councils will be required to set a target for the current budgeted year and the next three future years.
3. The targeted performance indicators are the prescribed performance indicators contained in Schedule 4 of the *Local Government (Planning and Reporting) Regulations 2020*. Results against these indicators and targets will be reported in Council's Performance Statement included in the Annual Report.
4. Section 5a in the 2024-25 Model Budget presents the targeted performance indicators which include:

Targeted Performance Indicators – Service

- Governance - Satisfaction with community consultation and engagement
- Roads - Sealed local roads below the intervention level
- Statutory Planning - Planning applications decided within the relevant required time
- Waste Management - Kerbside collection waste diverted from landfill

Targeted Performance Indicators – Financial

- Liquidity – Working capital
 - Obligations – Asset renewal
 - Stability – Rates concentration
 - Efficiency – Expenditure level
5. Local Government Victoria has provided further sector support on target setting including the release of a LGPRF Target calculator to assist councils in the setting of targets.

Financial performance indicators

G16a

6. A range of financial indicators can be used to allow the reader to gain a better understanding of key measures such as indebtedness and liquidity which are often hidden when financial information is presented in financial statement format. The use of indicators over a four-year horizon also allows trends to be assessed helping the reader to confirm the council's service delivery, infrastructure renewal, rating and debt strategies.

The financial performance indicators included in this model are the prescribed financial performance indicators contained in Part 3 of Schedule 3 of the Regulations. Results against these indicators will be reported in council's performance statement included in the annual report.

The Act and regulations require councils to report actual results against these indicators, together with the other prescribed indicators contained in Schedule 3 of the regulations, in the annual performance statement. Following the regulation transition period, the annual performance statement reports the current year results against three preceding years and the forecast results from the financial statements in this budget document. Indicators within the Model Budget are ratios reported as part of the Local Government Performance Reporting Framework undertaken annually by councils.

Financial performance indicators subject to target setting

The following indicators are now subject to target setting as shown under section 5a in the 2024-25 Model Budget. They are therefore no longer listed under the financial performance indicators section (section 5b) in the 2024-25 Model Budget.

Working capital

- a. **Working capital** is the proportion of current liabilities represented by current assets.
- i. **Calculation** = *Current Assets divide by Current Liabilities multiplied by 100 (shown as a percentage)*

It is a general measure of the organisation's liquidity and its ability to meet its commitments as and when they fall due.

Asset renewal

-
- b. **Asset renewal** is calculated as asset renewal and upgrade expenditure as a percentage of depreciation.

- i. **Calculation** = *Asset renewal and upgrade expense divided by Asset Depreciation multiplied by 100 (shown as a percentage)*

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

Rates concentration

- c. **Rates concentration** is measured as rate revenue compared to adjusted underlying revenue.

- i. **Calculation** = *Rate Revenue divided by Adjusted underlying revenue multiplied by 100 (shown as a percentage)*
- ii. **Rate Revenue** means revenue from general rates, municipal charges, service rates and service charges
- iii. **Adjusted underlying revenue** means total income other than non-recurrent grants used to fund capital expenditure, non-monetary contributions and contributions to fund capital expenditure from sources other than those referred to above.

Expenditure level

- d. **Expenditure level** is measured as total expenditure per the number of property assessments.

- i. **Calculation** = *Total Expenses divided by Number of Property Assessments (shown as a \$ figure)*

Other financial performance indicators

The remaining financial performance indicators not currently subject to target setting remain in section 5b of the 2024-25 Model Budget.

7. Definitions for the key components of the indicators are as follows:
- a. **Adjusted underlying result** is the net surplus or deficit for the year (per Australian Accounting Standards) as a percentage of adjusted underlying revenue.
- i. **Calculation** = *Adjusted underlying surplus (or deficit) divide by adjusted underlying revenue multiplied by 100 (shown as a percentage)*
- ii. **Adjusted underlying revenue** means total income other than non-recurrent grants used to fund capital expenditure, non-monetary contributions and contributions to fund capital expenditure from sources other than those referred to above.
- iii. **Adjusted underlying surplus** means adjusted underlying revenue less total expenditure.
-

An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. Improvement in financial performance expected over the period, although continued losses means reliance on Council's cash reserves or increased debt to maintain services.

- b. **Unrestricted cash** is the proportion of unrestricted cash as a percentage of current liabilities.
- Calculation** = *Unrestricted Cash (Cash and Cash equivalents minus restricted Cash) divided by Current Liabilities multiplied by 100 (shown as a percentage).*
 - Unrestricted Cash** means all cash, cash equivalents and financial assets, within the meaning of the Australian Accounting Standards, other than restricted cash.
 - Restricted cash** means cash, cash equivalents and financial assets, within the meaning of the Australian Accounting Standards, not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year.

c. **Loans and borrowings compared to Rates**

- Calculation** = *Interest bearing Loans and borrowings divided by Rate Revenue multiplied by 100 (shown as a percentage).*
- Rate Revenue** means revenue from general rates, municipal charges, service rates and service charges

It is one of two general measures used to ensure the level of interest-bearing loans and borrowings is appropriate to the size and nature of Council's activities.

d. **Loans and borrowings repayments compared to rates**

- Calculation** = *Interest & Principal Repayments on interest bearing loans and borrowings divided by rate revenue multiplied by 100 (shown as a percentage)*
- Rate Revenue** means revenue from general rates, municipal charges, service rates and service charges

The ratio describes Council's cash flow debt repayment capacity through the inclusion of interest and principal repayments on interest bearing loans and borrowings as a percentage of rate revenue.

e. **Indebtedness** compares non-current liabilities to own source revenue.

- Calculation** = *Non-Current Liabilities divided by Own-Source Revenue multiplied by 100 (shown as a percentage)*
- Own source revenue** is defined as adjusted underlying revenue other than revenue that is not under the control of Council (including government grants).

It is a general measure used to ensure the level of long-term liabilities are appropriate to the size and nature of Council's activities. **It should be noted**

that the leasing standard disclosures came into effect after the initial drafting of this indicator. Longer term operational leases can add significantly to the balance of non-current liabilities and right-of-use assets, impacting on this measure.)

f. **Rates effort** is measured as rate revenue as a percentage of the capital improved value of rateable properties in the municipality.

i. **Calculation** = *Rate Revenue divided by CIV of rateable properties in the municipal district multiplied by 100 (shown as a percentage)*

ii. **Rate Revenue** means revenue from general rates, municipal charges, service rates and service charges

This measure is intended to examine the community's capacity to pay.

g. **Revenue level** is the average rate per property assessments.

i. **Calculation** = *General rates and municipal charges divided by Number of Property Assessments (shown as a \$ figure)*

Optional – Additional Finance Performance Indicators

Some councils may choose to add additional financial performance indicators in addition to the required indicators mentioned above. This can be inserted in section 5 along with any other visualisations of data captured which can be utilised for better engagement with the Budget Document (for example, graphs showing trend movements in these indicators etc.).

TCV loans framework indicators

G16b

Note 5c presents two optional additional indicators that councils can choose to include in their budget in relation to the Treasury Corporation of Victoria (TCV) loans framework.

Under the TCV loans framework these two indicators are used by the Department of Treasury and Finance to conduct credit assessments of councils.

Financial Covenants

The following financial ratio criteria must be satisfied by councils over the prior three years to the budget year, the budget year, and subsequent three projected financial years:

- Interest Cover Ratio not to be less than 2:1

- Interest Cover Ratio = EBITDA: Interest Expenses

- Interest bearing loans, leases and borrowings not exceeding 60 per cent of own source revenue (interest bearing liabilities / own source revenue)

Subject to these financial covenants being satisfied a borrowing limit will be determined under the framework.

If there are covenant breaches in any of these years, a borrowing limit may not be provided. Borrowing limits are the three-year rolling maximum of budgeted

borrowings, commencing in the prior year, capped at 60 per cent of the council's Own Source Revenue (OSR) for the budget year. The calculation takes into account the budgeted borrowings of each council in the approval limit year, as well as the prior and following year. This gives flexibility to the council with respect to the timing of any required repayment of existing debt from the previous year and/or any required drawing down of new debt for the following year.

The following example shows how total borrowings are determined for the purposes of the credit assessment, presuming the financial credit ratios have been met.

Borrowings calculation for the credit assessment shown below. Please note numbers are for illustrative purposes only.

From 4.2.3 Borrowing Table

	Prior Year Budget	Budget Year	Subsequent Budget Year
Amount borrowed as at 30 June of the prior year	2,000	11,750	14,750
Amount proposed to be borrowed	10,000	5,000	5,000
Amount projected to be redeemed	(250)	(2,000)	(3,000)
Amount of borrowings as at 30 June	11,750	14,750	16,750

NOTE: Current and non-current lease liabilities from the Balance Sheet total \$5,660,000.

The above example would result in a borrowing limit of \$25,410,000 which is the sum of lease liabilities (\$5,660,000) and the peak borrowing requirement in the subsequent Budget year (\$19,750,000). This calculation presumes compliance with financial ratios. Approval of the TCV borrowing limit by the Treasurer will be premised on no variation to the adopted budget. Where a revised budget is required in compliance with the *Local Government Act 2020*, it is the responsibility of the council to advise the Minister for Local Government, DTF and TCV of any revised budget that is prepared. Once a council receives written confirmation from TCV of the amount of their approved borrowing limit, they will be eligible to apply for a TCV loan.

Some of the key definitions that are referenced in calculating the financial covenants are set out below.

EBITDA	\$ Sourced from Financial Statements
	Net Profit after tax
Less	Interest income
Add	Borrowing costs (interest expense)
Add	Finance Lease Costs

Add	Depreciation Expense
Add	Amortisation
Less	Non-Cash Developer Contributions
Before	Significant items
Equals	EBITDA (Earnings before interest, tax, depreciation and amortisation)

Total Interest Expense

	Borrowing costs (interest expense)
add	Finance lease Costs
Equals	Total Interest Expense

Own Source Revenue

- Rates and Charges
- Statutory fees and fines
- User fees
- Other receipts/income

Further information on the TCV loans framework is available at:
<https://www.localgovernment.vic.gov.au/council-innovation-and-performance/treasury-corporation-of-victoria-loans>

Schedule of fees and charges

G17 An example schedule of fees and charges has been included with the 2024-25 Model Budget.

The example presents a sample of some common fees and charges of a statutory and non-statutory nature which may be charged in respect to various goods and services provided during the 2024-25 year.

In addition, some councils may not wish to include statutory fees in the fees and charges budget document, therefore there are two blurbs to select from in the model budget document. The first is if council is going to include statutory fees and the second is if council is going to exclude the statutory fees in their schedule.

The disclosure of fees and charges to be levied for various goods and services provided during the year is optional and is not required by legislation. However, it is common practice for councils to include such a schedule in the budget

report. The disclosures and format presented are considered better practice by LGV.

Proposal to lease council land

G18

Section 115 of the *Local Government Act 2020* requires a council to include in its budget any proposal to lease land (for one year or more) where the rent for any period of the lease is \$100,000 or more a year, **OR**, the current market rental value of the land is \$100,000 or more a year, **OR**, the lease is for 10 years or more. Council only needs to meet any one of the 3 tests to require disclosure.

Importantly, if a council proposes to lease land that was not included in the budget, then the council must undertake a community engagement process in accordance with their community engagement policy.

The *Interpretation of Legislation Act 1984* defines land as “includes buildings and other structures permanently affixed to land, land covered with water, and any estate, interest, easement, servitude, privilege or right in or over land”.

Compliance Checklist

This section lists the items that must be included in the budget in order for it to comply with the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*. It is recommended that the compliance checklist be used at the end of budget preparation to ensure compliance with legislative disclosure requirements.

	Requirement	Acts & regs	Model Budget	Yes/No
1.	Financial statements (income statement, balance sheet, changes in equity, cash flows, capital works) in the form set out in the Local Government Model Financial Report	Section 94(2)(a) Regulation 7	Sec 3	
2.	Services and initiatives to be funded in the budget	Section 94(2)(b)	Sec 2	
3.	Major initiatives identified by the Council as priorities in the Council Plan, to be undertaken during each financial year	Section 94(2)(c)	Sec 2	
4.	For services to be funded in the budget, the prescribed indicators and measures of service performance that are required to be reported against by the Act	Section 94(2)(d)	Sec 2	
5.	Total amount that Council intends to raise by rates and charges	Section 94(2)(e)	Sec 4	
6.	Details of whether rates will be raised by application of a uniform or differential rate	Section 94(2)(f)	Sec 4	
#.	If applicable, a statement that Council intends to apply, has applied or has received a rate cap variation for any year	Section 94(3)	Sec 4	
7.	Description of any fixed component of Rates and other information prescribed by legislation	Section 94(2)(g)-(j)	Sec 4	
#.	If applicable, must include any proposal to lease council land in a financial year in the budget, subject to certain parameters regarding the lease.	Section 115(3)	Sec 4	

	Requirement	Acts & regs	Model Budget	Yes/No
8.	A detailed list of capital works expenditure in relation to non-current assets classified in accordance with the model statement of capital works in the Local Government Model Financial Report, and set out according to asset expenditure type	Regulation 8(4)(a)	Sec 4	
9.	A summary of the funding sources in relation to the capital works expenditure, classified separately as to grants, contributions, Council cash and borrowings	Regulation 8(4)(b)	Sec 4	
#.	A summary of the planned capital works expenditure and funding sources for the subsequent 3 financial years after the budget year in accordance with the model statement of capital works in the Local Government Model Financial Report, and set out according to asset expenditure type	Regulation 8(3)	Sec 4	
10.	A statement of human resources	Regulation 8(4)(c)	Sec 3	
11.	A summary of planned human resources expenditure and the number of full time equivalent Council staff referred to in the statement of human resources, categorised according to the organisational structure of the Council and classified separately as to permanent full time or permanent part time who are women, men or persons of self-described gender	Regulation 8(4)(d) & (e)	Sec 3	
#.	The performance indicators and measures set out in Schedule 4 and results expected by the Council in relation to those indicators and measures	Regulation 8(4)(ea)	Sec 5	
12.	A list of grants by type and source, classified as recurrent grants to be used to fund operating expenditure and capital expenditure, and nonrecurrent grants to be used to fund operating and capital expenditure	Regulation 8(4)(f)	Sec 4	

	Requirement	Acts & regs	Model Budget	Yes/No
13.	Total amount borrowed as at 30 June of the budget year compared with the previous financial year	Regulation 8(4)(g)	Sec 4	
14.	Total amount projected to be redeemed during the budget year compared with the previous financial year	Regulation 8(4)(h)	Sec 4	
15.	Rate in the dollar for each type or class of land	Regulation 8(4)(i)	Sec 4	
16.	Percentage change in the rate in the dollar for each class or type of land compared with the previous financial year	Regulation 8(5)(a)	Sec 4	
17.	Estimated amount to be raised by general rates in relation to each type or class of land compared with the previous financial year	Regulation 8(5)(b)	Sec 4	
18.	Estimated total amount to be raised by general rates compared with the previous financial year	Regulation 8(5)(c)	Sec 4	
19.	Number of assessments for each class or type of land compared with the previous financial year	Regulation 8(5)(d)	Sec 4	
20.	Number of assessments compared with the previous financial year	Regulation 8(5)(e)10(2)(f)	Sec 4	
21.	Basis of valuation to be used	Regulation 8(4)(j)	Sec 4	
22.	Estimated value of each type or class of land compared with the previous financial year	Regulation 8(5)(f)	Sec 4	
23.	Estimated total value of land rated compared with the previous financial year	Regulation 8(5)(g)10(2)(i)	Sec 4	
24.	Municipal charge compared with the previous financial year	Regulation 8(5)(h)	Sec 4	
25.	Percentage change in the municipal charge compared with the previous financial year	Regulation 8(5)(i)	Sec 4	
26.	Estimated amount to be raised by municipal charges compared with the previous financial year	Regulation 8(5)(j)	Sec 4	

	Requirement	Acts & regs	Model Budget	Yes/No
27.	Rate or unit amount to be levied for each type of service rate or charge compared with the previous financial year	Regulation 8(5)(k)	Sec 4	
28.	Percentage change for each type of service rate or charge compared with the previous financial year	Regulation 8(5)(l)	Sec 4	
29.	Estimated amount to be raised by each type of service rate or charge compared with the previous financial year	Regulation 8(5)(m)	Sec 4	
30.	Estimated total amount to be raised by service rates and charges compared with the previous financial year	Regulation 8(5)(n)	Sec 4	
31.	Estimated total amount to be raised by all rates and charges compared with the previous financial year	Regulation 8(5)(o)	Sec 4	
32.	Any significant changes that may affect the estimated amounts referred to in Regulation 8(5)	Regulation 8(1)(d)	Sec 4	
33.	The total amount to be borrowed (other than borrowings to refinance existing loans) during the budget year compared with the previous financial year	Regulation 8(1)(a)	Sec 4	

Due Diligence Checklist

This section provides a quick reference for the co-dependencies between the statements and notes of the budget.

	Model Budget Component	Requirement	Yes/No
1	2.3 Reconciliation with budgeted result	Total expenditure, income and net expenditure/income for each strategic objective agrees to each individual strategic objective break-down (2.1; 2.2; 2.3)	
2		Operating surplus / (deficit) agrees to comprehensive income statement	
3	Comprehensive Income Statement	"Rates and charges" forecast actual 2023-24 and budget 2024-25 agree to Note 4.1.1 "Total rates and charges"	
4		"Statutory fees and fines" forecast actual 2023-24 and budget 2024-25 agree to Note 4.1.2 "Total statutory fees and fines"	
5		"User fees" forecast actual 2023-24 and budget 2024-25 agree to Note 4.1.3 "Total user fees"	
6		"Grants - operating" forecast actual 2023-24 and budget 2024-25 agree to Note 4.1.4 "Total operating grants"	
7		"Grants - Capital" forecast actual 2023-24 and budget 2024-25 agree to Note 4.1.4 "Total capital grants"	
8		"Contributions - monetary" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.1.5 "Monetary contributions"	
9		"Contributions - non-monetary" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.1.5 "Non-monetary contributions"	
10		"Other income" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.1.6 "Total other income"	

Model Budget Component		Requirement	Yes/No
11		"Employee costs" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.1.7 "Total employee costs"	
12		"Materials and services" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.1.8 "Total materials and services"	
13		Depreciation, amortisation – intangible assets and depreciation – right of use assets, forecast actual 2023-24 and budget 2024-25 agrees to Note 4.1.9, 4.1.10 and 4.1.11 respectively.	
14		"Other expenses" forecast actual 2023-24 and budget 2024-25 agree to Note 4.1.12 "Total other expenses"	
15	Balance Sheet	"Total current assets" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.1.	
16		"Total non-current assets" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.1	
17		"Right of use asset" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.4 "Total right-of-use assets"	
18		Current and Non-current "Interest-bearing liabilities" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.3 "Amount of borrowings as at 30 June"	
19		Current "Lease Liabilities" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.4 "Total current lease liabilities"	
20		Non-Current "Lease Liabilities" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.4 "Total non-current lease liabilities"	
21		"Total current liabilities" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.2.	
22		"Total non-current liabilities" forecast actual 2023-24 and budget 2024-25 agrees to Note 4.2.2.	

Model Budget Component		Requirement	Yes/No
23		Net assets should equal total equity	
24	Statement of Changes in Equity	2025 Budget "Balance at beginning of the financial year" agrees to 2024 Forecast Actual "Balance at end of the financial year"	
25		2025 Budget "Surplus/(deficit) for the year" agrees to Comprehensive income statement Budget 2024-25" surplus/(deficit) for the year"	
26		2026 "Balance at beginning of the financial year" agrees to 2025 Budget "Balance at end of the financial year"	
27		2026 "Surplus/(deficit) for the year" agrees to Comprehensive income statement 2025/26 "surplus/(deficit) for the year"	
28		2027 "Balance at beginning of the financial year" agrees to 2026 "Balance at end of the financial year"	
29		2027 "Surplus/(deficit) for the year" agrees to Comprehensive income statement 2026/27 "surplus/(deficit) for the year"	
30		2028 "Balance at beginning of the financial year" agrees to 2027 "Balance at end of the financial year"	
31		2028 "Surplus/(deficit) for the year" agrees to Comprehensive income statement 2027/28 "surplus/(deficit) for the year"	
32	Statement of Cash Flows	Operating Activities "Rates and charges" figures reconcile to Comprehensive income statement	
33		Operating Activities "Statutory fees and fines" figures reconcile to Comprehensive income statement	
34		Operating Activities "User fees" figures reconcile to Comprehensive income statement	
35		Operating Activities "Grants - operating" figures reconcile to Comprehensive income statement	

Model Budget Component		Requirement	Yes/No
36		Operating Activities "Grants - capital" figures reconcile to Comprehensive income statement	
37		Operating Activities "Contributions - monetary" figures reconcile to Comprehensive income statement	
38		Operating Activities "Contributions - non-monetary" figures reconcile to Comprehensive income statement	
39		Operating Activities "Net cash provided by/(used in) operating activities" agrees to Note 4.4.1	
40		Investing Activities "Net cash provided by/(used in) investing activities" agrees to Note 4.4.2	
41		Financing Activities "Net cash provided by/(used in) financing activities" agrees to Note 4.4.3	
42		"Cash and cash equivalents at beginning of financial year" agrees to Balance Sheet "Cash and cash equivalents" 2025 – 2028	
43		"Cash and cash equivalents at end of financial year" agrees to Balance Sheet "Cash and cash equivalents" 2024 – 2028	
44	Statement of Capital Works	"Total capital works expenditure" for Forecast Actual 2023-24 and Budget 2024-25 agrees to Note 4.5.1 Summary "Total"	
45		Represented by: "Total capital works expenditure" agrees to SOCW "Total Capital Works expenditure"	
46		Funding sources represented by: "Total capital works expenditure" agrees to SOCW "Total Capital Works expenditure"	
47	Statement of Human Resources	"Employee costs - operating" agrees to Comprehensive Income Statement "Employee costs"	
48		Summary of human resources expenditure categorised according to the organisational structure of council "Total expenditure" agrees to Staff expenditure "total staff expenditure"	
49	Note 4.1.1 Rates and charges	4.1.1(a) "Total rates and charges" agrees to Comprehensive Income Statement "Rates and charges"	

Model Budget Component	Requirement	Yes/No
50	4.1.1(c) "Total amount to be raised by general rates" agrees to 4.1.1(a) "General rates"	

7 Glossary

Act	means the <i>Local Government Act 2020</i>
Annual report	means a report of the council's operations of the previous financial year and contains a report of operations, audited financial statements and an audited performance statement
Australian Accounting Standards (AAS)	means the accounting standards published by the Australian Accounting Standards Board
Better practice	means that in the absence of legislation or a relevant Australian Accounting Standard this commentary is considered by Local Government Victoria to reflect better practice reporting
Budget	means a plan setting out the services and initiatives to be funded for the financial year and the subsequent three financial years and how they will contribute to achieving the strategic objectives specified in the council plan. It is to be a 'rolling' budget with an outlook of at least 4-years.
Council plan	means a plan setting out the medium-term strategic objectives, strategies, strategic indicators and resources reflecting vision and aspirations of the community for the next four years
Asset Plan	a plan which has an outlook of at least ten years setting out information about maintenance, renewal, acquisition, expansion, upgrade, disposal and decommissioning of each class of infrastructure under Council's control
Revenue and Rating Plan	provides a medium-term plan for how Council will generate income to deliver on the Council Plan, program and services and capital works commitments over a 4-year period
Workforce plan	a plan which 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
Community Vision	Council must develop, maintain, and review a Community Vision with its municipal community using deliberative engagement practices which has an outlook of at least 10-years and describes the municipal community's social, economic, cultural and environmental aspirations for the future.
Financial statements	means the financial statements and notes prepared in accordance with the <i>Local Government Model Financial Report</i> , Australian Accounting Standards and other applicable standards as they apply

	to the general purpose financial reports and statement of capital works, included in the annual report
Financial year	means the period of 12 months ending on 30 June each year
Heritage asset	means an asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it
Minister	means the Minister for Local Government
Performance statement	means a statement including the results of the prescribed service outcome indicators, financial performance indicators and sustainable capacity indicators for the financial year and included in the annual report
Integrated Strategic Planning and Reporting framework	means the key statutory planning and reporting documents that are required to be prepared by councils to support strategic decision making and ensure accountability to local communities in the performance of functions and exercise of powers under the Act
Principal accounting officer	means the person designated by a council to be responsible for the financial management of the council
Regulations	means the <i>Local Government (Planning and Reporting) Regulations 2020</i>
Report of operations	means a report containing a description of the operations of the council during the financial year and included in the annual report
Specialised assets	means assets designed for a specific limited purpose. Specialised assets include buildings such as schools, hospitals, court houses, emergency services buildings (police, fire, ambulance and emergency services), specialised buildings to house infrastructure (pump stations, etc.), some heritage properties and most infrastructure assets
Financial Plan	means a plan of the financial and non-financial resources for at least the next ten years required to achieve the Council Plan and other strategic plans of Council. The Financial Plan defines the broad fiscal boundaries for the Council Plan, Asset Plan, other subordinate policies and strategies and budget processes

8 Appendices

1. CFO / Executive Summary

<insert opening comments>

Overall, operating expenditure budgeted for 2024-25 has increased/decreased by X.X% from the 2023-24 adopted budget. If you exclude depreciation, budgeted expenditure has increased/decreased by X.X%. This includes an increase/decrease in XX of X.X% (\$X.XM).

Over the coming years we will continue our work to ensure we continue to remain financially sustainable in a rate capped environment. Key statistical information is provided below comparing 2023-24 Budget to 2024-25

<insert table>

1. Rates and Charges

Total revenue from rates and charges is projected to be \$XX.XXM, which incorporates an average rate increase of 2.75%. This is in line with the Fair Go Rates System (FGRS) which caps rates increases by Victorian councils and was guided by the forecast Consumer Price Index (CPI) of 2.75%. The Victorian Government set the rate cap at the forecast CPI taking into account cost of living pressures facing rate payers. Council has not elected to apply to the Essential Services Commission (ESC) for a variation.

<insert graph>

It is important to note, the actual rate increases experienced by individual ratepayers may differ from the 2.75% increase due to revaluations. Rate increases are impacted by the average rate increase (2.75%) and the property valuation increases (or decreases) of individual properties relative to the average across the municipality. If your property increased in value by more than the average for the Shire (X.X%), your rates will increase by more than 2.75%. If your property value increased by less than the X.X% average, your rates will increase by less than 2.75% and may in fact reduce from the previous year.

2. Financial Position

<insert graph>

The financial position is expected to improve/deteriorate with net assets (net worth) to increase/decrease by \$XX.XXM to \$XX.XXM during 2024-25. Working capital is an indicator of councils ability to meet its financial obligations as and when they fall due (being current assets less current liabilities). Represented on the graph above there appears to be an increase/decrease in working capital during 2023-24. However, this is due to the inclusion of the \$X.XXM in cash held at the end of 2023-24 to complete capital works that will be carried forward into the 2024-25 year. If adjusted for this timing difference, working capital would show an improvement/decline of \$X.XM during 2024-25 and an improvement/decline is projected during the period of the budget.

3. Operating Result

<insert graph>

The expected operating result for the 2024-25 year is a surplus/deficit of \$XX.XXM, which is an increase/decrease of \$XX.XXM from 2023-24. This is mainly due to:

<insert specific commentary here>

4. Financial Sustainability

<insert graph>

A budget has been prepared for the four-year period ending 30 June 2028. The Budget is in turn set within the Financial Plan to assist Council to adopt a budget within a longer-term financial framework. The key objective of the Financial Plan is financial sustainability in the medium to long term, while still achieving the Council's strategic objectives.

The adjusted underlying result, which is a measure of financial sustainability, shows significant improvement/decline over the term of the Budget, even with rate increases capped at 2.75%.

Council needs to continue to work with the community to:

- Review and prioritise the services that we provide;
- Determine the level of service that can be afforded;
- Determine which assets are required to undertake the prioritised services;
- Determine any surplus assets that can be decommissioned or rationalised; and
- Determine where staffing resources may need to be realigned to deliver the shift in prioritised services.

This budget has been developed through a rigorous process. More detailed budget information is available throughout this document.

5. Services

<insert graph>

The net cost of services delivered to the community in the 2024-25 year is expected to be \$XX.XXM which shows an increase/decrease of \$XX.XXM over the forecast cost for 2023-24. The chart below shows how much is allocated to each broad service area for every \$100 dollars that Council spends.

<insert graph>

Council will continue to work with the community over the coming years to align community priorities and expectations with Council's service delivery model. This needs to be set within a financially sustainable framework. Further detail in relation to the cost of Council's services can be found in section 2 of this document.

6. Cash and Investments

<insert graph>

Cash and investments are expected to increase/decrease by \$XX.XXM during the year to \$XX.XXM as at 30 June 2025. It is important to note the forecast cash balance at 30 June 2024 includes \$XX.XXM held for completion of capital works carried forward into 2024-25.

Council must maintain a minimum of around \$XXM in cash and investments to meet the day to day requirements of Council business. This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e. Developer Contributions, trusts funds and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.

7. Capital Works

<insert graph>

The \$XX.XXM capital works program is funded by:

- \$XX.XXM in grants and contributions;
- \$XX.XXM in borrowings;
- \$XX.XXM in proceeds from sale of assets;
- \$XX.XXM cash generated from operations; and
- \$XX.XXM cash for net carried forward projects from 2023-24 (includes unspent grant funding of \$XX.XX).

Capital works delivery is forecast to be \$XX.XXM for the 2024-25 year. The 2024-25 capital works program includes \$XX.XXM relating to projects to be carried forward from 2023-24.

2. Budget Influences (internal and external)

This section sets out the key budget influences arising from the internal and external environment within which Council operates.

External Influences

The four years represented within the Budget are 2024-25 through to 2027-28. In preparing the 2024-25 budget, a number of external influences have been taken into consideration. These are outlined below: [include those relevant to your Council]

- Location – include location statistics / information including size of municipality, suburbs/townships/localities, and neighbouring Councils.
- Population Growth – include current population, expected population in X years.
- Superannuation – Council has an ongoing obligation to fund any investment shortfalls in the Defined Benefits Scheme. The last call on Local Government was in the 2012-2013 financial year where Council was required to pay \$X.XXM to top up its share of the Defined Benefits Scheme. The amount and timing of any liability is dependent on the global investment market. At present the actuarial ratios are at a level that additional calls from Local Government are not expected in the next 12 months.

- Financial Assistance Grants – The largest source of government funding to Council is through the annual Victorian Local Government Grants Commission allocation. The overall state allocation is determined by the Federal Financial Assistance Grant.
- Capital Grant Funding – Capital grant opportunities arise continually.
- Cost shifting - this occurs where Local Government provides a service to the community on behalf of the State and/or Federal Government. Over time, the funds received by Local Governments' do not increase in line with real cost increases, such as school crossing or library services, resulting in a further reliance on rate revenue to meet service delivery expectations.
- Enterprise Agreement (EA) – explain how this is an external influence.
- Rate Capping – The Victorian State Government continues with a cap on rate increases. The cap for 2024-25 has been set at 2.75%.
- Supplementary Rates – Supplementary rates are additional rates received after the budget is adopted each year, for the part of the year when a property value increases in value (eg. due to improvements made or change in land class), or new residents become assessable. Importantly, supplementary rates recognises that new residents require services on the day they move into the Shire / City / Rural City and Council is committed to providing these. Supplementary rates income is based on historical and forecast data and is set at anticipated levels.
- Waste Disposal Costs – The Environment Protection Agency (EPA) regulation has a sustained impact on Council with regards to compliance with existing and past landfills sites. Waste disposal costs are also impacted by industry changes such as increasing EPA landfill levies and negotiation of contracts eg. recycling, sorting and acceptance.
- Development Contributions – The rate of growth and flow of development contributions income depends on land sales and the desire of developers to construct new developments within the municipality. A change in this could result in XX, resulting in XX monetary contributions received by Council.
- Coronavirus (COVID-19) – COVID-19 has presented a fast-evolving significant challenge to businesses, households, and the economy worldwide. Council has acted in the interest of keeping our community, residents and workforce safe.

Internal Influences

As well as external influences, there are a number of internal influences which are expected to impact the 2024-25 Budget. These include: [include those relevant to your Council]

- Adjusted Underlying Result – explain how this is an internal influence
- Cash – explain how this is an internal influence
- Working Capital – explain how this is an internal influence
- Service Planning – explain how this is an internal influence



9 References

Department of Government Services (2023), *Local Government Model Financial Report*, State of Victoria

<https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting>

Department of Government Services (2023), *Local Government Model Financial Report Better Practice Guide*, State of Victoria

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Department of Government Services (2023), *Local Government Better Practice Guide Performance Statement 2022-23*, State of Victoria

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