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Local Government Victoria, FG 5 - 2019

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| Local Government Better Practice Guide  Strategic Resource Plan, 2019 |



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| **Abbrieviations** |  |
| **CAANZ** | Chartered Accountants in Australia and New Zealand |
| **CPI** | Consumer Price Index |
| **ESC** | Essential Services Commission |
| **LGPRF** | Local Government Performance Reporting Framework |
| **LGPro** | Local Government Professionals |
| **LGV** | Local Government Victoria |
| **MAV** | Municipal Association of Victoria |
| **VAGO** | Victorian Auditor-General’s Office |

Introduction

Local government in Victoria manages approximately $101.2 billion of community assets and infrastructure and spends around $8.5 billion on the provision of services annually[[1]](#footnote-2). Local government, in partnership with other levels of government, is responsible for aspects of everyday life that people care about deeply – from vibrant 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.

## The Local Government Act 1989

The *Local Government Act 1989* (the Act) states that the primary objective of a council is to endeavour to achieve the best outcomes for the local community having regard to the long-term and cumulative effects of decisions[[2]](#footnote-3). The Act sets out that local government in Victoria:

* is a distinct and essential tier of government[[3]](#footnote-4)
* must provide governance and leadership for the local community through advocacy, decision making and action[[4]](#footnote-5)
* must be accountable to their local communities in the performance of functions and the exercise of powers and the use of resources[[5]](#footnote-6).

It is a statutory requirement that councils prepare and report on medium and short-term plans in order to discharge their duties of accountability and transparency to their communities.

## About this guide

This guide has been developed to assist local government in meeting the statutory requirements in regard to the preparation of a strategic resource plan. The guide is presented in five sections:

1. **Planning and accountability framework**: provides an overview of the relationship between the key planning and reporting documents in the Act
2. **Strategic resource plan (overview)**: provides an overview of the statutory requirements and better practice guidance for preparing a strategic resource plan
3. **Strategic resource plan (guidance)**: provides detailed guidance on the preparation of the strategic resource plan, including the process for identifying, collecting, modelling and reporting forecast information
4. **Strategic resource plan (model)**: provides a model strategic resource plan prepared in accordance with the Act and regulations for inclusion in the council plan
5. **Strategic resource plan (alternative format)**: provides a model strategic resource plan prepared in line with better practice guidance.

This guide is intended for use by specialists in the field of local government planning and reporting. It will also be instructive for senior officers including chief executive officers (CEOs) and councillors. Each council retains the responsibility for preparing their strategic resource plan, including the format and the disclosures made. This guide represents the presentation required by Local Government Victoria (LGV).

Within this guide there are references to related information and further guidance. A full list of resources can be found in the reference section. Endnotes are used to reference legislative provisions and other information. Illustrative information and examples are provided in tables and boxed text.

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| This guide can be used in conjunction with the 2019 Strategic Resource Plan excel template, which provides a template format for preparation of the financial statements and other information required to be contained in the strategic resource plan. The excel template can be found at www.delwp.vic.gov.au. |

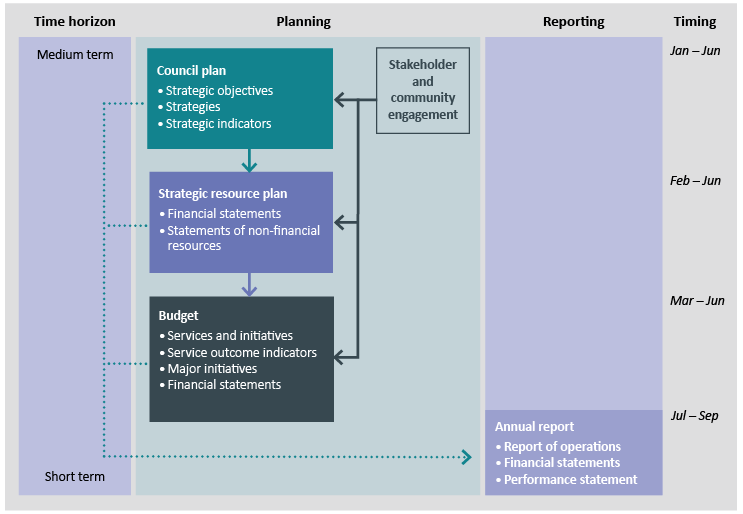
Planning and accountability framework

The planning and accountability framework is found in part 6 of the Act and in the Local Government (Planning and Reporting) Regulations 2014 (the regulations). The legislation requires councils to prepare the following documents:

* a council plan within the period of six months after each general election or by 30 June, whichever is later[[6]](#footnote-7)
* a strategic resource plan for a period of at least four years and include this in the council plan[[7]](#footnote-8)
* a budget for each financial year[[8]](#footnote-9)
* an annual report for each financial year[[9]](#footnote-10).

The following diagram shows the relationships between the key planning and reporting documents that make up the planning and accountability framework for local government. It also shows that there are opportunities for community and stakeholder input at each stage of the planning and reporting cycle.

Figure 1 - Planning and accountability framework



Strategic resource plan (overview)

## Statutory requirements

|  |
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| “The Act requires councils to prepare a strategic resource plan and include this in the council plan” |

Section 126 of the Act states that:

* the strategic resource plan is a plan of the resources required to achieve the council plan strategic objectives[[10]](#footnote-11)
* the strategic resource plan must include the financial statements describing the financial resources in respect of at least the next four financial years[[11]](#footnote-12)
* the strategic resource plan must include statements describing the non-financial resources including human resources in respect of at least the next four financial years[[12]](#footnote-13)
* the strategic resource plan must take into account services and initiatives contained in any plan adopted by council and if the council proposes to adopt a plan to provide services or take initiatives, the resources required must be consistent with the strategic resource plan[[13]](#footnote-14)
* council must review their strategic resource plan during the preparation of the council plan[[14]](#footnote-15)
* council must adopt the strategic resource plan not later than 30 June each year or such other date fixed by the Minister and a copy must be available for public inspection at the council office and internet website[[15]](#footnote-16).

In preparing the strategic resource plan, councils should comply with the principles of sound financial management as prescribed in the Act[[16]](#footnote-17) being to:

* prudently manage financial risks relating to debt, assets and liabilities
* provide reasonable stability in the level of rate burden
* consider the financial effects of council decisions on future generations
* provide full, accurate and timely disclosure of financial information.

In addition to section 126 of the Act, part 2 of the regulations also prescribe further details about the preparation of a strategic resource plan.

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| **Checklist**  The strategic resource plan must:   * take into account services and initiatives contained in any plan adopted by council * include financial statements describing the required financial resources for the next four financial years * include statements describing the required non-financial resources, including human resources for at least the next four financial years * include any other information prescribed by the regulations. |

## Better practice guidance

The strategic resource plan is the key medium-term financial plan produced by council on a rolling basis that summarises the resourcing forecasts of a council for at least four years and forms part of the council plan. Resource planning is important for ensuring that a council remains sustainable in the long term and better practice is to extend forecasting for a ten-year period, to take account of long lived assets such as road and drainage infrastructure.

The strategic resource plan summarises the financial and non-financial resources required to achieve the strategic objectives in the council plan and presents these in financial statements and statements of non-financial resources. The regulations require that the strategic resource plan must include:

* financial statements, including a statement of capital works, in the form set out in the *Local Government Model Financial Report[[17]](#footnote-18)*
* a summary 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 expenditure[[18]](#footnote-19)
* a statement of human resources
* 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 structure[[19]](#footnote-20).

In preparing the strategic resource plan councils must take into account services and initiatives contained in **any** plan adopted or proposed to be adopted by council. The resources required must then be presented in the strategic resource plan on the basis of what is able to be funded over the four-year period. Councils should engage the officers responsible for service and capital works planning and delivery to develop the future forecasts to ensure that there is a robust and integrated approach to financial planning for all council’s activities and avoid the risk of committing future resources that are unaffordable and/or place an added burden on future generations.

Once the resources have been identified, councils should model a number of different financial options by changing the assumptions underlying forecasts for income, expenditure, assets, liabilities, equity, cash, capital works expenditure and human resources. This enables councils to identify the option that best achieves the council plan strategic objectives while remaining financially sustainable in the long term. The financial performance indicators and measures in the Local Government Performance Reporting Framework (LGPRF) can assist councils in determining their financial sustainability under the different options.

The final stage is to prepare the strategic resource plan for inclusion in the council plan, ensuring that it contains all the information required by the Act and regulations and has been adopted by council. It is better practice to prepare a standalone strategic resource plan document and provide a narrative setting out the objectives of the plan, how it was developed, the key assumptions underlying the forecasts and how it provides sufficient resources to achieve the strategic objectives in the council plan. The financial statements and other information required by the Act and regulations can then be included in an appendix. If a standalone strategic resource plan document is prepared, it must still be adopted by council and included in the council plan.

It is accepted practice to include an extract of the strategic resource plan in the budget to provide readers with information about how it fits within the planning and accountability framework and demonstrate the linkage with the council plan and budget. A model budget is prepared annually, previously by Chartered Accountants Australia and New Zealand (CAANZ) and now by LGV, which provides further guidance on including an extract of the strategic resource plan in the budget.

|  |
| --- |
| **For further information refer to:**   * Department of Environment, Land, Water and Planning (2019), *Local Government Better Practice Guide Strategic Resource Plan,* State of Victoria * Department of Environment, Land, Water and Planning (2019), *Local Government Model Financial Report,* State of Victoria   Department of Victorian Communities (2006), *Local Government: Accounting for non-current physical assets under AASB 116: A Guide,* State of Victoria   * Chartered Accountants in Australia and New Zealand (2017), *Victorian City Council Model Budget 2017-2018* * Department of Environment, Land, Water and Planning (2019), *Victoria City Council Model Budget 2019-20* |

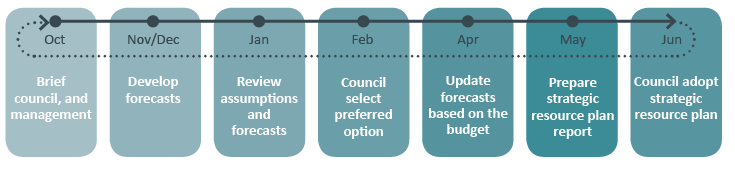
Strategic resource plan (guidance)

## Preparation of the strategic resource plan

Council are required to adopt the strategic resource plan by no later than 30 June each year (or such other dated fixed by the Minister). In order for council to have sufficient confidence in the plan, it is essential that they are part of the preparation process and have input at key stages. In order for this to be achieved, the preparation of the strategic resource plan should not be seen as a finance responsibility, rather it needs to be driven from the top of the organisation (i.e. CEOs and their direct reports) and owned at all levels.

The following process is suggested to ensure that there is buy-in at all levels in the organisation, the forecasts are robust and council is assured it has sufficient influence over the plan outcomes.

Figure 2 – Process for preparing a strategic resource plan

Each of the stages of the process are discussed in more detail in the following sections.

## Briefing council and management

As the council must have confidence in the strategic resource plan that it adopts, the preparation process should start with a detailed briefing well before forecast development begins. As a minimum, the council should be briefed on:

* the key objective of the strategic resource planning process
* the financial and non-financial outcomes of the current adopted strategic resource plan
* the process for updating the current strategic resource plan
* any matters of significance or new assumptions to be taken into account.

In addition to briefing the council on the strategic resource planning process, senior management should also be briefed to ensure that there is a clear connect between the council’s objectives and the officer’s forecasts.

## Developing forecasts

In preparing the strategic resource plan councils must take into account services and initiatives contained in **any** plan adopted or proposed to be adopted by council. These plans will include:

* strategic plans for services and initiatives including capital expenditure projects
* service plans and asset management plans
* other plans committing resources in the future.

These resources must be presented in the strategic resource plan on the basis of what is able to be funded over the four-year period. This means that some future resources that have been committed in other plans may not be able to be funded in the strategic resource plan. It is recommended that an audit be undertaken of the current plans to ensure that all future resource commitments are identified.

It is better practice to engage the officers responsible for service and capital works planning and delivery to develop the future forecasts to ensure that there is a robust and integrated approach to financial planning for all council’s activities. This process should be facilitated through the development of guidance which outlines the process that officers should follow. For service forecasts, this would include:

* identifying the key drivers of the service or activity (e.g. population, demographics, government policy)
* understanding the current cost of the service and its components
* making reference to adopted and/or other plans that commit future resources
* using the most appropriate forecasting technique (e.g. extrapolation, regression, econometrics or judgemental)
* providing justification where future forecasts are different to ‘business as usual’.

For capital works expenditure forecasts, this would include for all categories of non-current assets:

* identifying asset renewal needs
* identifying new, expanded or upgraded asset expenditure
* identifying asset maintenance
* identifying asset sales.

While the strategic resource plan must describe the resources required for at least the next four financial years, better practice is to extend forecasting for a ten-year period, to take account of long lived assets such as road and drainage infrastructure.

The collection of forecast information can be facilitated through automated techniques such as spreadsheets, core financial systems or executive information systems.

## Reviewing assumptions and forecasts

Once the resources have been identified, councils should model a number of different options by changing the assumptions underlying the forecasts for income, expenditure, assets, liabilities, equity, cash, capital works expenditure and human resources. In reality there are only a small number of levers that will have a significant impact on the future forecasts. These include:

* rates and charges
* operating budget savings
* capital works expenditure (renewal, new, expansion and upgrade)
* borrowings
* asset sales.

The objective of this process is to develop options that achieve a sustainable financial position over the long term. The financial performance indicators and measures in the LGPRF can assist councils in determining their financial sustainability under the different scenarios. The key indicators for undertaking this analysis are set out in box 1.

Box 1: Key financial performance indicators

|  |  |
| --- | --- |
| **Indicator** | **Target** |
| **Adjusted underlying result** | Greater than 0% |
| **Working capital** | 120% to 200% |
| **Loans and Borrowings** | 20% to 60% |
| **Asset renewal** | 90% to 110% |

## Selecting a preferred option

The next step is to brief the council on the various options with the objective of identifying the option that best achieves the council plan strategic objectives and strategies while remaining financialy sustainable in the long term.

It is important that the council is assured it is able to influence the final outcome of the strategic resource planning process and as a minimum should be briefed on:

* the process for developing the forecasts
* an update on the current year budget
* significant matters impacting the current adopted strategic resource plan
* key assumptions and drivers
* financial and non-financial outcomes for each scenario.

Financial modelling tools, which enable key assumptions to be changed in real time to produce the forecast financial statements (comprehensive income statement, balance sheet, statement of cash flows and statement of capital works), can assist with this step. The most common technique is the ‘four way budget model’ which links the assumptions and financial statements to allow a ‘what if’ analysis. This fine tuning will assist with testing the sensitivity of the forecasts against the financial indicators and selection of a preferred option.

Once a preferred option has been selected, the forecasts for year one of the draft strategic resource plan should then be used as targets for developing the annual budget.

## Updating the budget forecasts

As the preparation of the annual budget is a very detailed process and carried out closer to the commencement of the new budget year, it is typical for the budget forecasts to differ slightly from those in year one of the draft strategic resource plan, even if targets have been established. Therefore the next step in the preparation process is to update year one of the draft strategic resource plan to reflect the budget forecasts.

Depending on the size of the differences between the forecasts in year one of the strategic resource plan and the budget, there may be significant changes in the long term financial outcomes which require further discussion with the council. In any case, the council should be briefed on the updated strategic resource plan and if necessary provide input into

further ‘fine tuning’ of the assumptions and forecasts for years two to four to achieve the overall objective of financial sustainability in the long term.

## Preparing the strategic resource plan report

The next step is to prepare the strategic resource plan report, ensuring that it contains all the information required by the Act and regulations. As a minimum the strategic resource plan must contain:

* financial statements, including a statement of capital works, in the form set out in the *Local Government Model Financial Report*
* a summary of planned capital works expenditure in relation to non-current assets, classified in accordance with the asset classes and asset expenditure types in the *Local Government Model Financial Report* and a summary of funding sources in relation to the planned capital works expenditure
* a statement of human resources
* 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 structure.

It is better practice to prepare a standalone strategic resource plan document and provide a narrative at the beginning for the purpose of assisting readers to understand the information contained in the plan. The narrative should be written in plain English and include:

* the objectives of the plan
* how the plan was developed
* an assessment of the council’s current financial position and matters impacting the plan
* key assumptions underlying the forecasts for income, expenditure, assets, liabilities, equity, cash, capital works expenditure and human resources
* details of the options considered
* the financial and non-financial outcomes of the preferred option
* how the plan provides sufficient resources to achieve the strategic objectives in the council plan.

The disclosures required by the Act and regulations should be attached as an appendix to the above narrative.

## Council adoption of the strategic resource plan

A council must adopt the strategic resource plan not later than 30 June each year and it must be included in the council plan. While a person has a right to make a submission under section 223 of the Act on a proposed adjustment to a council plan, a person does not have a right to make a submission where the adjustment to the council plan is as a result of the strategic resource plan.

It is better practice for council to give its community the opportunity to consider the proposed strategic resource plan and make a submission when it is updated each year, as for the annual budget. This will ensure that the council’s longer term financial planning process is transparent and gives the community confidence that council is discharging its responsibilities of ensuring that resources are used efficiently and effectively and comply with the principles of sound financial management. If a council is applying for a higher rate cap it would be prudent to also engage with the community during the preparation of the plan to demonstrate that their views have been taken into account.

If a standalone strategic resource plan document is prepared, it must still be adopted by council and included in the council plan.

Strategic resource plan (model)

NOTE: The regulations require that the financial statements included in the strategic resource plan must be in the form set out in the *Local Government Model Financial Report* (LGMFR). Preparers of the strategic resource plan should carefully review the form of the financial statements in the LGMFR along with the supporting guidance. In addition to the financial statements, there are two further disclosures, which are specific to the preparation of the strategic resource plan, being:

* summary of planned capital works expenditure
* summary of planned human resource expenditure.

Users should refer to this model for the presentation required by LGV for these additional disclosures.

# Victorian City Council – Strategic Resource Plan

## Comprehensive Income Statement

For the four years ended 30 June 2023

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | **2020** | | **2021** | | **2022** | | **2023** |
|  | **$’000** | | **$’000** | | **$’000** | | **$’000** | |
| **Income** |  | |  | |  | |  | |
| Rates and charges | 43,457 | | 46,273 | | 48,725 | | 51,263 | |
| Statutory fees and fines | 2,690 | | 2,818 | | 2,785 | | 2,834 | |
| User fees | 7,680 | | 7,828 | | 8,004 | | 8,184 | |
| Grants - Operating | 13,617 | | 13,604 | | 13,746 | | 13,987 | |
| Grants – Capital | 6,277 | | 9,407 | | 1,694 | | 1,367 | |
| Contributions - monetary | 51 | | 471 | | 370 | | 350 | |
| Contributions - non-monetary | 0 | | 0 | | 0 | | 0 | |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 539 | | 479 | | 488 | | 497 | |
| Fair value adjustments for investment property | 0 | | 0 | | 0 | | 0 | |
| Share of net profits/(losses) of associates and joint ventures | 0 | | 0 | | 0 | | 0 | |
| Other income | 3,263 | | 2,734 | | 2,782 | | 2,830 | |
| **Total income** | 77,574 | | 83,614 | | 78,594 | | 81,312 | |
| **Expenses** |  | |  | |  | |  | |
| Employee costs | 34,091 | | 35,367 | | 36,655 | | 37,711 | |
| Materials and services | 22,107 | | 21,847 | | 21,999 | | 22,810 | |
| Depreciation and amortisation | 14,500 | | 15,187 | | 15,744 | | 16,274 | |
| Bad and doubtful debts | 340 | | 348 | | 356 | | 364 | |
| Borrowing costs | 312 | | 247 | | 410 | | 340 | |
| Other expenses | 5,179 | | 5,220 | | 5,184 | | 5,383 | |
| **Total expenses** | 76,529 | | 78,216 | | 80,348 | | 82,882 | |
|  |  | |  | |  | |  | |
| **Surplus/(deficit) for the year** | 1,045 | | 5,398 | | (1,754) | | (1,570) | |
|  |  | |  | |  | |  | |
| **Other comprehensive income** |  | |  | |  | |  | |
| **Items that will not be reclassified to surplus or deficit in future periods** |  | |  | |  | |  | |
| Net asset revaluation increment/(decrement) | 0 | | 0 | | 0 | | 0 | |
| Share of other comprehensive income of associates and joint ventures | 0 | | 0 | | 0 | | 0 | |
| **Items that may be reclassified to surplus or deficit in future periods** | 0 | | 0 | | 0 | | 0 | |
| <<detail as appropriate>> | 0 | | 0 | | 0 | | 0 | |
| **Total comprehensive result** | **1,045** | | **5,398** | | **(1,754)** | | **(1,570)** | |

The above comprehensive income statement should be read in conjunction with the accompanying other information.

## Balance Sheet

For the four years ended 30 June 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020 $’000** | **2021 $’000** | **2022 $’000** | **2023 $’000** |
| **Assets** |  |  |  |  |
| **Current assets** |  |  |  |  |
| Cash and cash equivalents | 12,207 | 12,428 | 12,776 | 13,028 |
| Trade and other receivables | 5,367 | 5,467 | 5,567 | 5,667 |
| Other financial assets | 6 | 6 | 6 | 6 |
| Inventories | 0 | 0 | 0 | 0 |
| Non-current assets classified as held for sale | 0 | 0 | 0 | 0 |
| Other assets | 200 | 200 | 200 | 200 |
| **Total current assets** | 17,780 | 18,101 | 18,549 | 18,901 |
| **Non-current assets** |  |  |  |  |
| Trade and other receivables | 12 | 12 | 12 | 12 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Investments in associates, joint arrangements and subsidiaries | 0 | 0 | 0 | 0 |
| Property, infrastructure, plant and equipment | 514,527 | 518,681 | 517,558 | 514,586 |
| Investment property | 0 | 0 | 0 | 0 |
| Intangible assets | 0 | 0 | 0 | 0 |
| **Total non-current assets** | 514,539 | 518,693 | 517,570 | 514,598 |
| **Total assets** | 532,319 | 536,794 | 536,119 | 533,499 |
|  |  |  |  |  |
| **Liabilities** |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Trade and other payables | 5,880 | 5,880 | 5,880 | 5,880 |
| Trust funds and deposits | 0 | 0 | 0 | 0 |
| Provisions | 5,714 | 5,917 | 6,121 | 6,326 |
| Interest-bearing liabilities | 1,161 | 1,161 | 1,290 | 1,322 |
| **Total current liabilities** | 12,755 | 12,598 | 13,291 | 13,528 |
| **Non-current liabilities** |  |  |  |  |
| Provisions | 1,008 | 1,043 | 1,079 | 1,114 |
| Interest-bearing liabilities | 3,726 | 2,565 | 3,275 | 1,953 |
| **Total non-current liabilities** | 4,734 | 3,608 | 4,354 | 3,067 |
| **Total liabilities** | 17,489 | 16,566 | 17,645 | 16,595 |
|  |  |  |  |  |
| **Net Assets** | 514,830 | 520,228 | 518,474 | 516,904 |
|  |  |  |  |  |
| **Equity** |  |  |  |  |
| Accumulated surplus | 407,910 | 413,228 | 411,392 | 409,742 |
| Reserves | 106,920 | 107,000 | 107,082 | 107,162 |
| **Total Equity** | 514,830 | 520,228 | 518,474 | 516,904 |

The above balance sheet should be read in conjunction with the accompanying other information.

## Statement of Changes in Equity

For the four years ended 30 June 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total**  **$’000** | **Accumulated**  **Surplus**  **$’000** | **Revaluation**  **Reserve**  **$’000** | **Other**  **Reserves**  **$’000** |
| **2020** |  |  |  |  |
| Balance at beginning of the financial year | 513,785 | 398,518 | 102,118 | 13,149 |
| Surplus/(deficit) for the year | 1,045 | 1,045 | 0 | 0 |
| Net asset revaluation increment /(decrement) | 0 | 0 | 0 | 0 |
| Transfers to other reserves | 0 | (2,001) | 0 | 2,001 |
| Transfers from other reserves | 0 | 10,348 | 0 | (10,348) |
| **Balance at end of the financial year** | 514,830 | 407,910 | 102,118 | 4,802 |
| **2021** |  |  |  |  |
| Balance at beginning of the financial year | 514,830 | 407,910 | 102,118 | 4,802 |
| Surplus/(deficit) for the year | 5,398 | 5,398 | 0 | 0 |
| Net asset revaluation increment /(decrement) | 0 | 0 | 0 | 0 |
| Transfers to other reserves | 0 | (1,510) | 0 | 1,510 |
| Transfers from other reserves | 0 | 1,430 | 0 | (1,430) |
| **Balance at end of the financial year** | 520,228 | 413,228 | 102,118 | 4,882 |
| **2022** |  |  |  |  |
| Balance at beginning of the financial year | 520,228 | 413,228 | 102,118 | 4,882 |
| Surplus/(deficit) for the year | (1,754) | (1,754) | 0 | 0 |
| Net asset revaluation increment /(decrement) | 0 | 0 | 0 | 0 |
| Transfers to other reserves | 0 | (1,450) | 0 | 1,452 |
| Transfers from other reserves | 0 | 1,370 | 0 | (1,370) |
| **Balance at end of the financial year** | 518,474 | 411,392 | 102,118 | 4,964 |
| **2023** |  |  |  |  |
| Balance at beginning of the financial year | 518,474 | 411,392 | 102,118 | 4,964 |
| Surplus/(deficit) for the year | (1,570) | (1,570) | 0 | 0 |
| Net asset revaluation increment /(decrement) | 0 | 0 | 0 | 0 |
| Transfers to other reserves | 0 | (1,410) | 0 | 1,410 |
| Transfers from other reserves | 0 | 1,330 | 0 | (1,330) |
| **Balance at end of the financial year** | 516,904 | 409,742 | 102,118 | 5,044 |

The above statement of changes in equity should be read in conjunction with the accompanying other information.

## Statement of Cash Flows

For the four years ended 30 June 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2021** | **2022** | **2023** |
|  | **Inflows/ (Outflows) $’000** | **Inflows/ (Outflows) $’000** | **Inflows/ (Outflows) $’000** | **Inflows/ (Outflows) $’000** |
| **Cash flows from operating activities** |  |  |  |  |
| Rates and charges | 43,357 | 46,173 | 48,625 | 51,163 |
| Statutory fees and fines | 2,690 | 2,818 | 2,785 | 2,834 |
| User fees | 7,680 | 7,828 | 8,004 | 8,184 |
| Grants – operating | 13,617 | 13,604 | 13,746 | 13,987 |
| Grants – capital | 6,277 | 9,407 | 1,694 | 1,367 |
| Contributions – monetary | 51 | 471 | 370 | 350 |
| Interest received | 1,820 | 1,264 | 1,278 | 1,292 |
| Dividends received | 0 | 0 | 0 | 0 |
| Trust funds and deposits taken | 0 | 0 | 0 | 0 |
| Other receipts | 1,443 | 1,469 | 1,503 | 1,538 |
| Net GST refund/payment | 0 | 0 | 0 | 0 |
| Employee costs | (33,841) | (35,117) | (36,405) | (37,461) |
| Material and services | (22,106) | (21,848) | (21,999) | (22,810) |
| Trust funds and deposits repaid | 0 | 0 | 0 | 0 |
| Other payments | (5,529) | (5,577) | (5,549) | (5,757) |
| **Net cash provided by /(used in) operating activities** | 15,459 | 20,492 | 14,052 | 14,687 |
| **Cash flows from investing activities** |  |  |  |  |
| Payments for property, infrastructure, plant and equipment | (29,195) | (20,881) | (16,169) | (14,859) |
| Proceeds from sale of property, infrastructure, plant and equipment | 3,741 | 2,018 | 2,036 | 2,054 |
| Payments for investments | 0 | 0 | 0 | 0 |
| Proceeds from sale of investments | 0 | 0 | 0 | 0 |
| Loans and advances made | 0 | 0 | 0 | 0 |
| Payment of loans and advances | 199 | 0 | 0 | 0 |
| **Net cash provided by /(used in) investing activities** | (25,255) | (18,863) | (14,133) | (12,805) |
| **Cash flows from financing activities** |  |  |  |  |
| Finance costs | (312) | (247) | (410) | (340) |
| Proceeds from borrowings | 0 | 0 | 2000 | 0 |
| Repayment of borrowings | (1,161) | (1,161) | (1,161) | (1,290) |
| **Net cash provided by /(used in) financing activities** | (1,473) | (1,408) | 429 | (1,630) |
| Net increase (decrease) in cash and cash equivalents | (11,269) | 221 | 348 | 252 |
| Cash and cash equivalents at the beginning of the financial year | 23,476 | 12,207 | 12,428 | 12,776 |
| **Cash and cash equivalents at the end of the financial year** | 12,207 | 12,428 | 12,776 | 13,028 |

## Statement of Capital Works

For the four years ended 30 June 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2021** | **2022** | **2023** |
|  | **$’000** | **$’000** | **$’000** | **$’000** |
| **Property** |  |  |  |  |
| Land | 0 | 0 | 0 | 0 |
| Land improvements | 0 | 0 | 0 | 0 |
| **Total land** | 0 | 0 | 0 | 0 |
| Buildings | 13,368 | 10,114 | 8,064 | 7,550 |
| Heritage buildings | 0 | 0 | 0 | 0 |
| Building improvements | 117 | 89 | 71 | 66 |
| Leasehold improvements | 0 | 0 | 0 | 0 |
| **Total buildings** | 13,485 | 10,203 | 8,135 | 7,616 |
| **Total property** | 13,485 | 10,203 | 8,135 | 7,616 |
| **Plant and equipment** |  |  |  |  |
| Heritage plant and equipment | 0 | 0 | 0 | 0 |
| Plant, machinery and equipment | 3,179 | 2,406 | 1,917 | 1,796 |
| Fixtures, fittings and furniture | 0 | 0 | 0 | 0 |
| Computers and telecommunications | 2,112 | 1,598 | 1,274 | 1,193 |
| Library books | 500 | 378 | 302 | 282 |
| **Total plant and equipment** | 5,791 | 4,382 | 3,493 | 3,271 |
| **Infrastructure** |  |  |  |  |
| Roads | 5,367 | 4,061 | 3,239 | 3,031 |
| Bridges | 10 | 8 | 6 | 6 |
| Footpaths and cycleways | 681 | 515 | 411 | 385 |
| Drainage | 1,885 | 1,426 | 1,137 | 1,065 |
| Recreational, leisure and community facilities | 629 | 476 | 379 | 355 |
| Waste management | 0 | 0 | 0 | 0 |
| Parks, open space and streetscapes | 2,614 | 1,978 | 1,577 | 1,476 |
| Aerodromes | 0 | 0 | 0 | 0 |
| Off street car parks | 115 | 87 | 69 | 65 |
| Other infrastructure | 140 | 106 | 84 | 79 |
| **Total infrastructure** | 11,441 | 8,657 | 6,902 | 6,462 |
| **Total capital works expenditure** | 30,717 | 23,242 | 18,530 | 17,349 |
| **Represented by:** |  |  |  |  |
| New asset expenditure | 9,176 | 5,767 | 3,296 | 2,791 |
| Asset renewal expenditure | 17,454 | 15,928 | 13,145 | 13,560 |
| Asset expansion expenditure | 632 | 845 | 1,232 | 730 |
| Asset upgrade expenditure | 3,455 | 702 | 857 | 268 |
| **Total capital works expenditure** | **30,717** | **23,242** | **18,530** | **17,349** |
| **Funding sources represented by:** |  |  |  |  |
| Grants | 6,277 | 9,407 | 1,694 | 1,367 |
| Contributions | 0 | 0 | 0 | 0 |
| Council cash | 24,440 | 13,835 | 14,836 | 15,982 |
| Borrowings | 0 | 0 | 2,000 | 0 |
| **Total capital works expenditure** | 30,717 | 23,242 | 18,530 | 17,349 |

The above statement of capital works should be read in conjunction with the accompanying other information.

## Statement of Human Resources

For the four years ended 30 June 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020**  **$’000** | **2021**  **$’000** | **2022**  **$’000** | **2023**  **$’000** |
| **Staff expenditure** |  |  |  |  |
| Employee Costs – Operating | 34,091 | 35,367 | 36,655 | 37,711 |
| Employee Costs – Capital | 0 | 0 | 0 | 0 |
| **Total staff expenditure** | 34,091 | 35,367 | 36,655 | 37,711 |
|  |  |  |  |  |
|  | **FTE** | **FTE** | **FTE** | **FTE** |
| **Staff numbers** |  |  |  |  |
| Employees | 568.3 | 570.2 | 573.4 | 575.0 |
| **Total staff numbers** | 568.3 | 570.2 | 573.4 | 575.0 |

The above statement of human resources should be read in conjunction with the other information.

## Other information

For the four years ended 30 June 2023

**1. Summary of planned capital works expenditure**

|  |  | **Asset Expenditure Types** | | | | **Funding Sources** | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2020** | **Total** | **New** | **Renewal** | **Expans-ion** | **Upgrade** | **Total** | **Grants** | **Contrib-utions** | **Council Cash** | **Borrow-ings** |
|  | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** |
| **Property** |  |  |  |  |  |  |  |  |  |  |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total land** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | 13,368 | 6,042 | 4,326 | 0 | 3,000 | 13,368 | 4,278 | 0 | 9,090 | 0 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Building improvements | 117 | 117 | 0 | 0 | 0 | 117 | 0 | 0 | 117 | 0 |
| Leasehold improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total buildings** | 13,485 | 6,159 | 4,326 | 0 | 3,000 | 13,485 | 4,278 | 0 | 9,207 | 0 |
| **Total property** | 13,485 | 6,159 | 4,326 | 0 | 3,000 | 13,485 | 4,278 | 0 | 9,207 | 0 |
| **Plant and equipment** |  |  |  |  |  |  |  |  |  |  |
| Heritage plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant, machinery and equipment | 3,179 | 0 | 3,179 | 0 | 0 | 3,179 | 435 | 0 | 2,744 | 0 |
| Fixtures, fittings and furniture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Computers and telecommunications | 2,112 | 1,433 | 679 | 0 | 0 | 2,112 | 0 | 0 | 2,112 | 0 |
| Library books | 500 | 500 | 0 | 0 | 0 | 500 | 0 | 0 | 500 | 0 |
| **Total plant and equipment** | 5,791 | 1,933 | 3,858 | 0 | 0 | 5,791 | 435 | 0 | 5,356 | 0 |
| **Infrastructure** |  |  |  |  |  |  |  |  |  |  |
| Roads | 5,367 | 195 | 4,433 | 434 | 305 | 5,367 | 808 | 0 | 4,559 | 0 |
| Bridges | 10 | 0 | 10 | 0 | 0 | 10 | 0 | 0 | 10 | 0 |
| Footpaths and cycleways | 681 | 80 | 601 | 0 | 0 | 681 | 161 | 0 | 520 | 0 |
| Drainage | 1,885 | 40 | 1,497 | 198 | 150 | 1,885 | 560 | 0 | 1,325 | 0 |
| Recreational, leisure and community facilities | 629 | 629 | 0 | 0 | 0 | 629 | 0 | 0 | 629 | 0 |
| Waste management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks, open space and streetscapes | 2,614 | 0 | 2,614 | 0 | 0 | 2,614 | 0 | 0 | 2,614 | 0 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off street car parks | 115 | 0 | 115 | 0 | 0 | 115 | 0 | 0 | 115 | 0 |
| Other infrastructure | 140 | 140 | 0 | 0 | 0 | 140 | 35 | 0 | 105 | 0 |
| **Total infrastructure** | 11,441 | 1,084 | 9,270 | 632 | 455 | 11,441 | 1,403 | 0 | 10,038 | 0 |
| **Total capital works expenditure** | 30,717 | 9,176 | 17,454 | 632 | 3,455 | 30,717 | 6,277 | 0 | 24,440 | 0 |

**1. Summary of planned capital works expenditure (continued)**

|  |  | **Asset Expenditure Types** | | | | **Funding Sources** | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2021** | **Total** | **New** | **Renewal** | **Expans-ion** | **Upgrade** | **Total** | **Grants** | **Contrib-utions** | **Council Cash** | **Borrow-ings** |
|  | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** |
| **Property** |  |  |  |  |  |  |  |  |  |  |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total land** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | 10,114 | 2,970 | 7,144 | 0 | 0 | 10,114 | 7,904 | 0 | 2,210 | 0 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Building improvements | 89 | 89 | 0 | 0 | 0 | 89 | 0 | 0 | 89 | 0 |
| Leasehold improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total buildings** | 10,203 | 3,059 | 7,144 | 0 | 0 | 10,203 | 7,904 | 0 | 2,299 | 0 |
| **Total property** | 10,203 | 3,059 | 7,144 | 0 | 0 | 10,203 | 7,904 | 0 | 2,299 | 0 |
| **Plant and equipment** |  |  |  |  |  |  |  |  |  |  |
| Heritage plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant, machinery and equipment | 2,406 | 0 | 2,406 | 0 | 0 | 2,406 | 635 | 0 | 1,771 | 0 |
| Fixtures, fittings and furniture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Computers and telecommunications | 1,598 | 1,433 | 165 | 0 | 0 | 1,598 | 0 | 0 | 1,598 | 0 |
| Library books | 378 | 378 | 0 | 0 | 0 | 378 | 0 | 0 | 378 | 0 |
| **Total plant and equipment** | 4,382 | 1,811 | 2,571 | 0 | 0 | 4,382 | 635 | 0 | 3,747 | 0 |
| **Infrastructure** |  |  |  |  |  |  |  |  |  |  |
| Roads | 4,061 | 195 | 2,827 | 534 | 505 | 4,061 | 608 | 0 | 3,453 | 0 |
| Bridges | 8 | 0 | 8 | 0 | 0 | 8 | 0 | 0 | 8 | 0 |
| Footpaths and cycleways | 515 | 80 | 435 | 0 | 0 | 515 | 0 | 0 | 515 | 0 |
| Drainage | 1,426 | 40 | 878 | 311 | 197 | 1,426 | 260 | 0 | 1,166 | 0 |
| Recreational, leisure and community facilities | 476 | 476 | 0 | 0 | 0 | 476 | 0 | 0 | 476 | 0 |
| Waste management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks, open space and streetscapes | 1,978 | 0 | 1,978 | 0 | 0 | 1,978 | 0 | 0 | 1,978 | 0 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off street car parks | 87 | 0 | 87 | 0 | 0 | 87 | 0 | 0 | 87 | 0 |
| Other infrastructure | 106 | 106 | 0 | 0 | 0 | 106 | 0 | 0 | 106 | 0 |
| **Total infrastructure** | 8,657 | 897 | 6,213 | 845 | 702 | 8,657 | 868 | 0 | 7,789 | 0 |
| **Total capital works expenditure** | 23,242 | 5,767 | 15,928 | 845 | 702 | 23,242 | 9,407 | 0 | 13,835 | 0 |

**1. Summary of planned capital works expenditure (continued)**

|  |  | **Asset Expenditure Types** | | | | **Funding Sources** | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2022** | **Total** | **New** | **Renewal** | **Expans-ion** | **Upgrade** | **Total** | **Grants** | **Contrib-utions** | **Council Cash** | **Borrow-ings** |
|  | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Property** |  |  |  |  |  |  |  |  |  |  |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total land** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | 8,064 | 1,322 | 6,742 | 0 | 0 | 8,064 | 91 | 0 | 5,973 | 2,000 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Building improvements | 71 | 71 | 0 | 0 | 0 | 71 | 0 | 0 | 71 | 0 |
| Leasehold improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total buildings** | 8,135 | 1,393 | 6,742 | 0 | 0 | 8,135 | 91 | 0 | 6,044 | 2,000 |
| **Total property** | 8,135 | 1,393 | 6,742 | 0 | 0 | 8,135 | 91 | 0 | 6,044 | 2,000 |
| **Plant and equipment** |  |  |  |  |  |  |  |  |  |  |
| Heritage plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant, machinery and equipment | 1,917 | 0 | 1,917 | 0 | 0 | 1,917 | 646 | 0 | 1,271 | 0 |
| Fixtures, fittings and furniture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Computers and telecommunications | 1,274 | 933 | 341 | 0 | 0 | 1,274 | 0 | 0 | 1,274 | 0 |
| Library books | 302 | 302 | 0 | 0 | 0 | 302 | 0 | 0 | 302 | 0 |
| **Total plant and equipment** | 3,493 | 1,235 | 2,258 | 0 | 0 | 3,493 | 646 | 0 | 2,847 | 0 |
| **Infrastructure** |  |  |  |  |  |  |  |  |  |  |
| Roads | 3,239 | 135 | 1,665 | 834 | 605 | 3,239 | 786 | 0 | 2,453 | 0 |
| Bridges | 6 | 0 | 6 | 0 | 0 | 6 | 0 | 0 | 6 | 0 |
| Footpaths and cycleways | 411 | 20 | 391 | 0 | 0 | 411 | 0 | 0 | 411 | 0 |
| Drainage | 1,137 | 50 | 437 | 398 | 252 | 1,137 | 171 | 0 | 966 | 0 |
| Recreational, leisure and community facilities | 379 | 379 | 0 | 0 | 0 | 379 | 0 | 0 | 379 | 0 |
| Waste management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks, open space and streetscapes | 1,577 | 0 | 1,577 | 0 | 0 | 1,577 | 0 | 0 | 1,577 | 0 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off street car parks | 69 | 0 | 69 | 0 | 0 | 69 | 0 | 0 | 69 | 0 |
| Other infrastructure | 84 | 84 | 0 | 0 | 0 | 84 | 0 | 0 | 84 | 0 |
| **Total infrastructure** | 6,902 | 668 | 4,145 | 1,232 | 857 | 6,902 | 957 | 0 | 5,945 | 0 |
| **Total capital works expenditure** | 18,530 | 3,296 | 13,145 | 1,232 | 857 | 18,530 | 1,694 | 0 | 14,836 | 2,000 |

**1. Summary of planned capital works expenditure (continued)**

|  |  | **Asset Expenditure Types** | | | | **Funding Sources** | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2023** | **Total** | **New** | **Renewal** | **Expans-ion** | **Upgrade** | **Total** | **Grants** | **Contrib-utions** | **Council Cash** | **Borrow-ings** |
|  | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Property** |  |  |  |  |  |  |  |  |  |  |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total land** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | 7,550 | 590 | 6,960 | 0 | 0 | 7,550 | 690 | 0 | 6,860 | 0 |
| Heritage buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Building improvements | 66 | 66 | 0 | 0 | 0 | 66 | 0 | 0 | 66 | 0 |
| Leasehold improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total buildings** | 7,616 | 656 | 6,960 | 0 | 0 | 7,616 | 690 | 0 | 6,926 | 0 |
| **Total property** | 7,616 | 656 | 6,960 | 0 | 0 | 7,616 | 690 | 0 | 6,926 | 0 |
| **Plant and equipment** |  |  |  |  |  |  |  |  |  |  |
| Heritage plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant, machinery and equipment | 1,796 | 0 | 1,796 | 0 | 0 | 1,796 | 0 | 0 | 1,796 | 0 |
| Fixtures, fittings and furniture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Computers and telecommunications | 1,193 | 734 | 459 | 0 | 0 | 1,193 | 0 | 0 | 1,193 | 0 |
| Library books | 282 | 282 | 0 | 0 | 0 | 282 | 0 | 0 | 282 | 0 |
| **Total plant and equipment** | 3,271 | 1,016 | 2,255 | 0 | 0 | 3,271 | 0 | 0 | 3,271 | 0 |
| **Infrastructure** |  |  |  |  |  |  |  |  |  |  |
| Roads | 3,031 | 435 | 1,866 | 730 | 0 | 3,031 | 578 | 0 | 2,453 | 0 |
| Bridges | 6 | 0 | 6 | 0 | 0 | 6 | 0 | 0 | 6 | 0 |
| Footpaths and cycleways | 385 | 0 | 385 | 0 | 0 | 385 | 0 | 0 | 385 | 0 |
| Drainage | 1,065 | 250 | 547 | 0 | 268 | 1,065 | 99 | 0 | 966 | 0 |
| Recreational, leisure and community facilities | 355 | 355 | 0 | 0 | 0 | 355 | 0 | 0 | 355 | 0 |
| Waste management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks, open space and streetscapes | 1,476 | 0 | 1,476 | 0 | 0 | 1,476 | 0 | 0 | 1,476 | 0 |
| Aerodromes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off street car parks | 65 | 0 | 65 | 0 | 0 | 65 | 0 | 0 | 65 | 0 |
| Other infrastructure | 79 | 79 | 0 | 0 | 0 | 79 | 0 | 0 | 79 | 0 |
| **Total infrastructure** | 6,462 | 1,119 | 4,345 | 730 | 268 | 6,462 | 677 | 0 | 5,785 | 0 |
| **Total capital works expenditure** | 17,349 | 2,791 | 13,560 | 730 | 268 | 17,349 | 1,367 | 0 | 15,982 | 0 |

**2. Summary of planned human resources expenditure**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020 $’000** | **2021 $’000** | **2022 $’000** | **2023 $’000** |
| **Asset management** |  |  |  |  |
| Permanent full time | 2,000 | 2,080 | 2,142 | 2,228 |
| Permanent part time | 500 | 520 | 536 | 557 |
| **Total asset management** | 2,500 | 2,600 | 2,678 | 2,785 |
| **City services** |  |  |  |  |
| Permanent full time | 7,000 | 7,280 | 7,498 | 7,798 |
| Permanent part time | 200 | 208 | 214 | 222 |
| **Total city services** | 7,200 | 7,488 | 7,712 | 8,020 |
| **Community services** |  |  |  |  |
| Permanent full time | 7,000 | 7,280 | 7,510 | 7,810 |
| Permanent part time | 1,500 | 1,560 | 1,622 | 1,641 |
| **Total community services** | 8,500 | 8,840 | 9,132 | 9,451 |
| **Corporate services** |  |  |  |  |
| Permanent full time | 4,000 | 4,160 | 4,326 | 4,456 |
| Permanent part time | 400 | 416 | 428 | 446 |
| **Total corporate services** | 4,400 | 4,576 | 4,754 | 4,902 |
| **Culture and leisure** |  |  |  |  |
| Permanent full time | 5,000 | 5,200 | 5,408 | 5,570 |
| Permanent part time | 300 | 312 | 324 | 334 |
| **Total culture and leisure** | 5,300 | 5,512 | 5,732 | 5,904 |
| **Environment and amenity** |  |  |  |  |
| Permanent full time | 4,000 | 4,160 | 4,297 | 4,469 |
| Permanent part time | 1,000 | 1,040 | 1,082 | 1,114 |
| **Total environment and amenity** | 5,000 | 5,200 | 5,379 | 5,583 |
| Total casuals and other | 1,191 | 1,151 | 1,268 | 1,066 |
| **Total staff expenditure** | 34,091 | 35,367 | 36,655 | 37,711 |
|  |  |  |  |  |
| **Asset management** | **FTE** | **FTE** | **FTE** | **FTE** |
| Permanent full time | 33.3 | 34.4 | 35.2 | 35.3 |
| Permanent part time | 8.3 | 8.5 | 8.6 | 8.7 |
| **Total asset management** | 41.6 | 42.9 | 43.8 | 44.0 |
| **City services** |  |  |  |  |
| Permanent full time | 116.7 | 119.0 | 121.4 | 122.0 |
| Permanent part time | 3.3 | 3.4 | 3.4 | 3.5 |
| **Total city services** | 120.0 | 122.4 | 124.8 | 125.5 |
| **Community services** |  |  |  |  |
| Permanent full time | 116.7 | 119.0 | 121.4 | 122.0 |
| Permanent part time | 25.0 | 25.5 | 26.0 | 26.2 |
| **Total community services** | 141.7 | 144.5 | 147.4 | 148.2 |
| **Corporate services** |  |  |  |  |
| Permanent full time | 66.7 | 68.0 | 69.4 | 69.7 |
| Permanent part time | 6.7 | 6.9 | 7.0 | 7.0 |
| **Total corporate services** | 73.4 | 74.9 | 76.4 | 76.7 |
| **Culture and leisure** |  |  |  |  |
| Permanent full time | 83.3 | 85.0 | 86.7 | 87.1 |
| Permanent part time | 5.0 | 5.1 | 5.2 | 5.2 |
| **Total culture and leisure** | 88.3 | 90.1 | 91.9 | 92.3 |
| **Environment and amenity** |  |  |  |  |
| Permanent full time | 66.7 | 68.1 | 69.4 | 69.7 |
| Permanent part time | 16.7 | 17.0 | 17.4 | 17.5 |
| **Total environment and amenity** | 83.4 | 85.1 | 86.8 | 87.2 |
| Total casuals and other | 19.9 | 10.3 | 2.3 | 1.1 |
| **Total staff numbers** | 568.3 | 570.2 | 573.4 | 575.0 |

Victorian City Council – Strategic Resource Plan (alternative model)

For the four years ended 30 June 2023

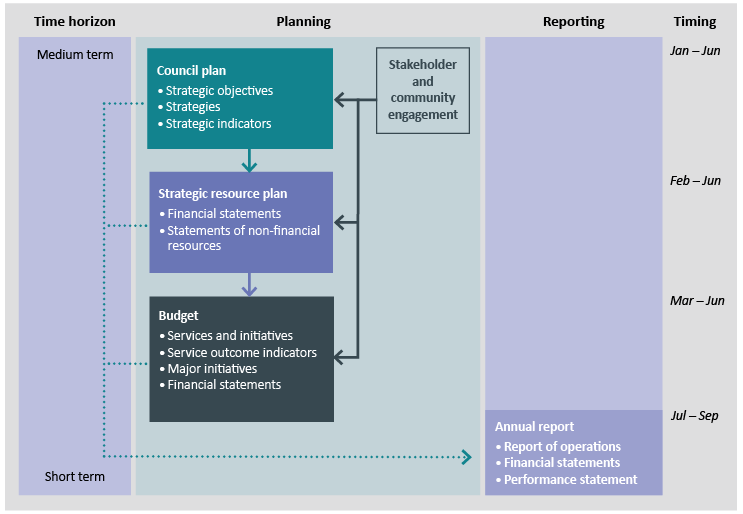
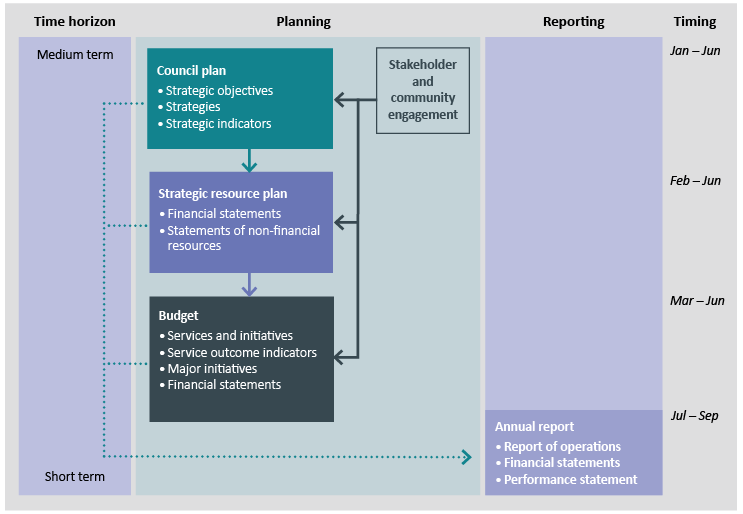
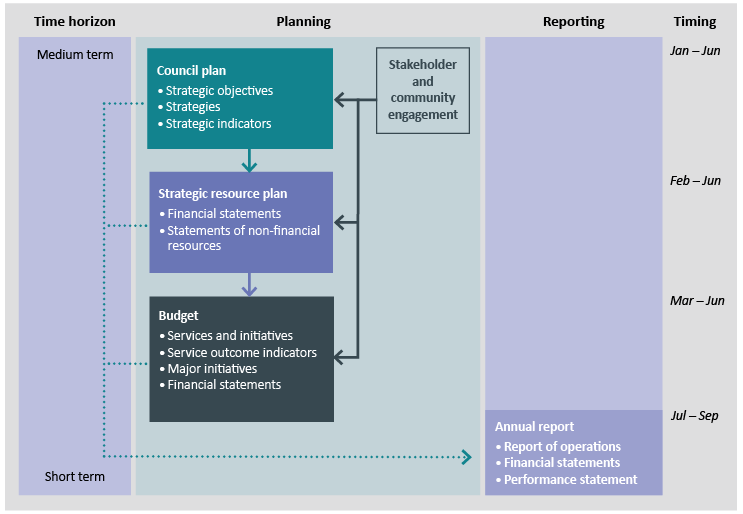
NOTE: This alternative model is provided for councils who wish to prepare a standalone strategic resource plan document. The Strategic Resource Plan (Model) should be attached as an appendix and the document included with the council plan

|  |  |
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## Background

The *Local Government Act 1989* (the Act) requires council to prepare a strategic resource plan (SRP) for at least the next four financial years that describes both the financial and non-financial resources required to achieve the strategic objectives in the council plan. In preparing the SRP, council must take into account services and initiatives contained in any plan adopted or proposed to be adopted by council.

Council has prepared a SRP for the four years 2019-20 to 2022-23 as part of its integrated planning framework as set out below.



The council plan includes the strategic objectives, strategies for achieving these for at least the next four years and strategic indicators for monitoring achievement of the strategic objectives. The SRP is a plan of the resources for at least the next four years required to achieve the strategic objectives in the council plan. The SRP informs the preparation of the budget, which is a plan that describes the services and initiatives to be funded and how they will contribute to achieving the strategic objectives in the council plan.

## Objectives of the plan

The overall objective of the SRP is financial sustainability in the medium to long term, while still providing sufficient resources to achieve the council plan strategic objectives. The key objectives which underpin the SRP over the next four years are:

* achieve a breakeven adjusted underlying result
* achieve a balanced budget on a cash basis
* maintain existing service levels
* meet council’s asset renewal requirements
* reduce debt to a low to moderate level to allow capacity to fund future infrastructure.

In preparing the SRP, council has also been mindful of the need to comply with the principles of sound financial management in the Act which requires council to:

* prudently manage financial risks relating to debt, assets and liabilities
* provide reasonable stability in the level of rate burden
* consider the financial effects of council decisions on future generations
* provide full, accurate and timely disclosure of financial information.

## How the plan was developed

This SRP has been developed through a rigorous process and is based on the following key information:

* audited financial statements as at 30 June 2018
* assumptions provided by council service providers about changes in future income and expenditure
* assumptions provided by council capital works expenditure providers about requirements for future asset renewal, expansion, upgrade and new assets
* assumptions provided by finance regarding future changes in assets, liabilities and equity
* information provided by the executive management team and council.

The financial projections included in the SRP have been developed using a ‘four-way’ budget model. This methodology is a computer based model, which enables the linking of the comprehensive income statement, balance sheet, statement of cash flows and statement of capital works.

## Assessment of council’s current financial position

An assessment has been undertaken of the council’s current financial position to identify any significant matters which may impact on the SRP. A summary of the budgeted and forecast financial results for the 2018-19 year are in the following table.

|  |  |  |  |
| --- | --- | --- | --- |
| **Result** | **Adopted Budget**  **2019**  **$’000** | **Forecast Actual  2019**  **$’000** | **Variance**  **Fav / (Unfav)**  **$’000** |
| **Surplus/(deficit) for the year** | 1,475 | (1,922) | (3,397) |
| **Cash and investments** | 17,946 | 23,476 | 5,530 |
| **Capital works expenditure** | 29,747 | 22,617 | 7,130 |

A deficit of $1.92 million is forecasted to be achieved, compared with an original budgeted surplus of $1.48 million. The forecast $3.40 million unfavourable variance is primarily due to 50 percent of the 2018-19 financial assistance grants being received in the 2017-18 year. This unfavourable variance has been partially offset by higher developer contributions and additional supplementary rates.

Cash and investments is forecast to be $23.48 million compared with an original budget of $17.95 million. The forecast $5.53 million favourable variance is primarily due to $7.13 million of capital works expenditure which is forecast to be incomplete at the end of the 2018-19 year and will be carried forward for completion in the 2019-20 year.

Capital works expenditure is forecast to be $22.62 million compared with an original budget of $29.75 million. The forecast $7.13 million favourable variance is due to incomplete works forecast to be carried forward to the 2019-20 year for completion.

Significant matters arising from the assessment of council’s current financial position, which are expected to impact on the SRP includes:

* the receipt of capital grants of $6.28 million for the construction of a Velodrome and State Bowls Centre at Victoria Park and the completion of Roads to Recovery projects
* the writing down of flood and fire affected assets by $1.00 million and repairs of $1.20 million which will be required over the next two years. Compensation of $0.40 million has been confirmed by council’s insurers, with the balance to be funded by the Natural Disaster Assistance Fund (NDAF). An advance payment of $1.00 million from the NDAF has been received and council is also eligible to claim the first $0.03 million from the Victoria Grants Commission
* removal of severely diseased street trees has resulted in an overrun of $0.48 million in the budget for tree maintenance
* capital works expenditure totalling $7.13 million will be carried forward for completion in the 2019-20 year.

In addition to the above matters, the Victorian Government has legislated that local government rates be capped from the 2016-17 year. The rate cap for the 2019-20 year as set by the Minister for Local Government is 2.5 percent. Depending on the level at which rates are capped in future years, Council may need to review the level of services and capital works expenditure which are delivered in future years and/or apply for a higher cap.

## Key assumptions

There are a number of assumptions underlying the forecasts for income, expenditure, assets, liabilities, equity, cash, capital works expenditure and human resources included in the SRP. These assumptions have been derived from the following sources:

* assessment of the current financial position
* scan of the external economic environment
* forecast changes in population and demographics
* advice from officers responsible for service and capital works planning and delivery
* services and initiatives contained in plans adopted or proposed to be adopted by council.

The key assumptions underlying the SRP are set out below.

## General operating

The general assumptions affecting all operating income and expenditure are included the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2021** | **2022** | **2023** |
|  | **%** | **%** | **%** | **%** |
| **Consumer Price Index** | 2.5 | 2.5 | 2.5 | 2.5 |
| **Rate cap** | 2.5 | 2.5 | 2.5 | 2.5 |
| **Property growth** | 1.0 | 0.8 | 0.6 | 0.6 |
| **Wages growth** | 3.5 | 3.5 | 3.5 | 3.5 |
| **Grants (operating)** | 2.0 | 2.0 | 2.0 | 2.0 |
| **Statutory fees** | 2.0 | 2.0 | 2.0 | 2.0 |
| **Investment return** | 3.5 | 3.0 | 2.5 | 2.5 |

#### Consumer price index

The annual consumer price index (CPI) for the December 2018 quarter for Melbourne was 2.0 percent (ABS catalogue 6401.0). The state-wide CPI is forecast to be 2.25 percent in 2018-19, 2.5 percent in 2019-20 and 2.5 percent for the remaining two years of the outlook period (Victorian State Government Budget Papers for 2018-19). For the purposes of developing the SRP, CPI has been set at 2.5 percent for the 2019-20 year and rates consistent with the Victorian Budget Papers for all remaining years and applied to all income and expense types with the exception of those specifically identified in the above table.

#### Rate cap

The Victorian Government requires local government rates to be capped from 2016-17 onwards. The cap for the 2019-20 year is 2.5 percent and for the forecast period figures have been based on the state-wide CPI projections.

#### Property growth

The municipality is expected to continue growing over the four-year period based on current trends in property development including the effects of major property developments at the two former psychiatric hospital sites. The property growth rate has been forecast to decline from 1.0 percent to 0.6 percent over the next three years as these developments are completed.

#### Wages growth

The collective wage agreement has been finalised and applies to wage rate changes for the next three years commencing 1 July 2019. The wages growth in the SRP is based on a 3.5 percent increase per annum.

#### Grants (operating)

Council receives approximately $14.00 million annually in operating grants from State and Commonwealth sources for the purposes of funding the delivery of services to ratepayers. This includes $4.69 million for the 2019-20 year in financial assistance grants. Future increases in operating grants excluding financial assistance grants have been set at CPI minus 0.5 percent in all years.

#### Statutory fees

Council raises approximately $3.00 million in fees and fines, which are imposed in line with legislation governing local government activities such as animal registrations and parking fines. Future increases in statutory fees have been set at CPI minus 0.5 percent in all years.

#### Investment return

The official cash rate is now 1.5 percent, following four decreases of 0.25 percent by the Reserve Bank since February 2015. In a recent Statement on Monetary Policy in May 2018, the Reserve Bank Governor noted that ‘Domestically, a further gradual reduction in the unemployment rate and a rise in inflation are expected over the next couple of years.’ Council has set its investment return at 3.5 percent in 2019-20 declining to 2.5 percent from 2021-22 onwards.

## Service delivery

The assumptions affecting specific services provided by council are set out below.

#### Transfer station

Waste tipping fees for inert waste are expected to increase $1.02 per tonne (1.61 percent) in 2019-20. The levy payable upon disposal of waste at landfill is set by the Victorian Government. The financial impact will be to increase tipping fee costs at the Transfer Station from $0.36 million in 2018-19 to $0.46 million in 2019-20. Similar increases are forecast in future years. The pricing structure currently in place for Transfer Station users will be adjusted to absorb all future cost increases.

#### Residential garbage collection

Waste tipping charges associated with the disposal of residential garbage and growth in the number of tenements (1,000 pa over the four-year period) are expected to result in an increase of $0.03 million per annum excluding CPI. Increases in the landfill levy will also increase the cost of residential garbage disposal by $0.18 million in the 2019-20 financial year with similar increases forecast in future years.

#### Kerbside collection – recycling

The contract for collection of recyclable waste expires on 30 June 2019. It is expected that the cost of this service will increase from $1.20 million to $2.90 million following re-tender in 2019-20 due to both growth in the number of tenements and the impact of China’s recycling import restrictions. Future increases have been set at CPI but are subject to ongoing review.

#### Aged and disability

Government funding for aged and disability services is expected to increase by approximately $0.14 million from 2019-20. This includes domestic care, personal care, respite care and meals.

#### Property valuation

Council is now required to revalue all properties within the municipality every year. The last general revaluation was carried out as at 1 January 2019 effective for the 2019/20 year. From 1 July 2018 the Victorian Government centralised land valuations with the Valuer-General of Victoria and introduced annual valuations. A one-off allowance of $0.10 million has been made in 2019-20 to meet ongoing transitional costs of the introduction of the centralised revaluation process.

#### Animal management

The contract for the provision of animal management expired on 1 January 2019 and is currently being renegotiated. It is expected that the cost of this service will rise from $0.36 million to $0.50 million per annum reflecting the forecast property growth. This will be partially offset by increases in registration fees of 0.5 percent above CPI or $0.06 million per annum in 2019-20.

#### Statutory planning

The statutory planning unit has been growing significantly over the past three years as the level of property development activity has increased. It is expected that the 2018-19 budget will be insufficient to meet the demand for processing property applications and an increase of $0.05 million per annum has been allowed from 2019-20 onwards.

## Other operating

Other assumptions affecting operating income and expenditure which cannot be directly attributed to specific services are included the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020**  **$’000** | **2021**  **$’000** | **2022**  **$’000** | **2023**  **$’000** |
| **Supplementary rates** | 500 | 450 | 400 | 400 |
| **Developer contributions (cash)** | 51 | 471 | 370 | 350 |
| **Developer contributions (non-cash)** | 0 | 0 | 0 | 0 |
| **Financial assistance grants** | 6,779 | 6,207 | 6,207 | 6,207 |
| **Grants (capital)** | 6,277 | 9,407 | 1,694 | 1,367 |
| **Asset sales (proceeds)** | 3,741 | 2,018 | 2,036 | 2,054 |

#### Supplementary rates

The municipality is expected to continue growing over the four-year period based on current trends in property development including the effects of major property developments at the two former psychiatric hospital sites. The growth rate has been forecast to decline from 1.0 percent to 0.6 percent over the forecast period as these developments are completed. This will contribute an additional $0.50 million in rate revenue in the 2019-20 year, reducing to $0.40 million from 2021-22 onwards.

#### Developer contributions (cash)

Contributions are levied on developers for the purpose of offsetting future costs associated with the creation of open space and new community infrastructure. Based on the forecast property growth, the level of contributions is expected to be $0.05 million in 2019-20 increasing to $0.47 million in 2020-21 and then to around $0.40 million from 2021-22 onwards.

#### Developer contributions (non-cash)

From time to time council receives infrastructure assets from developers at no cost which are recognised as income in the comprehensive income statement. This normally occurs following the completion of a property development, where the developer agrees to construct the required infrastructure including roads, footpaths and drains. At the conclusion of the development, these assets are handed over to council. It is expected that council will receive infrastructure assets during the four-year period as the major property developments at the two former psychiatric hospital sites are completed. As the value of assets cannot be reliably measured at this time no allowance has been made. However, the value of the assets could be in the order of $2.00 million to $3.00 million which may significantly impact future operating results.

#### Financial assistance grants

Council’s financial assistance grant allocation has been decreasing by around $0.30 million per annum due mainly to recent significant increases in council’s municipal property values relative to other Victorian councils. While the initial allocation for the 2019-20 year of $6.78 million is higher than expected, future allocations have been set based on the Victoria Grants Commission’s current transitional arrangements. These arrangements limit the annual decreases using a capping arrangement, with the minimum level expected to be reached in 2020-21.

#### Grants (capital)

Council receives both recurrent and non-recurrent government funding for capital works projects. Significant capital grants will be received in the 2019-20 and 2020-21 years to fund the construction of the Velodrome and State Bowls Centre at Victoria Park. Capital grants will reduce to more normal levels from the 2021-22 year reflecting the expected level of Roads to Recovery grants.

#### Asset sales (proceeds)

Council has in the past disposed of surplus assets to partially fund its capital needs as well as replace existing light and heavy vehicle fleet in accordance with the plant replacement program. An amount of $3.74 million has been forecast in 2019-20 for the expected proceeds arising from the sale of surplus land and the plant replacement program. This is expected to reduce to around $2.00 million per annum in later years reflecting the normal plant replacement activity.

## General balance sheet

The general assumptions affecting assets, liabilities and equity balances are set out below:

* 98.5 percent of the total rates and charges raised, is expected to be collected
* trade creditors is based on total capital and operating expenditure less written down value of assets sold, depreciation and employee costs. The payment cycle is 30 days
* other debtors and creditors are expected to remain consistent with 2018-19 levels
* employee entitlements have increased in accordance with the collective wage agreement outcome offset by the impact of more active management of leave entitlements of staff.

## Other balance sheet

The assumptions affecting specific balance sheet items is set out below.

#### Borrowings

In developing the SRP, borrowings were identified as an important funding source for capital works expenditure. Council has traditionally not borrowed to finance large infrastructure projects with the most recent borrowing being used to pay out council’s unfunded defined benefit superannuation obligation. This has resulted in a reduction in debt levels and servicing costs, but has meant that cash and investment reserves have been used as an alternate funding source for the capital works expenditure program. It has been necessary to reconsider the issue of borrowings due to council reserves forecast to be $13.15 million at 30 June 2019, followed by a significant reduction in 2019-20 to complete current infrastructure works in progress.

Council has analysed its debt position against both Victorian council state and similar council averages over a number of different indicators including the ‘obligations’ indicators that are part of the prescribed Local Government Performance Reporting Framework (LGPRF) indicators. The outcome of the analysis highlighted that a debt of $8.00 million could be comfortably accommodated. Council has set a goal of reducing debt to below $4.00 million by 2022-23 to allow spare debt capacity for future major projects.

The following table summarises the level of forecast borrowings for the next four years.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **New Borrowings**  **$’000** | **Principal**  **$’000** | **Interest**  **$’000** | **Balance 30 June**  **$’000** |
| **2020** | 0 | 1,161 | 312 | 4,887 |
| **2021** | 0 | 1,161 | 247 | 3,726 |
| **2022** | 2,000 | 1,161 | 410 | 4,565 |
| **2023** | 0 | 1,290 | 340 | 3,275 |

## Capital works

The assumptions affecting asset renewal, expansion, upgrade and new assets are set out below.

#### Asset renewal

Council has developed an infrastructure strategy based on the knowledge provided by asset management plans, which set out the capital expenditure requirements of Council for the next 10 years by class of asset. The strategy predicts infrastructure consumption, renewal needs and other infrastructure needs to meet future community service expectations. A key objective of the strategy is to renew existing assets in line with asset management plans to ensure they are maintained at the desired condition levels. If sufficient funds are not allocated to asset renewal then council’s investment in those assets will reduce, along with the capacity to maintain delivery of services to the community. The graph below sets out the required and actual asset renewal over the life of the current SRP and the renewal backlog.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Total Capital Program** | **Summary of funding sources** | | | |
| **Grants**  **$’000** | **Contributions $’000** | **Council Cash $’000** | **Borrowings $’000** |
| **2020** | 30,717 | 6,277 | 0 | 24,440 | 0 |
| **2021** | 23,242 | 9,407 | 0 | 13,835 | 0 |
| **2022** | 18,530 | 1,694 | 0 | 14,836 | 2,000 |
| **2023** | 17,349 | 1,367 | 0 | 15,982 | 0 |

While council is endeavouring to provide a sufficient level of annual funding to meet the ongoing asset renewal needs, the above graph indicates that in later years the required asset renewal is not being addressed creating an asset renewal gap and increasing the level of backlog. Backlog is the renewal works that council has not been able to fund over the past years and is equivalent to the accumulated asset renewal gap. At the beginning of the 2019-20 year the backlog is expected to be $5.00 million rising to $6.62 million by the end of the 2022-23 year. Council has committed to increasing the level of asset renewal funding over the next 10 years to close the renewal gap and address the backlog.

#### Capital expenditure program

In developing the capital expenditure program for the next four years, the following matters have had a significant impact:

* reduction in the amount of cash and investment reserves available to fund future capital expenditure programs
* environmental issues at the Victoria Park Lake resulting in the bringing forward of future planned expenditure
* availability of significant Commonwealth funding for the upgrade of roads
* decision by the Victorian Government to award council with construction of a Velodrome and Lawn Bowls Centre
* new building regulations requiring all child care centres to be immediately upgraded to ensure compliance
* the need to close the renewal gap and address the backlog.

The following table summarises the forecast capital works expenditure including funding sources for the next four years.

## Human resources

The assumptions affecting the level of human resources are set out in the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2021** | **2022** | **2023** |
| **Employee cost growth (%)** | 3.5 | 3.5 | 3.5 | 3.5 |
| **Employee numbers growth (FTE)** | 3.9 | 1.9 | 3.2 | 1.6 |

#### Employee costs

The collective wage agreement has been finalised and applies to wage rate changes for the next three years commencing 1 July 2019. The employee cost growth in the SRP is based on a 3.5 percent increase per annum and planned increases in employee numbers.

#### Employee numbers

A key objective of the SRP is maintaining existing service levels, however this needs to be balanced against the introduction of rate capping from the 2016-17 year onwards which has resulted in downward pressure being placed on employee costs. Staff numbers are forecast to increase only marginally over the four-year period from 568 FTE to 575 FTE. This level of growth is a reduction in real terms when compared to forecast property growth and the associated increase in service demand over the same period.

## Option analysis

In order to achieve the overall objective of the SRP, it was necessary to model a number of different options by changing the assumptions underlying the SRP forecasts. In undertaking the option analysis, council considered the following two options:

* higher cap option (i.e. a rate increase above the rate cap)
* rate cap option.

## Higher cap option

The following table sets out the key assumptions underlying the higher cap option.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assumptions** | **2020** | **2021** | **2022** | **2023** |
| **General rates increase (%)** | 3.9 | 3.5 | 3.5 | 3.5 |
| **Operating budget savings ($’000)** | 0 | 0 | 0 | 0 |
| **Capital works expenditure ($’000)** | 31,220 | 24,140 | 19,857 | 19,136 |
| **Borrowings ($’000)** | 0 | 0 | 2,000 | 0 |
| **Asset sales ($’000)** | 3,741 | 2,018 | 2,036 | 2,054 |

The following table and graph summarise the key financial outcomes for the next four years for the higher cap option.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Result** | **2020** | **2021** | **2022** | **2023** | **Trend** |
| **$’000** | **$’000** | **$’000** | **$’000** | **+/o/-** |
| **Adjusted underlying result** | (4,453) | (3,630) | (2,948) | (2,397) | **+** |
| **Net (cost) of services** | (41,967) | (43,633) | (44,851) | (46,551) | **+** |
| **Net increase/(decrease) in cash** | (11,269) | 221 | 348 | 252 | **+** |
| **Asset renewal** | 17,454 | 16,326 | 13,927 | 14,847 | **o** |
| **Borrowings** | 4,887 | 3,726 | 4,565 | 3,275 | **+** |

Key to Forecast Trend:

**+** Forecasts improvement in council's financial performance/financial position indicator

**o** Forecasts that council's financial performance/financial position indicator will be steady

**-** Forecasts deterioration in council's financial performance/financial position indicator

Under the higher cap option, all of the key financial results with the exception of asset renewal are forecast to improve over the four-year period indicating that the overall SRP objective of financial sustainability in the medium to long term is being met. While asset renewal is declining until 2021-22 it begins to improve thereafter.

## Rate cap option (no changes to key assumptions)

The following table sets out the key assumptions for the rate cap option. For this option the key assumptions remain unchanged from the higher cap option other than rates.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assumptions** | **2020** | **2021** | **2022** | **2023** |
| **General rates increase (%)** | 2.5 | 2.5 | 2.5 | 2.5 |
| **Operating budget savings ($’000)** | 0 | 0 | 0 | 0 |
| **Capital works expenditure ($’000)** | 31,220 | 24,140 | 19,857 | 19,136 |
| **Borrowings ($’000)** | 0 | 0 | 2,000 | 0 |
| **Asset sales ($’000)** | 3,741 | 2,018 | 2,036 | 2,054 |

The following table and graph summarise the key financial outcomes for the next four years for the rate cap option with no change to key assumptions other than rates.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Result** | **2020** | **2021** | **2022** | **2023** | **Trend** |
| **$’000** | **$’000** | **$’000** | **$’000** | **+/o/-** |
| **Adjusted underlying result** | (4,956) | (4,528) | (4,275) | (4,184) | **o** |
| **Net (cost) of services** | (41,967) | (43,633) | (44,851) | (46,551) | **+** |
| **Net increase/(decrease) in cash** | (11,772) | -677 | -979 | -1,535 | **-** |
| **Asset renewal** | 17,454 | 16,326 | 13,927 | 14,847 | **o** |
| **Borrowings** | 4,887 | 3,726 | 4,565 | 3,275 | **+** |

Key to Forecast Trend:

**+** Forecasts improvement in council's financial performance/financial position indicator

**o** Forecasts that council's financial performance/financial position indicator will be steady

**-** Forecasts deterioration in council's financial performance/financial position indicator

Under this rate cap option, the key financial results with the exception of cash are forecast to improve or remain stable over the four-year period. However, the change in cash is forecast to be an increasing deficit over the four-year period indicating that the overall SRP objective of financial sustainability in the medium to long term is not being met.

## Rate cap option (changes to key assumptions)

The following table sets out the key assumptions for a second rate cap option. For this option the key assumptions of operating budget savings and capital works expenditure have been changed to achieve the overall objective of the SRP.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assumptions** | **2020** | **2021** | **2022** | **2023** |
| **General rates increase (%)** | 2.5 | 2.5 | 2.5 | 2.5 |
| **Operating budget savings ($’000)** | 500 | 500 | 500 | 500 |
| **Capital works expenditure ($’000)** | 30,717 | 23,242 | 18,530 | 17,349 |
| **Borrowings ($’000)** | 0 | 0 | 2,000 | 0 |
| **Asset sales ($’000)** | 3,741 | 2,018 | 2,036 | 2,054 |

The following table and graph summarise the key financial outcomes for the next four years for the rate cap option with changes made to the key assumptions to achieve the overall objective of the SRP.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Result** | **2020** | **2021** | **2022** | **2023** | **Trend** |
| **$’000** | **$’000** | **$’000** | **$’000** | **+/o/-** |
| **Adjusted underlying result** | (4,453) | (3,630) | (2,948) | (2,397) | **+** |
| **Net (cost) of services** | (41,967) | (43,233) | (44,451) | (46,151) | **o** |
| **Net increase/(decrease) in cash** | (11,269) | 221 | 348 | 252 | **o** |
| **Asset renewal** | 17,454 | 15,928 | 13,145 | 13,560 | **-** |
| **Borrowings** | 4,887 | 3,726 | 4,565 | 3,275 | **+** |

Key to Forecast Trend:

**+** Forecasts improvement in council's financial performance/financial position indicator

**o** Forecasts that council's financial performance/financial position indicator will be steady

**-** Forecasts deterioration in council's financial performance/financial position indicator

Under this rate cap option, all of the key financial results with the exception of asset renewal are forecast to remain stable or improve over the four-year period indicating that the overall SRP objective of financial sustainability in the medium to long term is being met. While asset renewal is declining until 2021-22 it begins to improve thereafter.

## Outcomes

Based on the option analysis in the previous section, council has decided to select as its preferred option, the rate cap option with changes made to the key assumptions to achieve the overall objective of the SRP. The following is a detailed analysis of this preferred option which is the SRP adopted by council for the 2019-23 years.

#### Financial

The following financial results, graph and indicators summarise the key financial outcomes for the next four years as set out in the SRP for the 2019-23 years. The attached Appendix includes the financial statements and other financial disclosures required by the Act and regulations.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Result** | **2020** | **2021** | **2022** | **2023** | **Trend** |
| **$’000** | **$’000** | **$’000** | **$’000** | **+/o/-** |
| **Adjusted underlying result** | (4,453) | (3,630) | (2,948) | (2,397) | **+** |
| **Net (cost) of services** | (41,967) | (43,233) | (44,451) | (46,151) | **o** |
| **Net increase/(decrease) in cash** | (11,269) | 221 | 348 | 252 | **o** |
| **Asset renewal** | 17,454 | 15,928 | 13,145 | 13,560 | **-** |
| **Borrowings** | 4,887 | 3,726 | 4,565 | 3,275 | **+** |

Key to Forecast Trend:

**+** Forecasts improvement in council's financial performance/financial position indicator

**o** Forecasts that council's financial performance/financial position indicator will be steady

**-** Forecasts deterioration in council's financial performance/financial position indicator

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator /** Measure / [*Computation]* | **2020** | **2021** | **2022** | **2023** | **Trend +/o/-** |
| **Operating position** |  |  |  |  |  |
| Adjusted underlying result  *[Adjusted underlying surplus (deficit) / Adjusted underlying income]* | (6.2%) | (4.9%) | (3.8%) | (3.0%) | **+** |
| **Liquidity** |  |  |  |  |  |
| Working capital  *[Current assets / current liabilities]* | 139.4% | 139.7% | 139.6% | 139.7% | **o** |
| Unrestricted cash  *[Unrestricted cash / current liabilities]* | 88.7% | 95.9% | 96.1% | 96.3% | **o** |
| **Obligations** |  |  |  |  |  |
| Loans and borrowings  *[Interest bearing loans and borrowings / rate revenue]* | 11.2% | 8.1% | 9.4% | 6.4% | **+** |
| Loans and borrowings  *[Interest and principal repayments on interest bearing loans and borrowings / rate revenue]* | 3.4% | 3.0% | 3.2% | 3.2% | **+** |
| Indebtedness  *[Non-current liabilities / own source revenue]* | 8.2% | 6.0% | 6.9% | 4.7% | **+** |
| Asset renewal  *[Asset renewal expenses / asset depreciation]* | 120.4% | 104.9% | 83.5% | 83.3% | **-** |
| **Stability** |  |  |  |  |  |
| Rates concentration  *[Rate revenue / adjusted underlying revenue]* | 60.3% | 62.0% | 63.0% | 63.7% | **-** |
| Rates effort  *[Rate revenue / CIV of rateable properties in the municipality]* | 0.4% | 0.4% | 0.4% | 0.5% | **o** |
| **Efficiency** |  |  |  |  |  |
| Expenditure level  *[Total expenses/ no. of property assessments]* | $1,340 | $1,355 | $1,377 | $1,406 | **+** |
| Revenue level  *[Residential rate revenue / No. of residential property assessments]* | $650 | $678 | $706 | $735 | **+** |
| Workforce turnover  *[No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year]* | 8.8% | 8.4% | 8.0% | 7.6% | **+** |

Key to Forecast Trend:

**+** Forecasts improvement in council's financial performance/financial position indicator

**o** Forecasts that council's financial performance/financial position indicator will be steady

**-** Forecasts deterioration in council's financial performance/financial position indicator

#### Non-financial

The following table summarises the key non-financial outcomes for the next four years as set out in the SRP for years 2019-23 years. The attached Appendix includes the non-financial statements and other non-financial disclosures required by the Act and Local Government (Planning and Reporting) Regulations 2014.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Result** | **2020** | **2021** | **2022** | **2023** | **Trend +/o/-** |
| **Employee costs - Operating ($’000)** | 34,091 | 35,367 | 36,655 | 37,711 | **-** |
| **Employee numbers (FTE)** | 568.3 | 570.2 | 573.4 | 575.0 | **o** |

Key to Forecast Trend:

**+** Forecasts improvement in council's financial performance/financial position indicator

**o** Forecasts that council's financial performance/financial position indicator will be steady

**-** Forecasts deterioration in council's financial performance/financial position indicator

## Achievement of SRP objectives

The overall objective of the SRP is financial sustainability in the medium to long term, while still providing sufficient resources to achieve the council plan strategic objectives. The financial outcomes of the SRP are set out below under each of the key objectives which underpin the SRP over the next four years.

#### 1. Achieve a breakeven adjusted underlying result (objective: not achieved)

The adjusted underlying result is a deficit reducing over the four-year period. A breakeven result is not expected until 2024-25 (measure: adjusted underlying result).

#### 2. Maintain existing service levels (objective: achieved)

Service levels have been maintained throughout the four-year period after allowing for the impact of inflation and other cost indexation (measure: net cost of services and expenditure level).

#### 3. Achieve a balanced budget on a cash basis (objective: achieved)

The net change in cash is forecast to be marginally positive in years two to four, which indicates a balanced budget on a cash basis in those years (measure: net change in cash and unrestricted cash).

#### 4. Meet council’s asset renewal requirements (objective: not achieved)

Asset renewal remains below the target of 100 percent of depreciation in years three and four but at a stable level. The 100% target is not expected to be reached until 2027-28. (measure: asset renewal).

#### 5. Reduce debt to a low to moderate level to allow capacity to fund future infrastructure (objective: achieved)

A small amount of debt is forecast to be drawn down in 2021-22 however, the level of debt is declining over the four-year period with total debt at just over 6 percent of rates and charges (Measure: loans and borrowings).

**Overall the SRP shows that council is financially sustainable in the medium to long term, while still providing sufficient resources to achieve the council plan strategic objectives.**

## Appendix

NOTE: Strategic Resource Plan (Model) are to be included in this appendix.

Glossary

|  |  |
| --- | --- |
| **Term** | **Definition** |
| **Act** | means the *Local Government Act 1989* |
| **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 |
| **Asset expansion expenditure** | means expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to existing beneficiaries |
| **Asset expenditure type** | means the following types of asset expenditure:  (a) asset renewal expenditure;  (b) new asset expenditure;  (c) asset upgrade expenditure;  (d) asset expansion expenditure |
| **Asset renewal expenditure** | means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability |
| **Asset upgrade expenditure** | means expenditure that:  (a) enhances an existing asset to provide a higher level of service; or  (b) increases the life of the asset beyond its original life |
| **Australian Accounting Standards (AASB)** | means the accounting standards published by the Australian Accounting Standards Board |
| **Average rate cap** | means an amount expressed as a percentage amount, based on the change to CPI over the financial year to which the cap relates, plus or minus any adjustment |
| **Budget** | means a plan setting out the services and initiatives to be funded for the financial year and how they will contribute to achieving the strategic objectives specified in the council plan |
| **Capital works expenditure** | means expenditure on non-current assets and includes new assets, asset renewal, asset expansion and asset upgrade |
| **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 |
| **Financial resources** | means income, expenditure, assets, liabilities, equity, cash and capital works required to deliver the services and initiatives in the budget |
| **Financial statements** | means the financial statements and notes prepared in accordance with the Local Government Model Financial Report, Australian Accounting Standards and other applicable standards as they apply to the general purpose financial reports and a statement of capital works and included in the annual report |
| **Financial year** | means the period of 12 months ending on 30 June each year |
| **General order** | means an order made by the Minister under section 185D of the Act |
| **Higher cap** | means an amount expressed as the average rate cap specified in a general order plus an additional percentage amount in respect of that financial year |
| **Human resources** | means the staff employed by a council |
| **Indicator** | means what will be measured to assess performance |
| **Initiatives** | means actions that are one-off in nature and/or lead to improvements in service |
| **Local Government Model Financial Report** | means the model report published by the Department of Environment, Land, Water and Planning |
| **Major initiatives** | means significant initiatives that will directly contribute to the achievement of the council plan during the current year and have a major focus in the budget |
| **Minister** | means the Minister for Local Government |
| **Model budget** | means the *Victorian City Council Model Budget* previously prepared annually by the Chartered Accountants in Australia and New Zealand (2017-18 edition) and currently prepared annually by Local Government Victoria (2018-19 edition onwards) |
| **New asset expenditure** | means expenditure that creates a new asset that provides a service that does not currently exist |
| **Non-financial resources** | means the resources other than financial resources required to deliver the services and initiatives in the budget |
| **Non-recurrent grant** | means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council’s strategic resource plan |
| **Planning and accountability framework** | means the key statutory planning and reporting documents that are required to be prepared by councils to ensure accountability to local communities in the performance of functions and exercise of powers under the Act |
| **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 |
| **Recurrent grant** | means a grant other than a non-recurrent grant |
| **Regulations** | means theLocal Government (Planning and Reporting) Regulations 2014 |
| **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 |
| **Services** | means assistance, support, advice and other actions undertaken by a council for the benefit of the local community |
| **Special order** | means an order made by the ESC under section 185E of the Act |
| **Statement of capital works** | means a statement which shows all capital expenditure of a council in relation to non-current assets and asset expenditure type prepared in accordance to the model statement of capital works in the *Local Government Model Financial Report* |
| **Strategic objectives** | means the outcomes a council is seeking to achieve over the next four years and included in the council plan |
| **Strategic resource plan** | means a plan of the financial and non-financial resources for at least the next four years required to achieve the strategic objectives in the council plan. Is also referred to as a long term financial plan |
| **Strategies** | means high level actions directed at achieving the strategic objectives in the council plan |
| **Statement of human resources** | means a statement which shows all council staff expenditure and numbers of full time equivalent council staff |
| **Statements of non-financial resources** | means a statement which describes the non-financial resources including human resources |
| **Summary of planned capital works expenditure** | means a summary of capital works expenditure in relation to non-current assets classified according to the model statement of capital works in the *Local Government Model Financial Report*, by asset expenditure type and funding source |
| **Summary of planned human resources expenditure** | means a summary of permanent council staff expenditure and numbers of full time equivalent council staff categorised according to the organisational structure of the council |

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Chartered Accountants Australia and New Zealand (2017), *Victorian City Council Model Budget 2017-2018*, <http://www.finpro.org.au/2017/02/model-budget-201718/>

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Department of Environment, Land, Water & Planning (2019), *Local Government Better Practice Guide Strategic Resource Plan 2018-19 Financial Statement Template*, <http://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting>

Department of Victorian Communities (2006), *Local Government: Accounting for non-current physical assets under AASB 116: A Guide,*  <http://www.localgovernment.vic.gov.au/strengthening-councils/procurement/financial-and-asset-management>

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1. Victorian Auditor-General’s Office (2018), Results of 2017-18 Audits: Local Government [↑](#footnote-ref-2)
2. Section 3C(1) of the Local Government Act 1989 [↑](#footnote-ref-3)
3. Section 1(1) of the Local Government Act 1989 [↑](#footnote-ref-4)
4. Section 1(4) of the Local Government Act 1989 [↑](#footnote-ref-5)
5. Section 1(5) of the Local Government Act 1989 [↑](#footnote-ref-6)
6. Section 125 of the Local Government Act 1989 [↑](#footnote-ref-7)
7. Section 126 of the Local Government Act 1989 [↑](#footnote-ref-8)
8. Section 127 of the Local Government Act 1989 [↑](#footnote-ref-9)
9. Section 131 of the Local Government Act 1989 [↑](#footnote-ref-10)
10. Section 126(1) of the Local Government Act 1989 [↑](#footnote-ref-11)
11. Section 126(2)(a) of the Local Government Act 1989 [↑](#footnote-ref-12)
12. Section 126(2)(b) of the Local Government Act 1989 [↑](#footnote-ref-13)
13. Section 126(2A) and (2B) of the Local Government Act 1989 [↑](#footnote-ref-14)
14. Section 126(3)(a) of the Local Government Act 1989 [↑](#footnote-ref-15)
15. Section 126(3)(b) and 126(4)(a) of the Local Government Act 1989 [↑](#footnote-ref-16)
16. Section 136 of the Local Government Act 1989 [↑](#footnote-ref-17)
17. Regulation 6(a) and 6(b) of the Local Government (Planning and Reporting) Regulations 2014 [↑](#footnote-ref-18)
18. Regulation 7(a) and 7(b) of the Local Government (Planning and Reporting) Regulations 2014 [↑](#footnote-ref-19)
19. Regulation 6, 7 and 8 of the Local Government (Planning and Reporting) Regulations 2014 [↑](#footnote-ref-20)