Long Term Financial Plan
2020/21 – 2029/30
Executive Summary

The Purpose of the Long Term Financial Plan
The Local Government Act 1989 requires Council to exercise sound financial management in managing the affairs of the City of Bayside. A key component of sound financial management is the preparation of longer term financial strategies, plans and budgets.

The Long Term Financial Plan (LTFP) is the key ten year financial planning document that contains a series of financial strategies and accompanying performance indicators that Council considers when making significant strategic decisions about resource allocation.

The goal of the LTFP is to ensure financial sustainability which is defined as:

“The Bayside Community receives good quality services and enjoys well maintained facilities and infrastructure at an affordable level of property rates both now and into the future.”

The directions of the Long Term Financial Plan are informed by the Council Plan and the medium to long term service strategies adopted by Council. The LTFP also feeds back the other way, providing the context and financial limits that need to be considered in the development of long term plans and the management of expectations about what can be achieved.

Key Financial Issues and Challenges
The key issues and challenges for Bayside include:

- Maintaining Council’s quality of services and infrastructure investment within a rate capping framework
- Providing sufficient funding to renew existing assets to ensure they continue to meet community needs
- Delivering new and upgraded community infrastructure (roads, buildings, drains, footpaths etc.) to address the demands of a growing and changing community
- Continuing to provide an appropriate range and level of services to the community
- Managing within a narrow revenue base with limited growth opportunities
- Managing ongoing cost shifting from other levels of government, dealing with changes to legislative requirements and the expanding expectations of Local Government
- Managing the extreme nature of Defined Benefits Superannuation Shortfall calls

Strategies to address these Challenges
The key strategies embedded in the LTFP to meet these challenges include:

- Ensure rate increases are set in accordance with the Fair Go Rates Framework.
- Continue to review each service annually as part of the service planning process to ensure services provided to the community provide value and are sustainably funded.
- Identify efficiency gains in the operating budget in order to ensure a financially sustainable operating surplus in a rate cap environment.
- Ensure that service users are making a reasonable contribution to the cost of services through appropriate fees and charges by maintaining an annual minimum CPI increase in non-statutory fees and charges with the proposed increase subject to benchmarking.
• Identify alternative revenue streams and funding opportunities to take pressure off rate increases.
• Explore greater financial and community returns from Council’s property portfolio
• Increase funding for capital renewal and new/upgrade works.
• Ensure that any new debt is based on a sound business case and demonstrated community benefit.
• Continue to manage the extreme nature of Defined benefits superannuation shortfalls by quarantining funds in a reserve with an annual increase of $500k.
• Ensure that any new programs or projects generate specific community value and are funded in a sustainable way.

These strategies are interrelated and the implications of particular directions in each area must be considered holistically. Maintaining financial sustainability is a balancing act – managing expectations against available resources and making informed decisions about priorities.

**Summary of Key Outcomes**
The LTFP is a 10 year plan that feeds directly into the Annual Budget and the Strategic Resource Plan (4 year view). The updated Strategic Resource Plan for 2020/21 seeks to deliver the following key outcomes:

• Rate increases will be capped at CPI in accordance with the new Rate capping environment. Waste services are delivered on a direct cost recovery model.
• Net cost of services (excluding waste services) to increase in line with the increase in the rate cap.
• An average operating surplus of $20.1 million per year over the next 4 years
• Deliver $219.2 million of Infrastructure investment over the next 4 years to improve community assets
• Utilizing cash reserves of $46.8 million over the next 4 years to deliver an increase in capital investment.
• Maintaining strong cash reserves for the life of the long term financial plan.
• Exceeds the Victorian Auditor Generals indicators of financial sustainability over the period of the SRP

While the successful implementation of the Plan will ensure that Bayside exceeds the financial sustainability targets set by the Victorian Auditor General in the short term there are longer term risks to maintaining Council’s current level of services and infrastructure investment if ambitious savings targets are not achieved or additional sources of revenue identified in the short term.

**BACKGROUND**

Section 136 of the Local Government Act 1989 sets out the following principles of sound financial management:

“(1) A Council must implement the principles of sound financial management.
The principles of sound financial management are that a Council must-

(a) manage financial risks faced by the Council prudently, having regard to economic circumstances;

(b) pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden;

(c) ensure that decisions are made and actions are taken having regard to their financial effects on future generations;

(d) ensure full, accurate and timely disclosure of financial information relating to the Council.”

Implicit in these principles is the requirement to develop a long term plan to guide financial decision making to ensure the financial sustainability of the Council. The key documents that Council uses to set its financial direction are:

- The Long Term Financial Plan – 10 year view
- The Strategic Resource Plan – 4 year view
- The Annual Budget – 1 year view.

One of the challenges for Council is the relatively short term nature of the political cycle in which pressure is often applied to deliver things now or to reduce rates, or usually both!

If Council is to truly implement sound financial management, these short term pressures should be considered in a longer term planning context and the impact of decisions made now modelled over the 10 year period so that the consequences are clear for all stakeholders.

Bayside has an adopted Long Term Financial Plan and over the last few months this Plan has been reviewed based on new and emerging issues and revisiting the assumptions on which the existing Plan was based.

The outcomes of this review are presented in the following sections of this document.

**WHAT IS FINANCIAL SUSTAINABILITY?**

The Australian Local Government Association’s (ALGA’s) definition of financial sustainability is:

“A Council’s long-term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.”

Another way of looking at it is:

“The Bayside Community receives good quality services and enjoys well maintained facilities and infrastructure at an affordable level of property rates both now and into the future.”
However it is defined, it is important to have some agreed quantifiable measures of sustainability to judge where Council is now and what corrective action may need to be taken.

**Measures of Sustainability**
The following table lists a range of indicators that are often used to measure sustainability. The final column in the table indicates whether Bayside currently meets these targets.

The Victorian Auditor General’s Office (VAGO) uses the following measures of financial sustainability:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>VAGO Target</th>
<th>Calculation</th>
<th>Explanation</th>
<th>2020/21 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying result</td>
<td>Greater than 5%</td>
<td>Adjusted net surplus/total underlying revenue</td>
<td>Adjusted net surplus is calculated by removing non-cash developer contributions and one-off items from the statement of income and expenditure.</td>
<td>Yes</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Greater than 1.5</td>
<td>Current Assets/Current Liabilities</td>
<td>Measure of ability to pay existing liabilities within 12 months. Borrowing Prudential Guidelines require &gt; 1.</td>
<td>Yes</td>
</tr>
<tr>
<td>Indebtedness</td>
<td>Less than 40.0</td>
<td>Non-current liabilities/own sourced revenue</td>
<td>Compares non-current liabilities (including loans) to own source revenue. Own-sourced revenue is used because it does not include capital grants.</td>
<td>Yes</td>
</tr>
<tr>
<td>Self-financing</td>
<td>Greater than 20.0</td>
<td>Net Operating cash flow/underlying revenue.</td>
<td>This is a measure of local government’s ability to fund the replacement of assets from cash generated by their operations: the higher the percentages, the more able to do so.</td>
<td>Yes</td>
</tr>
<tr>
<td>Capital replacement</td>
<td>Greater than 1.5</td>
<td>Capital spend/ depreciation</td>
<td>This is a measure of whether local governments are spending on infrastructure at a greater rate than the infrastructure is depreciating.</td>
<td>Yes</td>
</tr>
<tr>
<td>Renewal gap</td>
<td>Greater than 1.0</td>
<td>Renewal and upgrade expenditure/depreciation</td>
<td>This is a measure of whether local governments are spending on renewing, restoring and replacing existing assets with depreciation.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Based on these measures, Bayside City is currently in a sound financial position. However, there are some looming challenges that will test the financial sustainability of Council in the coming years.
KEY FINANCIAL ISSUES AND CHALLENGES

In developing the revised Long Term Financial Plan a range of issues and challenges have been identified that will have an impact on Council’s financial position in the years ahead. These issues include:

Asset Renewal
Council owns and controls a wide variety of assets ranging from land and buildings to roads, drains, footpaths and open space improvements. The total value of Council’s property, infrastructure, plant and equipment is $3.4 billion. Land owned or managed by Council including the value of land under roads makes up $2.8 billion with the balance of $600 million made up of renewable infrastructure such as roads, footpaths, drains, buildings and other plant and equipment. Many of these assets were constructed in the 1960 -1970s during the major growth phase of Bayside and are approaching the end of their useful life. Council is required to renew these assets over time to ensure that they meet the needs of the community.

In recent years Council has increased its spending on renewal and new assets substantially to combat the under investment in prior years. The following graph shows Bayside’s increasing investment which has been required to address prior year under investment. This increase in capital investment has been largely funded from the ongoing efficiency savings identified in the operating budget which have been redirected to the capital budget.

New Community Infrastructure
In addition to expenditure on renewing existing assets, there is an ongoing demand for new infrastructure driven by growth, changes in demographics, and increasing community expectations.

The following graph shows the increasing investment required to meet both the renewal requirements and the communities demand for new assets within the confines of the long term financial plan capital expenditure targets.
Bayside will spend $219 million, an average of $54 million over the next four years utilizing $46.8 million of cash reserves. This reflects the recent implementation of Council’s infrastructure strategies which are designed to respond to the community’s need for improved infrastructure and deliver better service outcomes to the community. From 2026 Investment in capital will return to sustainable levels to maintain renewal expenditure.

While this increase particularly over the next four years is being funded from cash reserves and external contributions, the challenge is to continue to provide sufficient funding for capital works that will allow for renewal and to maintain a viable allocation for new works into the future.

**Total Capital Investment compared to other Councils**

The graph below indicates that in 2019 capital investment per assessment was in line with the metropolitan average.
Council has successfully reallocated savings from the operating budget to fund increased capital investment which has resulted in Bayside now spending 36% of rate revenue on capital expenditure which compares to 39% for the average for inner metro Councils.

![Bayside - Comparison (Metropolitan) - Capital Expenditure/Rate Revenue](image)

**Delivering Community Services**

Council delivers 41 different services to the Bayside community and expectations about the role of Council have expanded significantly over the last decade driven by the policies of State and Federal Governments and the accessibility of Council to the community.

Bayside is a comparatively low spending Council in comparison to other inner metropolitan Councils. The graph indicates that Bayside spends about $156 per assessment less on Operating costs than comparable Councils.

![Bayside - Comparison (Metropolitan) - Total Operating Expenses (excl Depreciation) per Assessment](image)
The current service mix has developed over time often driven by the availability of government grants or by the policy direction of Council at a particular point in time.

**Rating Levels**

The level of Council rates is an issue that has become a discussion topic in communities across Victoria. Based on data released by the Australian Taxation Office Council Rates and charges represent around 3.5% of the total taxation paid in Australia. Most household pay considerably more in personal income tax, GST, stamp duty etc.

Council rates are perceived to be a major impost for two main reasons. Firstly, the rate bill is received all at once via the annual rate notice which makes it very visible. Secondly, the link between the rates paid and the various services provided is not clear to many ratepayers making it difficult to make an informed decision about whether it represents value for money.

The introduction of rate capping in July 2016 has seen a reduction in rate revenue compared to previous long term forecasts, with an estimated cumulative impact of around $75 million over the life of the LTFP. Council has been actively pursuing efficiency measures and optimising other income sources to endeavor to ameliorate the impacts on the range and level of services and assets provided to the community. Bayside expects to raise $100.4 million in rates and charges in 2020/21 based on a 2% rate cap.

Stamp Duty and Land tax are not indexed and as property prices rise the State Government receives a windfall gain. In contrast Local Government rate levels are based on the revenue required by Council to deliver services but are capped by the Rate Capping legislation introduced by the State Government.

Although total revenue per assessment is in line with the Inner metropolitan average, Bayside’s rating levels per assessment are marginally higher than the average for inner metropolitan Councils as the following graph shows.
This is driven by several factors including:

- Bayside receives a lower level of State and Federal Government grants than many other Councils. This is a function of the high socio economic status of the Bayside community.
- Bayside is a relatively small municipality compared with the other inner metropolitan Councils. This means it does not have the same economies of scale and ability to spread costs over a higher number of rate-able properties.

The challenge is to strike a balance between continuing to provide the services and works expected by the community at a level of property rates that is affordable and which the community sees as value for money.

**Restricted Revenue Base**

Bayside relies heavily on Council rates as its major source of income. The following graph indicates that Bayside received 72.4% of its total income from rates in 2018/19 which is higher than the average for inner metropolitan Councils of 68%.

![Bayside - Comparison (Metropolitan) - Rate Revenue/Total Adjusted Revenue](image)

The factors that contribute to this situation are:

- Bayside is considered to be a wealthy community which means that it receives a relatively low level of government grants as these grants are often allocated on a perceived needs basis.
- Council does not have significant revenue generating assets nor does it receive substantial revenue from car parking fees and fines.

An additional factor is that Bayside is predominantly a residential municipality with commercial/industrial assessments making up around 7% of the total number of rate-able properties. This is low compared to other inner metropolitan Councils. This means that the bulk of the rate burden falls on households as there is very little opportunity for cross subsidization from industrial/commercial ratepayers. As a result residential rates per assessment is above the inner metro average. It’s the price our residential ratepayers pay for having a low density municipality with relatively low growth.

The challenge here is to find alternative revenue sources to offset some of the reliance on property rates.
**Cost Shifting and Legislative Impacts**
Cost shifting from State and Federal Governments continues to be a major problem for Local Government in Victoria. Cost shifting occurs when Commonwealth and State programs transfer responsibilities to local government with insufficient funding or grants which don’t keep pace with delivery costs.

**Cost Shifting for Specific Services**
1. Library Services - $306k from 2011/12 to 2019/20
2. Maternal and Child Health - $104k from 2011/12 to 2019/20
3. School Crossing Supervision - $58k from 2011/12 to 2019/20

**Statutory fee that prohibits full cost recovery**
4. Planning fees (set by the State and have been frozen for most of the past 15 years)
5. Revenue foregone for the past 8 years is estimated to be $13.9 million if Council were allowed to fully recover the cost of providing planning services.

**Levies**
6. State Government landfill levy has increased from $9 per tonne in 2008/09 to $85.90 per tonne in 2020/21 and is projected to double to $125.90 by 2022/23. This represents an increase of 954% and has added $1.8 million to Council's cost base.
7. Total landfill levy for Bayside City Council is $11.4 million for the 12 years 2008/09 to 2019/20.

The challenge is to continue to provide services that are part funded by other levels of government when the ratepayer is expected to continue to pick up an increasing share of the burden.

**Future Defined Benefits Superannuation Shortfall calls**
The Defined Benefits Superannuation Scheme provides lump sum benefits based on years of service and final average salary. It is a multi-employer sponsored plan, where the assets and liabilities are pooled and are not allocated to each employer. Council makes employer contributions to this plan as determined by the Trustee, currently at 9.50% of members’ salaries.

Council is also obligated to:
- Reimburse the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit;
- Make additional contributions to cover the contribution tax payable on the contributions
- Make member contributions to cover the shortfall in assets in the Fund.

Currently 10% of Council employees are members.

Since 1997, Council has made payments totaling $15.3 million to the Fund for shortfall calls due to low investment returns achieved by the Fund. As a contributing member, Council is therefore liable for any future funding shortfall calls.

The challenge is to ensure that Council has sufficient cash in reserves to cover these future shortfall calls.
RESPONDING TO THE CHALLENGES

In responding to these challenges and ensuring the financial sustainability of Bayside in the long term, Council has a number of budget ‘levers’ that it can adjust. The following section sets out the strategic direction for each of these interrelated aspects of the financial plan.

Property Rates and Charges

Council Rates and Waste Charges will remain the major source of revenue for Bayside into the future.

The introduction of the Rate Capping and Variation Framework by the State Government which commenced in 2016 requires Council to cap future rate increase for the General Rates and Municipal Charge to the rate of inflation. The Minister for Local Government announced the rate cap for the 2020/21 year in December 2019 of 2%.

Bayside does not currently utilise differential rating for different property types. A review of the current approach to property rating has been undertaken to consider alternative ways of distributing the rate burden. This review has confirmed that the most equitable manner of distributing the rate burden in Bayside is to maintain one general rate to be applied to all property types.

Strategic Direction:

Short Term

*That Council General Rates and Municipal Charge be capped for the 2020/21 year in accordance with the Rate Capping and Variation Framework.*

*That the Waste Services Charge for 2020/21 be set based on direct cost recovery as allowed under the rate capping framework.*

Medium/ Long Term

*That Council investigates options to reduce the reliance on property rates over time by identifying alternative revenue streams and funding opportunities.*

*That the Waste Management charge be set at a level that fully recovers the cost on waste collection and disposal services on an annual basis.*
User Fees and Charges

User Fees and Charges represent around 11% of Council’s revenue. This is slightly lower than the inner metro average. Many of these fees and charges are set by State Government and are inadequately indexed.

In the past Bayside has indexed most of its fees and charges by the Consumer Price Index (CPI), typically in the range of 2.5% - 3.5%. This is despite the fact that CPI bears no relationship on the cost of providing Council services. The cost of Council services is driven by increases in labor, contract, and utilities costs and tends to be around 3.0% - 5.0% per annum.

Increasing the indexation of fees and charges to reflect the increase in the costs of providing those services would generate a relatively minor amount in the context of the overall budget. However, under indexation of fees and charges over time shifts more pressure onto Council rates. In order to compensate for this discretionary fees and charges have been increased by 5% over the last couple of years.

For 2020/21 Council has chosen to set the increase in fees and charges at a level commensurate with CPI.

New or expanded fees and charges are also an option that needs to be explored.

<table>
<thead>
<tr>
<th>Strategic Direction:</th>
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<tbody>
<tr>
<td><strong>Short Term</strong></td>
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<tr>
<td><em>That discretionary fees and charges be indexed by a minimum of CPI in the 2019/20 budget with the proposed increase subject to benchmarking.</em></td>
</tr>
<tr>
<td><strong>Medium/ Long Term</strong></td>
</tr>
<tr>
<td><em>That discretionary fees and charges be indexed generally in line with the cost of providing the relevant services.</em></td>
</tr>
<tr>
<td><em>That new and expanded fees and charges be investigated for consideration in future Budget deliberations.</em></td>
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</tbody>
</table>
Government Grants and Contributions

Grants and Contributions represent around 9% of Council’s revenue. This is lower than the inner metro average. Bayside is on the minimum grant from the Victorian Grants Commission and always will be due to the high socio economic status of the community in average terms.

Specific purpose grants (mainly in the Community Services area) are usually indexed by CPI which means that they do not keep pace with the cost of providing the services to which they are linked.

Advocacy to attract and retain government funding will be important as the financial position of both State and Federal governments continues to deteriorate. Attracting higher levels of capital grants to help offset the cost of some major projects should be a particular area of focus.

Harnessing greater community contributions to capital projects is also an area worth further exploration. Examples such as the proposed Banksia Reserve joint sports facility demonstrate that the role of Council can in some circumstances change from directly funding facilities to coordinating the efforts of community groups and providing loan guarantees.

Council will not be able to fund the replacement of all of the existing community buildings in a time frame suitable to the users of those buildings without a strong partnership approach that draws together funding from a range of contributors.

**Strategic Direction:**

**Short Term**

*That Council regularly engages with local Members of State and Federal Parliaments to ensure they understand the financial pressures on Bayside City Council and the need for improved funding from other levels of government.*

**Medium/ Long Term**

*That Council engages with community groups and sporting organizations to build strong partnerships and to explore alternative funding models for the replacement/upgrade of community facilities.*
Council Owned Property

Council owns or controls around 1,200 individual property titles in Bayside. Many of these parcels are used for roads, open space, sports facilities etc. and will continue to be used for this purpose into the future.

Council also owns a range of properties that are used for commercial purposes and to deliver Council services whilst others are utilized to varying degrees by community groups. Some of these properties are not well used and apart from the commercial properties, the financial return on these properties is minimal whilst the maintenance costs are substantial.

Council has adopted a property strategy that seeks to ensure that Council property is well utilized, maintained and generates value through financial or community return.

This area can be controversial particularly when changes to property use are proposed. Engagement with the community regarding decisions taken in accordance with the Property Strategy is essential so that an informed debate can occur.

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<thead>
<tr>
<th>Strategic Direction:</th>
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<tr>
<td><strong>Short Term</strong></td>
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<tr>
<td><em>That property decisions are made in accordance with the adopted Property Strategy and in consultation with the community.</em></td>
</tr>
<tr>
<td><strong>Medium/ Long Term</strong></td>
</tr>
<tr>
<td><em>That opportunities to improve community utilization and / or financial return of Council property be implemented in accordance with the strategy.</em></td>
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</tbody>
</table>

Expenditure on Services to the Community

The Operating expenditure is driven by three main variables:

- The services Council provides
- The quantity and quality of those services
- The efficiency and productivity of the processes used to deliver those services.

It therefore follows that the level of Operating Costs can to some extent be influenced by the choices Council make about these variables.

The decision about which services are to be provided and the scope of those services is driven by Council. Changing the scope, method of delivery, or discontinuing services can be a contentious and lengthy process. It requires appropriate consultation with direct users of services and the wider community.
Expansions to the range or scope of services are often sought by particular interest groups in the community and Government policy initiatives can also place expectations on Council to take on new responsibilities. Given the financial constraints on Council, any proposals for new or expanded services should be critically reviewed to ensure they are focused on areas of key community priority and can be funded in a responsible way.

Improving the efficiency and productivity of the organization to deliver services at a lower cost is a major driver of this year’s draft budget and delivering community value in the long term is a key area of focus for Council in the years ahead.

Council has achieved productivity savings of $7.3 million in the operating budget over the last 7 years as a result of the introduction of cost management initiatives including savings targets in each budget and internal service reviews. While the achievement of these productivity savings have delivered historically low rates and allowed additional funds to be redirected to capital investment and debt reduction, the capacity of the organization to achieve further savings without impacting service delivery is diminishing. The 2020/21 budget guidelines include a budget target underlying increase of 2% in line with the expected rate cap of 2% and an allowance of 0.5% for growth in assessments, which the 2020/21 budget has been developed within.

<table>
<thead>
<tr>
<th>Strategic Direction:</th>
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<tbody>
<tr>
<td><strong>Short Term</strong></td>
</tr>
<tr>
<td>That the results of the annual service assessments and four year service planning be incorporated into the long term financial plan annually</td>
</tr>
<tr>
<td>That the increase in the net cost of services excluding waste be aligned to the 2020/21 rate cap.</td>
</tr>
<tr>
<td><strong>Medium/ Long Term</strong></td>
</tr>
<tr>
<td>That the annual service assessments and strategic service reviews continue for all major service areas.</td>
</tr>
</tbody>
</table>
Debt Management
In the long term, borrowing money does not increase the amount of money available to spend. It allows a higher level of expenditure in a given year, but as it must be repaid with interest it requires a reduction in expenditure in future years. Council’s previous debt strategy has been to repay debt on maturity from excess cash reserves generated from savings identified in the operating budget. Since 2010 Council has repaid $17.5 million of debt and in 2017/18 $2.1 million of debt matured and was repaid which resulted in Council achieving debt free status.

<table>
<thead>
<tr>
<th>Strategic Direction:</th>
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</thead>
<tbody>
<tr>
<td><strong>Short Term</strong></td>
</tr>
<tr>
<td>n/a</td>
</tr>
<tr>
<td><strong>Medium / Long Term</strong></td>
</tr>
<tr>
<td><em>That new debt will only be considered where a compelling business case is presented and clear community benefits are demonstrated.</em></td>
</tr>
</tbody>
</table>

Capital Works
Funding of capital renewal is a fundamental element of financial sustainability and should be prioritized ahead of new and upgrade projects. The Asset Management Plans prepared for each major area of infrastructure should guide the setting of priorities for funding and a long term capital plan is required to ensure that a strategic approach is taken to the allocation of funds to new and upgrade projects.

<table>
<thead>
<tr>
<th>Strategic Direction:</th>
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<tbody>
<tr>
<td><strong>Short Term</strong></td>
</tr>
<tr>
<td><em>That funding for the Renewal of existing assets be given priority over new and upgrade projects in the Capital Works Program.</em></td>
</tr>
<tr>
<td><em>Where appropriate utilize restricted and discretionary reserves rather than Council rates to fund new projects.</em></td>
</tr>
<tr>
<td><strong>Medium/ Long Term</strong></td>
</tr>
<tr>
<td><em>That a 10 year Capital Works Plan be developed which is informed by the infrastructure requirements of the Strategic Service Plans and Asset Management Plans. The plan is to ensure the increase in required renewal expenditure is achieved and sufficient funds for new and upgrade works are delivered.</em></td>
</tr>
</tbody>
</table>
Funding Defined Benefits Superannuation Shortfall call

Since 1997, Council has made in total $15.3 million to the Fund for shortfall calls due to low investment returns achieved by the Fund. In 2012/13, Council made a shortfall call contribution of $5.3 million to the Fund, which is a substantial amount in one year.

One of the MAV Defined Benefits Taskforce recommendations was to make annual allowances for shortfalls, to smooth out the extreme nature of the shortfalls over time. This will ensure that Council will not be subject to large once-off shortfalls.

Strategic Direction:

Short Term

That $0.5 million is quarantined in Reserves for future Defined Benefits Superannuation Shortfall calls in the 2020/21 budget.

Medium/ Long Term

That an annual allowance of $0.5 million is quarantined in Reserves to smooth out the extreme nature of the Defined Benefits Superannuation Shortfall calls.

SUMMARY OF THE OUTCOMES OF THE LONG TERM FINANCIAL PLAN

Ten Year View of the Key Outputs form the Plan

<table>
<thead>
<tr>
<th>$millions</th>
<th>Rate Income</th>
<th>Cash Balance</th>
<th>Capital Expenditure</th>
<th>Operating Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>107.0</td>
<td>98.1</td>
<td>43.6</td>
<td>13.1</td>
</tr>
<tr>
<td>2021</td>
<td>109.3</td>
<td>60.2</td>
<td>56.7</td>
<td>16.4</td>
</tr>
<tr>
<td>2022</td>
<td>100.0</td>
<td>50.7</td>
<td>46.6</td>
<td>21.4</td>
</tr>
<tr>
<td>2023</td>
<td>110.0</td>
<td>50.7</td>
<td>46.6</td>
<td>21.4</td>
</tr>
<tr>
<td>2024</td>
<td>115.0</td>
<td>50.7</td>
<td>46.6</td>
<td>21.4</td>
</tr>
<tr>
<td>2025</td>
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<td>46.6</td>
<td>21.4</td>
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<td>2026</td>
<td>125.0</td>
<td>50.7</td>
<td>46.6</td>
<td>21.4</td>
</tr>
<tr>
<td>2027</td>
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<tr>
<td>2029</td>
<td>140.0</td>
<td>50.7</td>
<td>46.6</td>
<td>21.4</td>
</tr>
<tr>
<td>2030</td>
<td>145.0</td>
<td>50.7</td>
<td>46.6</td>
<td>21.4</td>
</tr>
</tbody>
</table>
# Key Financial Ratios

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measure</th>
<th>Notes</th>
<th>Actual 2018/19</th>
<th>Actual 2019/20</th>
<th>Budget 2020/21</th>
<th>Strategic Resource Plan Projections 2021/22</th>
<th>Trend +/-o/ -</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating position</strong></td>
<td>Adjusted underlying result/Adjusted underlying revenue</td>
<td></td>
<td>12.6%</td>
<td>11.9%</td>
<td>11.6%</td>
<td>10.9%</td>
<td>9.5%       8.5% -</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Working Capital/Current assets / current liabilities</td>
<td></td>
<td>383.3%</td>
<td>441.3%</td>
<td>466.7%</td>
<td>373.2% 308.4% 245.1%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Unrestricted cash/Unrestricted cash / current liabilities</td>
<td></td>
<td>221.3%</td>
<td>240.5%</td>
<td>305.0%</td>
<td>251.3% 216.0% 165.7%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Obligations</strong></td>
<td>Loans and borrowings/Interest bearing loans and borrowings / rate revenue</td>
<td></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0% 0.0% 0.0%</td>
<td>o</td>
</tr>
<tr>
<td></td>
<td>Loans and borrowings/Interest and principal repayments on interest bearing loans and borrowings / rate revenue</td>
<td></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0% 0.0% 0.0%</td>
<td>o</td>
</tr>
<tr>
<td></td>
<td>Indebtedness/Non-current liabilities / own source revenue</td>
<td></td>
<td>0.8%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.8% 1.9% 2.0%</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Asset renewal/Asset renewal expenditure / depreciation</td>
<td></td>
<td>121.2%</td>
<td>133.2%</td>
<td>109.7%</td>
<td>140.3% 137.4% 90.9%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Stability</strong></td>
<td>Rates concentration/Rate revenue / adjusted underlying revenue</td>
<td></td>
<td>71.9%</td>
<td>74.2%</td>
<td>74.7%</td>
<td>73.6% 74.0% 74.4%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Rates effort/Rate revenue / CIV of rateable properties in the municipality</td>
<td></td>
<td>0.14%</td>
<td>0.14%</td>
<td>0.15%</td>
<td>0.15% 0.15% 0.16%</td>
<td>o</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td>Expenditure level/Total expenditure / no. of property assessments</td>
<td></td>
<td>$2,521</td>
<td>$2,539</td>
<td>$2,568</td>
<td>$2,650 $2,738 $2,829</td>
<td>o</td>
</tr>
<tr>
<td></td>
<td>Revenue level/Residential rate revenue / No. of residential property assessments</td>
<td></td>
<td>$1,937</td>
<td>$2,105</td>
<td>$2,130</td>
<td>$2,178 $2,231 $2,285</td>
<td>o</td>
</tr>
<tr>
<td></td>
<td>Workforce turnover/No. of permanent staff resignations &amp; terminations / average no. of permanent staff for the financial year</td>
<td></td>
<td>12.7%</td>
<td>11.8%</td>
<td>10.5%</td>
<td>10.5% 10.5% 10.5%</td>
<td>o</td>
</tr>
</tbody>
</table>

**Key to forecast trend:**

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

**Notes to indicators**

1. **Adjusted underlying result**
   An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. There is a slight deterioration in the underlying result driven mainly by an increase in depreciation reflecting Council’s increasing investment in major Capital projects and Infrastructure.

2. **Working Capital**
   The proportion of current liabilities represented by current assets. Working capital is forecast to decrease from 2022/23 due to cash reserves being utilised to fund the capital program. The trend in later years is to remain steady at an acceptable level.

3. **Unrestricted Cash**
   All cash and cash equivalents other than restricted cash, including cash that will be used to fund capital expenditure from the previous financial year.

4. **Debt compared to rates**
   Council is currently debt free and there are no current plans for borrowings.

5. **Asset renewal**
   This percentage indicates the extent of Council’s renewals against its depreciation charge (an indication of the decline in value of its existing capital assets). A percentage greater than 100 indicates Council is maintaining its existing assets, while a percentage less than 100 means its assets are deteriorating faster than they are being renewed and future capital expenditure will be required to renew assets. A number of major projects have impacted 2023/24 with asset renewal returning to sustainable levels in 2024/25.

6. **Rates concentration**
   Reflects extent of reliance on rate revenues to fund all of Council’s on-going services. Trend indicates Council will become more reliant on rate revenue compared to all other revenue sources.