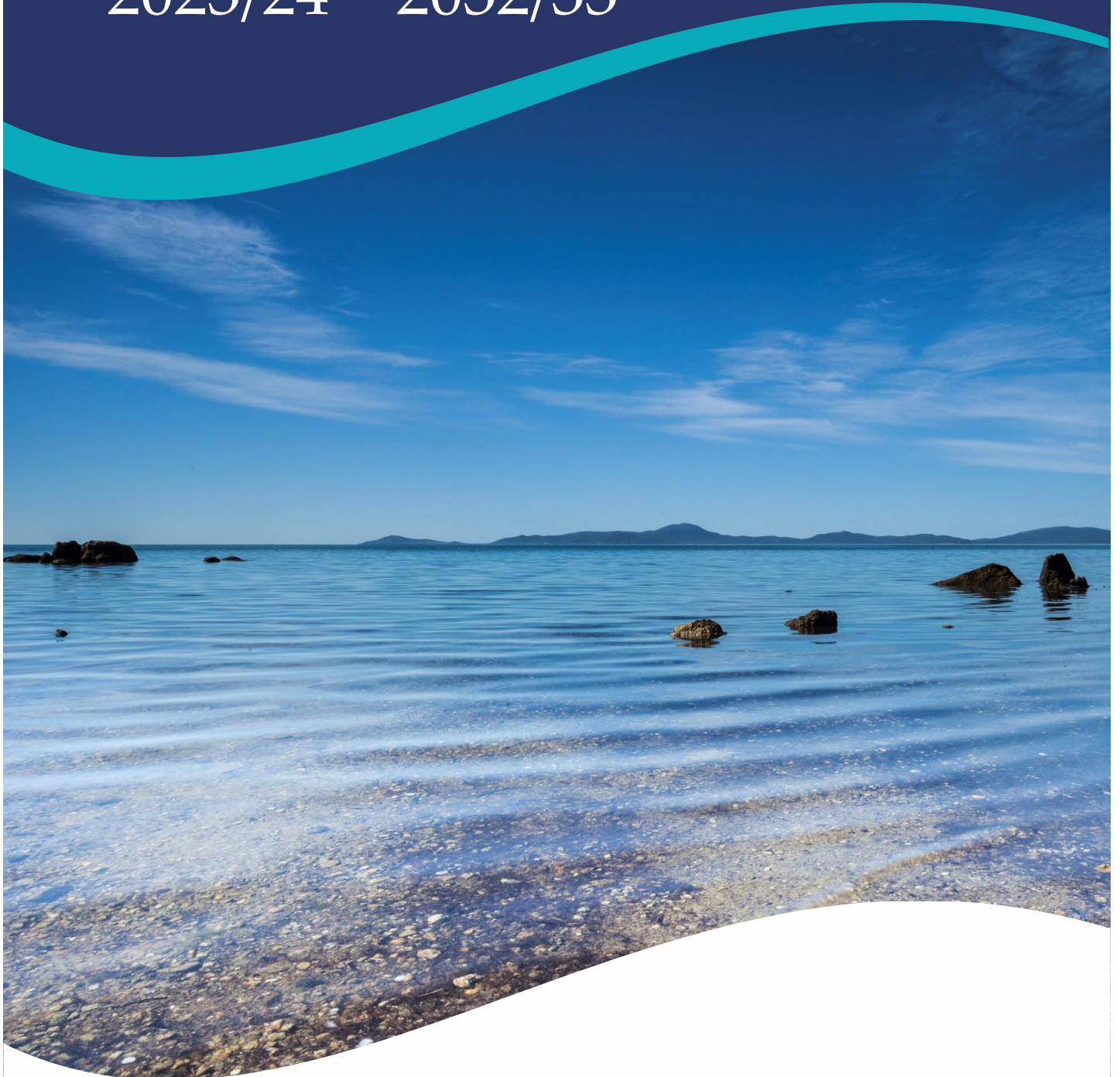


SOUTH GIPPSLAND SHIRE COUNCIL

Financial Plan 2023/24 – 2032/33



*Managing South Gippsland's
long-term financial sustainability.*



Acknowledgment of Country

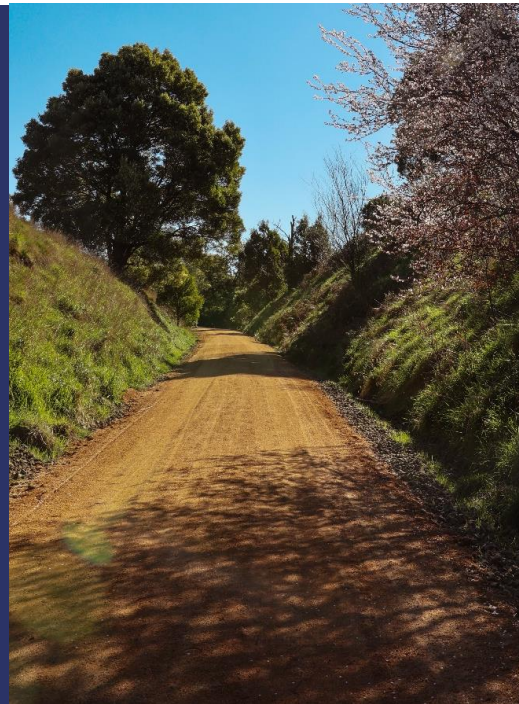
We acknowledge the Bunurong and Gunaikurnai people as the Traditional Custodians of South Gippsland and pay respect to their Elders, past, present, and future, for they hold the memories, traditions, culture, and hopes of Aboriginal and Torres Strait Islander people of Australia.



eucalyptus, (genus Eucalyptus)

Purpose of this document

The purpose of the Financial Plan (this Plan) is to provide a 10-year financially sustainable projection regarding how the Strategic Objectives and the actions of the Council Plan and other Integrated Plans may be funded to achieve Council's *Community Vision 2040*.



Great Southern Rail Trail (GSRT)

Front Page Photo: Duck Point

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About this Plan

1

This Plan outlines the broad financial parameters for Council's financial sustainability over the next ten years. The Plan is broken up into three main sections:

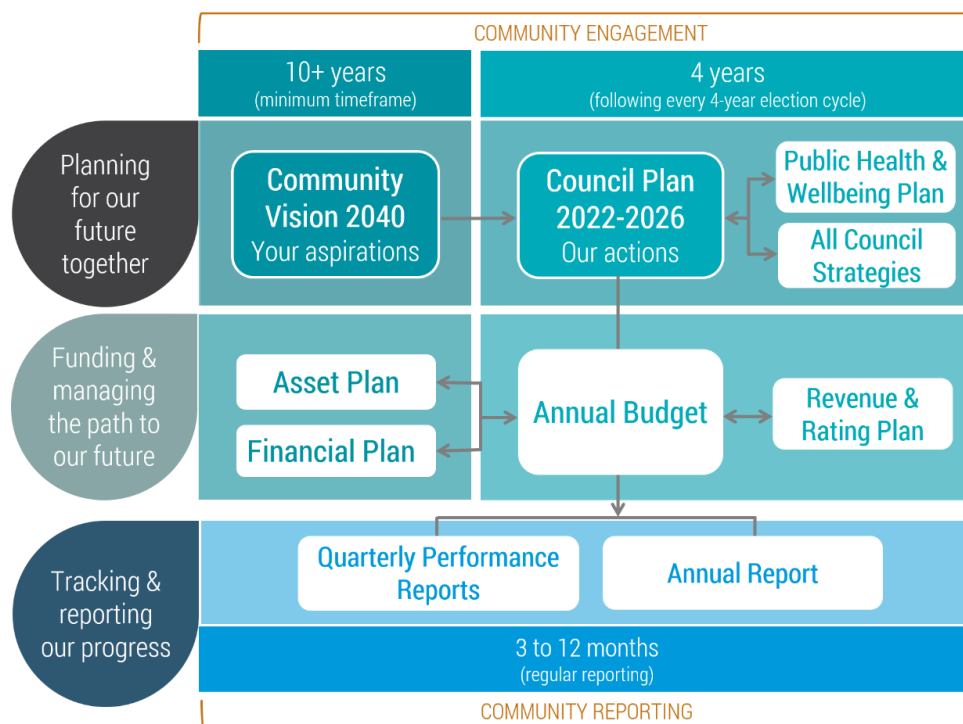
- **Financial Policies and Performance Indicators** that set out the financial targets that ensure Council remains financially sustainable;
- **Strategic Actions** identify the approach Council intends to take to achieve the financial policies; and
- **Financial Plan Statements** apply the strategic actions to a 10-year financial model to ensure Council meets our Financial Policy targets.

1.1 Background

The *Local Government Act 2020* (the Act) requires councils to prepare a 10-year Financial Plan in the year following a general election that links to the achievement of the Community Vision and the Council Plan within the Integrated Planning and Reporting Framework.

This framework guides the Council in identifying community needs and aspirations over the long-term through the Community Vision and Financial Plan, the medium-term through the Council Plan, Workforce Plan, and Revenue and Rating Plan, and short-term through the Department Plans and Budget. Council holds itself accountable through the Organisational and Financial Performance Reports and the Annual Report.

Figure 1: Council's Strategic Planning & Reporting Framework



1.2 Asset Plan Integration

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

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

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

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

1.3 Strategic Planning Principles

This Plan provides a 10-year financially sustainable projection regarding how the actions of the Council Plan may be funded to achieve the Community Vision. The Plan is developed in the context of the following strategic planning principles:

- Council has an integrated approach to planning, monitoring and performance reporting.
- Council's Financial Plan addresses the Community Vision by funding the aspirations of the Council Plan. The Council Plan aspirations and actions are formulated in the context of the Community Vision.
- The Financial Plan statements articulate the 10-year financial resources necessary to implement the goals and aspirations of the Council Plan to achieve the Community Vision.
- Council's strategic planning principles identify and address the risks to effective implementation of the Financial Plan.
- The Financial Plan provides for the strategic planning principles of progress monitoring and reviews to identify and adapt to changing circumstances.

1.4 Financial Management Principles

The Plan demonstrates the following financial management principles:

- Revenue, expenses, assets, liabilities, investments and financial transactions are managed in accordance with Council's financial policies and strategic plans.
- Management of the following financial risks:
 - The financial viability of the Council (refer to Section 2.1 Financial Policies).
 - The management of current and future liabilities of the Council. The estimated 10-year liabilities are disclosed in Section 4.2 Balance Sheet projections.
 - The beneficial enterprises of Council (where appropriate).
- Financial policies and strategic plans are designed to provide financial stability and predictability to the community.
- Council maintains accounts and records that explain its financial operations and financial position (refer to Section 4 Financial Plan Statements).

1.5 Community Engagement

The *Local Government Act 2020* prescribes that deliberative community engagement be undertaken in accordance with Council's *Community Engagement Strategy 2020-2024* and *Community Engagement Policy (C06)* for the Financial Plan.

Financial Policies and Performance Indicators

2

2.1 Financial Policies

South Gippsland Shire Council's *Financial Management Policy (C86)* outlines how Council meets its responsibility of sound financial management in order to remain financially sustainable and comply with statutory obligations. Council is committed to remaining in a strong financial position, and utilises the Victorian Auditor General's Office (VAGO) financial sustainability indicators when making assessments regarding financial risks and forward planning. Council's Financial Plan contains the parameters in which Council budgets and considers what level of risk is acceptable. The following policy statements and measures are used to demonstrate Council's financial sustainability in order to fund the aspirations of the Community Vision and the Council Plan.

Policy Statement	Measure	Target	Justification
Consistent underlying surplus results	Adjusted underlying result (%) Adjusted underlying result / Adjusted underlying revenue	>0%	This measures an entity's ability to generate surplus in the ordinary course of business - excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure from net result. A surplus or increasing surplus suggests an improvement in the operating position.
Ensure Council maintains sufficient working capital to meet its debt obligations as they fall due	Working capital (ratio) Current Assets / Current Liabilities	>1.25	This indicator measure Council's ability to pay existing liabilities in the next 12 months. A ratio of one or more means that an entity has more cash and liquid assets than short-term liabilities.
Ensure Council maintains the ability to finance planned investments from its own resources	Self-financing (%) Net operating cash flow / Adjusted underlying revenue	>20%	This measures Council's ability to finance capital and other investments from its own resources, excluding income from non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure from net result.
Ensures that Council could repay long term obligations from the income it generates internally	Indebtedness (%) Non-current liabilities / own-sourced revenue	<40%	This assesses an entity's ability to pay the principal and interest on its borrowings when they are due from the funds it generates. The lower the ratio, the less revenue the entity is required to use to repay its total debt. Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.

Policy Statement	Measure	Target	Justification
That Council maintains total borrowings in line with rate income and growth of the municipality	Loans and borrowings (%) Total borrowings / Rate revenue	<60%	This measures Council's total debt as a percentage of rate revenue.
Council maintains debt service costs in line with rate income and growth of the municipality	Loans and borrowings payments (%) Repayments on loans (P+I) / Rate revenue	<10%	This measures Council's ability to pay existing liabilities in the next 12 months using cash reserves that are not restricted like trust funds and statutory reserves. It assesses the ability that Council has to pay its bills on time without utilising cash that are held to fund specific activities.

Below are the ten-year projections of these measures, also used as the key measures to ensure Council is financially sustainable in to the future.

Policy Statement	Measure	Target	Forecast Actual										
			2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Consistent underlying surplus results	Adjusted underlying result (%) Adjusted underlying result / Adjusted underlying revenue to be maintained greater than 0%	>0%	-10.6%	3.4%	4.9%	6.1%	6.4%	7.7%	7.8%	8.9%	10.6%	11.2%	11.0%
Ensure Council maintains sufficient working capital to meet its debt obligations as they fall due	Working capital (ratio) Current Assets / Current Liabilities to be maintained above 1.25	>1.25	1.92	1.29	1.25	1.21	1.22	1.23	1.20	1.35	1.14	1.20	1.28
Ensure Council maintains the ability to finance planned investments from its own resources	Self-financing (%) Net operating cash flow / Adjusted underlying revenue to be maintained above 20%	>20%	34.6%	30.6%	28.2%	28.2%	25.1%	24.9%	24.6%	25.0%	26.2%	26.2%	25.9%
Ensures that Council could repay long term obligations from the income it generates internally	Indebtedness (%) Non-current liabilities / own-sourced revenue to be maintained below 40%	<40%	25.8%	27.7%	32.2%	28.3%	24.7%	21.1%	17.6%	14.6%	11.8%	9.8%	8.6%
That Council maintains total borrowings in line with rate income and growth of the municipality	Loans and borrowings (%) Total borrowings / Rate revenue to be maintained below 60%	<60%	19.2%	22.4%	28.5%	24.4%	20.5%	16.7%	13.0%	9.5%	6.4%	3.7%	1.6%
Council maintains debt service costs in line with rate income and growth of the municipality	Loans and borrowings payments (%) Repayments on loans (P+I) / Rate revenue to be maintained below 10%	<10%	1.7%	2.6%	3.5%	4.0%	3.9%	3.7%	3.6%	3.5%	3.1%	2.7%	2.0%

2.2 Financial Performance Indicators

In addition to these policy statements, Council's financial performance is also measured against the Victorian Auditor General Office (VAGO) and Local Government Performance Reporting Framework (LGPRF) indicators. These indicators provide an analysis of Council's 10-year financial projections and should be interpreted in the context of the organisation's objectives and financial management principles.

Indicator	Measure	Forecast Actual											Trend
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	+/-
Operating position													
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	-10.6%	3.3%	4.8%	6.1%	6.4%	7.7%	7.8%	8.9%	10.6%	11.1%	11.0%	+
Liquidity													
Working Capital	Current assets / current liabilities	192.2%	129.4%	124.8%	120.6%	121.9%	123.4%	120.2%	135.1%	113.5%	119.9%	128.5%	o
Unrestricted cash	Unrestricted cash / current liabilities	51.6%	24.2%	21.0%	14.6%	14.1%	13.2%	8.1%	19.8%	-5.5%	-3.8%	-0.9%	-
Obligations													
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	19.2%	22.4%	28.5%	24.4%	20.5%	16.7%	13.0%	9.5%	6.4%	3.7%	1.6%	+
Loans and borrowings repayments	Interest and principal repayments on interest bearing loans and borrowings / rate revenue	1.7%	2.6%	3.5%	4.0%	3.9%	3.7%	3.6%	3.5%	3.1%	2.7%	2.0%	+
Indebtedness	Non-current liabilities / own source revenue	25.8%	27.7%	32.2%	28.3%	24.7%	21.1%	17.6%	14.6%	11.8%	9.8%	8.6%	+
Asset renewal	Asset renewal and upgrade expense / Asset depreciation	289.3%	292.7%	179.3%	158.0%	135.7%	144.4%	154.4%	134.3%	207.6%	161.6%	180.0%	o
Stability													
Rates concentration	Rate revenue / adjusted underlying revenue	73.4%	67.0%	68.6%	68.8%	69.2%	69.2%	69.4%	69.5%	69.3%	69.2%	70.1%	o
Rates effort	Rate revenue / CIV of rateable properties in the municipality	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	o
Efficiency													
Expenditure level	Total expenses/ no. of property assessments	\$3,527	\$3,495	\$3,442	\$3,449	\$3,484	\$3,497	\$3,589	\$3,643	\$3,695	\$3,788	\$3,852	o
Revenue level	General rates and municipal charges / no. of property assessments	\$2,139	\$2,204	\$2,253	\$2,297	\$2,341	\$2,386	\$2,430	\$2,474	\$2,519	\$2,564	\$2,608	o

Key to Forecast Trend:

+ Forecasts improvement in Council's financial performance/financial position indicator

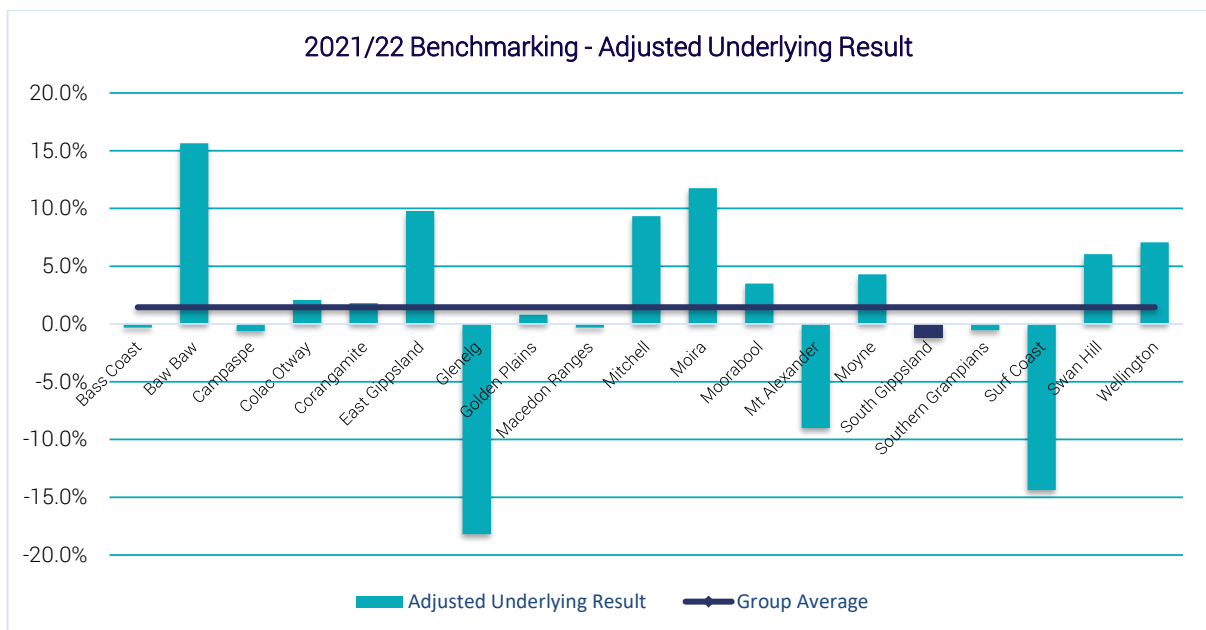
o Forecasts that Council's financial performance/financial position indicator will be steady

- Forecasts deterioration in Council's financial performance/financial position indicator

The graphs below contain benchmarking data for South Gippsland Shire Council's 2021/22 actual results as compared to other large rural councils in Victoria. Benchmarking allows councils to compare their performance against similar organisations and identify areas of improvement. It also encourages the sector to share ideas and resources to improve service delivery and address any systemic issues together.

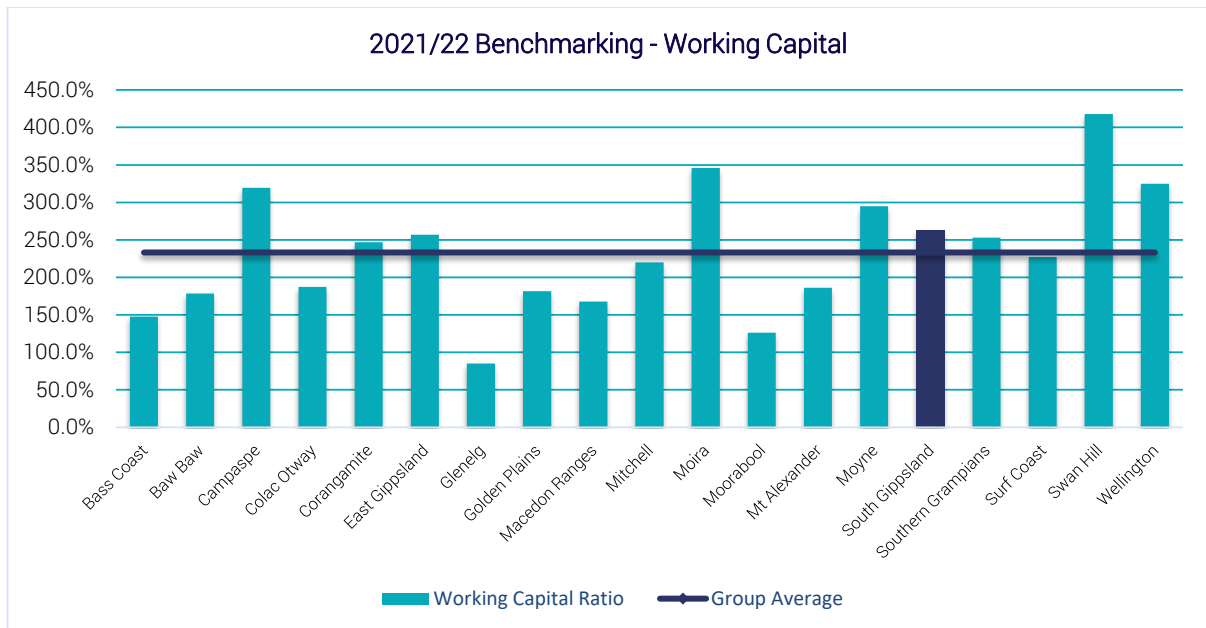
Adjusted Underlying Result

This measures an entity's ability to generate surplus in the ordinary course of business - excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure from net result.



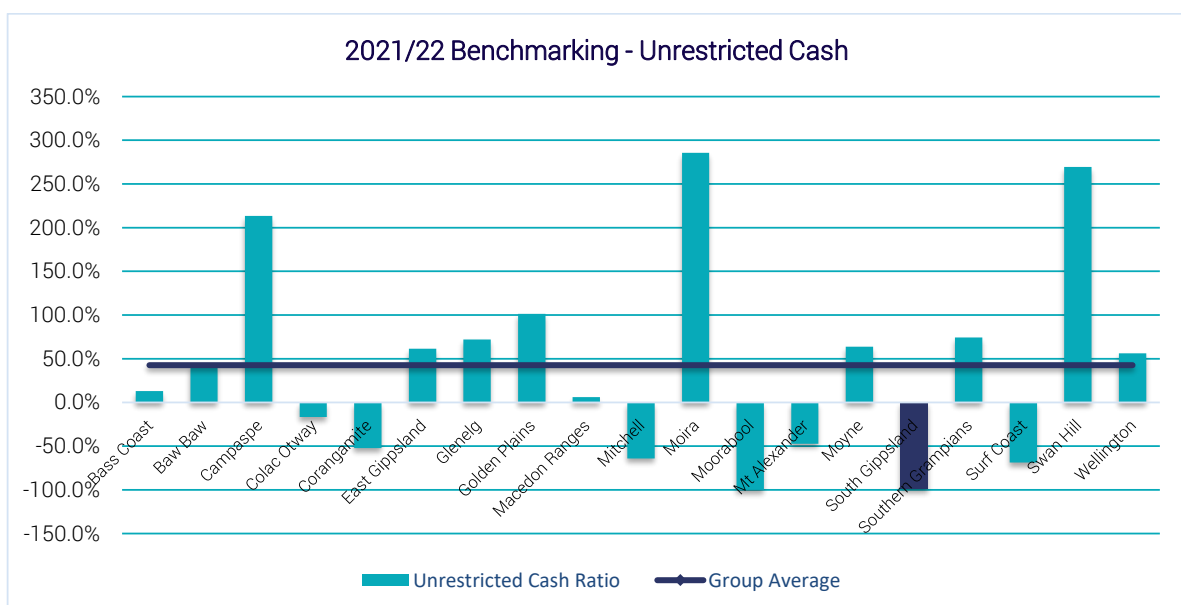
Working Capital

This indicator measures Council's ability to pay existing liabilities in the next 12 months and can be a volatile ratio due to the classification of assets and liabilities being current or non-current year-on-year. Council remains at the high end of the expected range for this measure which is a reflection of the strong financial health of the organisation.



Unrestricted Cash

This measures Council's ability to pay existing liabilities in the next 12 months using cash reserves that are not restricted, like trust funds and statutory reserves. It assesses the ability that Council has to pay its bills on time without utilising cash that is held to fund specific activities.

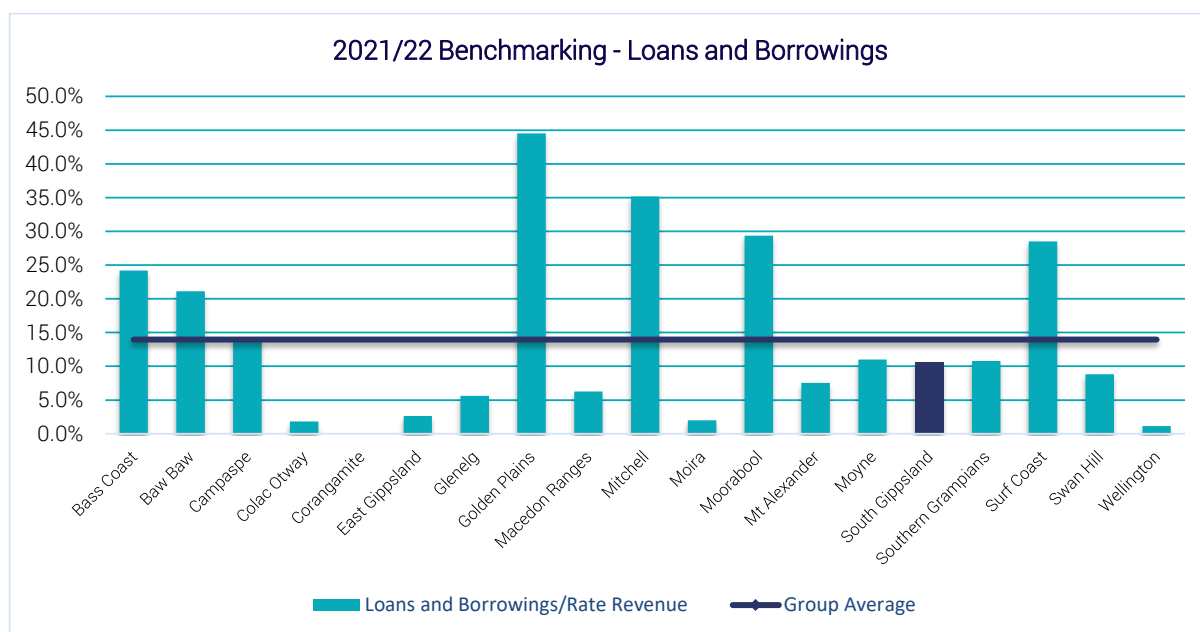


Unrestricted cash decreased in 2021/22 due to a higher amount of capital works carried forward at year end as compared to the prior year. It is important to note that unrestricted cash refers only to cash balances with investments with a maturity of less than 90 days. Council's investments with maturity over 90 days was \$37.27 million as at 30 June 2022.

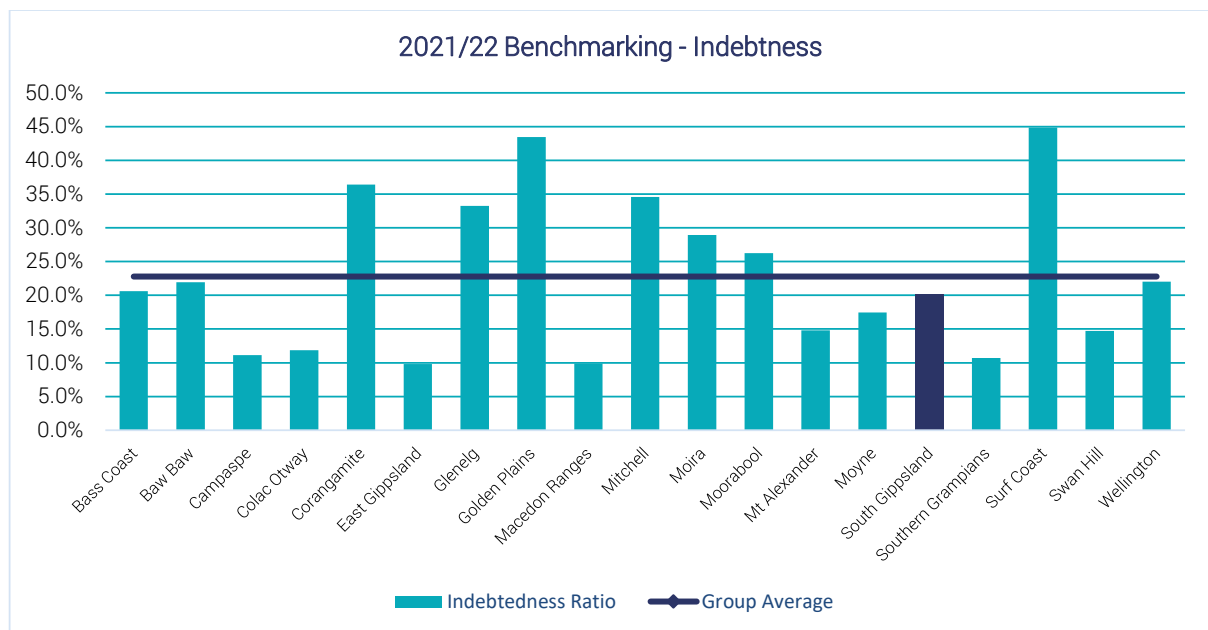
Loans and Borrowings

This measures Council's ability to pay its interest-bearing loan obligations with the rate revenue it generates. Being well below the maximum target of 60 per cent, Council has the ability to borrow to fund major capital works projects in the future.

Borrowings in 2020/21 include an amount of \$3.6 million taken up at the completion of the Mirboo North Pool Refurbishment project works through the Sports and Recreation loan scheme. This ratio increases in the following two years based on two additional low interest subsidised loans of \$5 million each for the Korumburra Community Hub (\$1.2M borrowed in 2021/22) and Korumburra Streetscape (\$0.7M borrowed in 2021/22) through the Community Infrastructure Loan Scheme. 2022/23 will see additional funds drawn against these projects (Korumburra Community Hub \$3.8M and Korumburra Streetscape \$1.15M) with the final \$3.15M being drawn in 2023/24 for the Korumburra Streetscape Project. A loan of \$5 million is anticipated for the 2024/25 financial year being an estimate required for the refurbishment of the Korumburra swimming pool. The ratio then falls in the later years as the loans are being repaid.

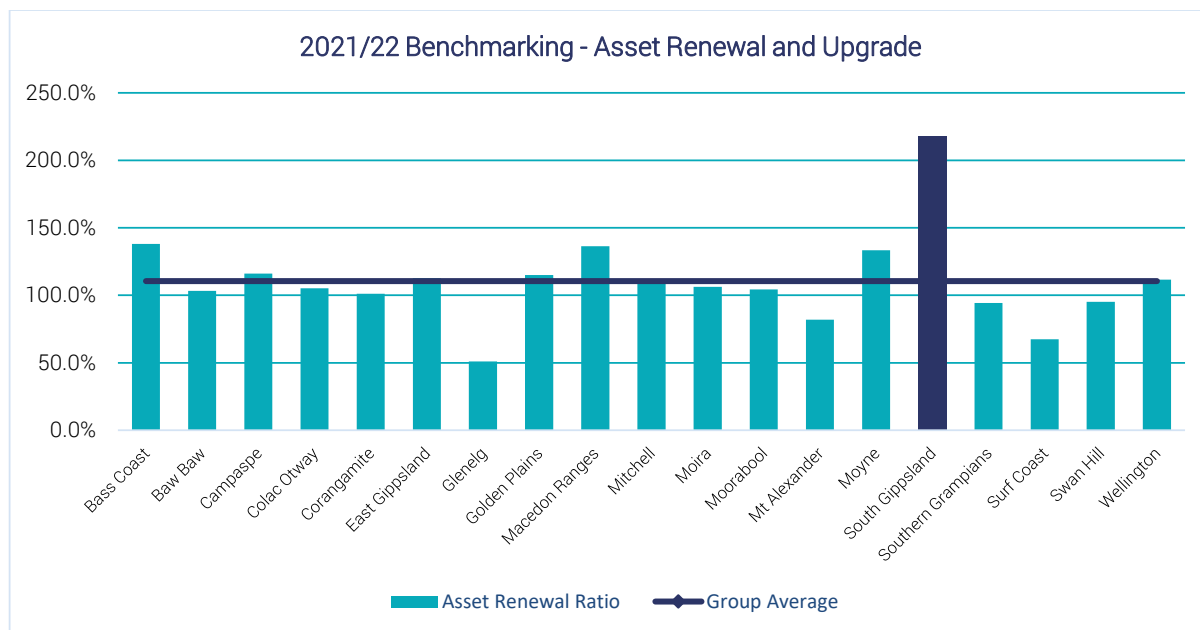


Indebtedness



This measures Council's ability to pay its long-term obligations with the revenue it generates internally (i.e. excludes external grants and contributions). Being well below the maximum target of 40 per cent means Council's level of long-term obligations can easily be met without relying on external funding sources.

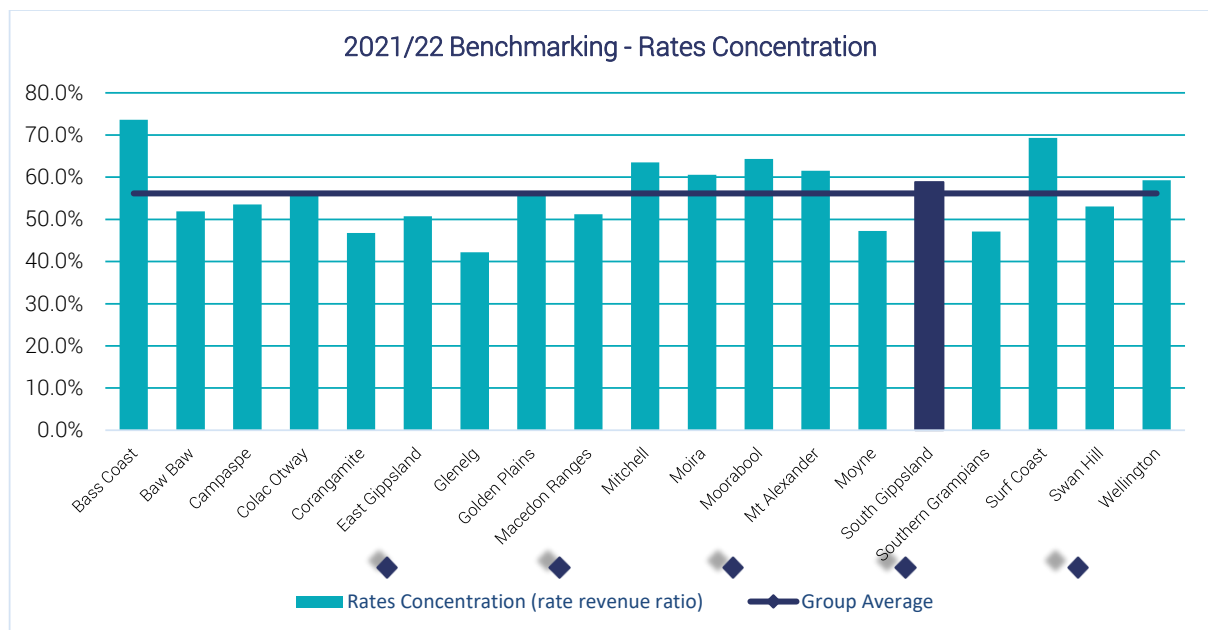
Asset Renewal and Upgrade



This measures the renewal and upgrade expenditure that Council incurs on its existing asset base compared to depreciation expense. This assesses whether Council's assets are being renewed or upgraded as planned and compares the rate of spending on existing assets through renewing, restoring, replacing or upgrading existing assets with depreciation expense. A measure above 100 per cent indicates that there is less risk of insufficient spending on Council's existing asset base. Council's spending on renewal is based on its asset renewal and Asset Plan.

This is a volatile measure as the level of asset renewal and upgrade expenditure that Council incurs each year can vary widely. The ratio is quite high in 2021/22 primarily as a result of carrying forward \$20 million of works from the previous year. The ratio remains high in the following three forecast years due to loan funded works planned in Korumburra. These include a Korumburra Community Hub and the Korumburra Streetscape Projects. Following those years, the ratio falls to a more normal level where there are no loan funded works and Council expects to have minimal carry forward of works from one year to the next.

Rates Concentration



This indicator assesses whether Council can generate sufficient revenue from a range of sources, excluding grants and contributions received for capital works, to fund services and activities. A low percentage indicates that Council is not entirely reliant on rate income to fund services.

Strategic Objectives

3

In 2021/22, Council invited community members to shape the future of South Gippsland by developing the Community Vision for 2040. Community members were asked to outline what is important to them for the future of the region while exploring potential challenges and opportunities that could emerge. The *Community Vision 2040* which was adopted at the 29 June 2022 Council Meeting, sets the foundation for all Council plans and strategies to ensure actions undertaken by Council are guided by community aspirations now and into the future.

Council has identified the strategic objectives that will support the aspirations of the Community Vision 2040 and direction of the Council Plan. Refer to the 2023/24 Budget document on Council's website for further details on the strategic objectives related to the Council Plan.

Financial Plan Statements

4

This section presents information regarding the Financial Plan Statements for the 10 years from 2023/24 to 2032/33.

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

4.1 Comprehensive Income Statement

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Income / Revenue											
Rates and charges	47,862	50,491	52,167	53,747	55,364	57,019	58,713	60,448	62,223	64,039	65,899
Statutory fees and fines	1,239	1,144	1,184	1,248	1,294	1,284	1,306	1,390	1,406	1,416	1,458
User fees	4,659	4,117	4,211	4,316	4,424	4,535	4,648	4,764	4,883	5,005	5,130
Grants - Operating	6,018	13,486	13,173	13,463	13,790	14,126	14,469	14,822	15,182	15,552	15,932
Grants - Capital	14,635	7,539	3,889	4,343	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Contributions - monetary	1,948	966	1,385	930	689	672	659	676	595	710	701
Contributions - non-monetary	422	431	441	452	464	475	487	499	512	525	538
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	21	665	83	-	(191)	27	(7)	-	33	-	-
Other income	2,126	1,875	1,836	1,861	1,883	1,910	1,988	2,036	2,597	3,091	2,100
Total income / revenue	78,930	80,714	78,368	80,360	80,102	82,433	84,648	87,019	89,815	92,722	94,143
Expenses											
Employee costs	29,677	29,634	30,242	31,138	31,977	32,845	33,703	34,619	35,692	36,663	37,305
Materials and services	27,240	26,788	25,465	25,457	26,184	26,882	27,978	28,185	28,734	29,601	30,252
Depreciation	11,237	12,047	12,261	12,229	12,186	11,794	11,769	11,781	11,227	11,340	11,386
Amortisation - right of use assets	92	92	92	92	85	-	-	-	-	-	-
Borrowing costs	102	211	333	393	349	304	257	209	160	110	62
Finance Costs - leases	7	5	4	2	1	-	-	-	-	-	-
Other expenses	3,457	3,271	3,322	3,348	3,431	3,517	3,604	3,694	3,786	3,880	3,977
Total expenses	71,812	72,049	71,719	72,659	74,213	75,342	77,311	78,488	79,599	81,594	82,982
Surplus/(deficit) for the year	7,118	8,665	6,649	7,701	5,889	7,091	7,336	8,531	10,216	11,128	11,160
Total comprehensive result	7,118	8,665	6,649	7,701	5,889	7,091	7,336	8,531	10,216	11,128	11,160

4.2 Balance Sheet

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Assets											
Current assets											
Cash and cash equivalents	13,841	8,611	8,346	7,496	7,797	8,140	7,530	10,445	5,722	6,731	7,967
Trade and other receivables	6,398	6,728	6,253	6,223	6,153	6,147	6,179	6,163	6,242	6,228	6,183
Other financial assets	19,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Inventories	176	176	176	176	176	176	176	176	176	176	176
Other assets	348	348	348	348	348	348	348	348	348	348	348
Total current assets	39,763	26,862	26,123	25,243	25,474	25,811	25,234	28,133	23,488	24,483	25,674
Non-current assets											
Property, infrastructure, plant & equipment	685,046	708,438	719,066	725,886	729,786	734,715	740,792	744,519	757,631	766,228	775,004
Right-of-use assets	362	270	177	85	-	-	-	-	-	-	-
Investment property	727	727	727	727	727	727	727	727	727	727	727
Total non-current assets	686,135	709,434	719,970	726,697	730,513	735,442	741,519	745,246	758,358	766,955	775,731
Total assets	725,898	736,297	746,094	751,941	755,987	761,253	766,752	773,379	781,846	791,438	801,405
Liabilities											
Current liabilities											
Trade and other payables	6,456	6,242	5,958	5,919	5,928	5,911	5,930	5,930	5,918	5,999	6,061
Trust funds and deposits	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552	1,552
Unearned income/revenue	4,922	4,922	4,922	4,922	4,922	4,922	4,922	4,922	4,922	4,922	4,922
Provisions	6,684	6,684	6,684	6,684	6,684	6,684	6,684	6,684	6,684	6,684	6,684
Interest-bearing liabilities	978	1,271	1,720	1,764	1,809	1,856	1,904	1,738	1,616	1,256	764
Lease liabilities	91	92	94	87	-	-	-	-	-	-	-
Total current liabilities	20,683	20,764	20,931	20,928	20,895	20,925	20,992	20,825	20,692	20,412	19,982

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Non-current liabilities											
Provisions	6,141	6,141	6,141	6,141	6,141	6,141	6,141	6,141	6,141	6,141	6,141
Interest-bearing liabilities	8,187	9,932	13,006	11,242	9,433	7,577	5,674	3,936	2,320	1,064	300
Lease liabilities	273	181	87	-	-	-	-	-	-	-	-
Total non-current liabilities	14,601	16,254	19,234	17,383	15,574	13,718	11,815	10,077	8,461	7,205	6,441
Total liabilities	35,284	37,018	40,165	38,311	36,469	34,643	32,806	30,902	29,153	27,617	26,424
Net assets	690,614	699,279	705,929	713,629	719,519	726,610	733,946	742,477	752,693	763,821	774,981
Equity											
Accumulated surplus	258,337	266,568	272,857	280,080	285,542	292,105	298,989	307,033	316,710	327,192	337,707
Reserves	432,277	432,711	433,072	433,549	433,976	434,505	434,957	435,443	435,982	436,629	437,274
Total equity	690,614	699,279	705,929	713,629	719,519	726,610	733,946	742,477	752,693	763,821	774,981

4.3 Statement of Changes in Equity

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2023 Forecast Actual				
Balance at beginning of the financial year	683,496	251,744	430,670	1,082
Surplus/(deficit) for the year	7,118	7,118	-	-
Transfers (to)/ from reserves	-	(525)	-	525
Balance at end of the financial year	690,614	258,337	430,670	1,607
2024				
Balance at beginning of the financial year	690,614	258,337	430,670	1,607
Surplus/(deficit) for the year	8,665	8,665	-	-
Transfers (to)/ from reserves	(0)	(434)	-	434
Balance at end of the financial year	699,279	266,568	430,670	2,041
2025				
Balance at beginning of the financial year	699,279	266,568	430,670	2,041
Surplus/(deficit) for the year	6,649	6,649	-	-
Transfers (to)/ from reserves	-	(360)	-	360
Balance at end of the financial year	705,929	272,857	430,670	2,402
2026				
Balance at beginning of the financial year	705,929	272,857	430,670	2,402
Surplus/(deficit) for the year	7,701	7,701	-	-
Transfers (to)/ from reserves	-	(477)	-	477
Balance at end of the financial year	713,629	280,080	430,670	2,879

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2027				
Balance at beginning of the financial year	713,629	280,080	430,670	2,879
Surplus/(deficit) for the year	5,889	5,889	-	-
Transfers (to)/ from reserves	-	(427)	-	427
Balance at end of the financial year	719,519	285,542	430,670	3,306
2028				
Balance at beginning of the financial year	719,519	285,542	430,670	3,306
Surplus/(deficit) for the year	7,091	7,091	-	-
Transfers (to)/ from reserves	-	(529)	-	529
Balance at end of the financial year	726,610	292,105	430,670	3,835
2029				
Balance at beginning of the financial year	726,610	292,105	430,670	3,835
Surplus/(deficit) for the year	7,336	7,336	-	-
Transfers (to)/ from reserves	-	(452)	-	452
Balance at end of the financial year	733,946	298,989	430,670	4,287
2030				
Balance at beginning of the financial year	733,946	298,989	430,670	4,287
Surplus/(deficit) for the year	8,531	8,531	-	-
Transfers (to)/ from reserves	-	(487)	-	487
Balance at end of the financial year	742,477	307,033	430,670	4,773

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2031				
Balance at beginning of the financial year	742,477	307,033	430,670	4,773
Surplus/(deficit) for the year	10,216	10,216	-	-
Transfers (to)/ from reserves	-	(539)	-	539
Balance at end of the financial year	752,693	316,710	430,670	5,312
2032				
Balance at beginning of the financial year	752,693	316,710	430,670	5,312
Surplus/(deficit) for the year	11,128	11,128	-	-
Transfers (to)/ from reserves	-	(647)	-	647
Balance at end of the financial year	763,821	327,192	430,670	5,959
2033				
Balance at beginning of the financial year	763,821	327,192	430,670	5,959
Surplus/(deficit) for the year	11,160	11,160	-	-
Transfers (to)/ from reserves	-	(645)	-	645
Balance at end of the financial year	774,981	337,707	430,670	6,604

4.4 Statement of Cash Flows

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities											
Rates and charges	48,459	50,284	52,186	53,731	55,279	57,016	58,694	60,440	62,749	65,023	65,945
Statutory fees and fines	1,380	1,253	1,303	1,370	1,421	1,416	1,437	1,525	1,549	1,560	1,603
User fees	5,189	4,510	4,637	4,748	4,861	4,990	5,113	5,241	5,374	5,507	5,643
Grants - operating	6,093	13,431	13,236	13,467	13,774	14,131	14,470	14,825	15,189	15,557	15,932
Grants - capital	14,817	7,508	4,186	4,317	2,530	2,389	2,389	2,389	2,389	2,389	2,388
Contributions - monetary	1,948	966	1,385	930	689	672	659	676	595	710	701
Interest received	650	500	500	500	500	500	500	500	500	500	500
Other receipts	1,865	1,599	1,584	1,631	1,609	1,622	1,702	1,757	1,767	1,806	1,833
Net GST refund / payment	5,192	5,679	4,418	3,984	3,780	3,863	4,067	3,872	4,711	4,449	4,490
Employee costs	(29,520)	(29,735)	(30,282)	(31,115)	(31,974)	(32,852)	(33,712)	(34,593)	(35,682)	(36,626)	(37,281)
Materials and services	(29,805)	(29,567)	(28,249)	(28,060)	(28,796)	(29,578)	(30,746)	(31,032)	(31,628)	(32,521)	(33,244)
Other payments	(3,783)	(3,610)	(3,661)	(3,688)	(3,775)	(3,870)	(3,966)	(4,061)	(4,165)	(4,265)	(4,369)
Net cash provided by/(used in) operating activities	22,485	22,816	21,243	21,815	19,897	20,299	20,606	21,538	23,347	24,089	24,140
Cash flows from investing activities											
Payments for property, infrastructure, plant and equipment	(41,824)	(40,515)	(25,417)	(21,258)	(18,191)	(18,739)	(19,984)	(17,399)	(27,120)	(22,287)	(22,543)
Proceeds from sale of property, infrastructure, plant and equipment	3,032	2,738	815	802	796	897	881	889	947	934	957
Proceeds from sale of investments	18,270	8,000	-	-	-	-	-	-	-	-	-
Net cash provided by/ (used in) investing activities	(20,522)	(29,777)	(24,602)	(20,456)	(17,395)	(17,843)	(19,103)	(16,510)	(26,173)	(21,354)	(21,586)

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Cash flows from financing activities											
Finance costs	(102)	(211)	(333)	(393)	(349)	(304)	(257)	(209)	(160)	(110)	(62)
Proceeds from borrowings	4,950	3,150	5,000	-	-	-	-	-	-	-	-
Repayment of borrowings	(721)	(1,112)	(1,477)	(1,720)	(1,764)	(1,809)	(1,856)	(1,904)	(1,738)	(1,616)	(1,256)
Interest paid - lease liability	(7)	(5)	(4)	(2)	(1)	-	-	-	-	-	-
Repayment of lease liabilities	(89)	(91)	(92)	(94)	(87)	-	-	-	-	-	-
Net cash provided by/(used in) financing activities	4,031	1,731	3,095	(2,209)	(2,201)	(2,113)	(2,113)	(2,113)	(1,898)	(1,726)	(1,318)
Net increase/(decrease) in cash & cash equivalents	5,994	(5,230)	(264)	(850)	302	343	(610)	2,915	(4,724)	1,009	1,236
Cash and cash equivalents at the beginning of the financial year	7,847	13,841	8,611	8,346	7,496	7,797	8,140	7,530	10,445	5,722	6,731
Cash and cash equivalents at the end of the financial year	13,841	8,611	8,346	7,496	7,797	8,140	7,530	10,445	5,722	6,731	7,967

4.5 Statement of Capital Works

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Property											
Land	-	-	-	-	-	-	-	-	-	-	-
Total land	-	-	-	-	-	-	-	-	-	-	-
Buildings	10,626	6,980	8,880	3,793	3,756	3,147	3,647	1,184	5,578	2,392	4,372
Heritage buildings	209	110	115	119	124	129	134	140	145	151	157
Building improvements	4	-	-	-	-	-	-	-	-	-	-
Total buildings	10,838	7,090	8,995	3,913	3,880	3,276	3,782	1,323	5,724	2,543	4,529
Total property	10,838	7,090	8,995	3,913	3,880	3,276	3,782	1,323	5,724	2,543	4,529
Plant and equipment											
Plant, machinery and equipment	3,071	3,825	3,123	2,531	2,492	2,651	2,777	2,739	2,970	2,878	2,950
Computers and telecommunications	1,141	985	754	773	792	812	833	853	875	897	919
Total plant and equipment	4,212	4,810	3,877	3,304	3,284	3,463	3,610	3,592	3,845	3,774	3,869
Infrastructure											
Roads	10,453	11,121	8,433	8,516	8,408	9,561	9,878	10,010	10,716	11,194	11,111
Bridges	320	363	376	391	405	210	231	125	188	489	507
Footpaths and cycleways	1,714	900	156	162	168	174	181	188	850	798	210
Drainage	116	184	144	150	155	161	167	174	786	1,384	194
Recreational, leisure and community facilities	1,613	441	994	1,074	237	190	223	247	357	79	74
Waste management	701	3,907	131	1,817	-	-	97	158	2,190	-	-
Parks, open space and streetscapes	3,657	7,507	-	-	-	-	-	-	-	-	-
Off street car parks	2,784	-	-	-	-	-	-	-	-	-	-
Other infrastructure	1,614	510	-	-	-	-	-	-	-	-	-
Total infrastructure	22,971	24,932	10,235	12,109	9,373	10,297	10,776	10,902	15,086	13,944	12,096
Total capital works expenditure	38,022	36,832	23,106	19,325	16,537	17,036	18,167	15,817	24,655	20,261	20,494

	Forecast / Actual 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Represented by:											
New asset expenditure	215	450	-	-	-	-	-	-	-	-	-
Asset renewal expenditure	29,616	25,888	21,709	17,359	16,382	16,874	17,903	15,485	20,590	17,817	20,299
Asset expansion expenditure	5,303	1,120	1,122	-	-	-	-	-	1,342	1,934	-
Asset upgrade expenditure	2,888	9,374	276	1,967	155	161	264	332	2,722	509	194
Total capital works expenditure	38,022	36,832	23,106	19,325	16,537	17,036	18,167	15,817	24,655	20,261	20,494
Funding sources represented by:											
Grants	14,634	7,539	3,889	4,343	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Contributions	1,304	601	1,063	601	353	328	348	357	268	375	358
Council cash	17,133	25,542	13,155	14,381	13,800	14,323	15,435	13,076	22,002	17,502	17,751
Borrowings	4,950	3,150	5,000	-	-	-	-	-	-	-	-
Total capital works expenditure	38,022	36,832	23,106	19,325	16,537	17,036	18,167	15,817	24,655	20,261	20,494

4.6 Statement of Human Resources

Staff expenditure	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Staff expenditure											
Employee costs - operating	29,677	29,634	30,242	31,138	31,977	32,845	33,703	34,619	35,692	36,663	37,305
Employee costs - capital	1,390	1,454	1,498	1,543	1,585	1,628	1,670	1,716	1,764	1,812	1,861
Total staff expenditure	31,067	31,088	31,740	32,681	33,561	34,473	35,374	36,335	37,456	38,475	39,166

Staff numbers	2022/23 FTE	2023/24 FTE	2024/25 FTE	2025/26 FTE	2026/27 FTE	2027/28 FTE	2028/29 FTE	2029/30 FTE	2030/31 FTE	2031/32 FTE	2032/33 FTE
Staff numbers											
Employees	276.9	274.0	269.0	268.8	268.8	268.8	268.8	268.8	269.8	269.8	269.6
Total staff numbers	276.9	274.0	269.0	268.8	268.8	268.8	268.8	268.8	269.8	269.8	269.6

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

Department	Total \$'000	Comprises Permanent		Casual \$'000	Temporary \$'000
		Full Time \$'000	Part Time \$'000		
Performance & Innovation	6,532	6,349	87	96	-
Economy & Community	8,959	6,565	1,537	335	522
CEO Office	573	573	-	-	-
Sustainable Infrastructure	14,462	13,776	618	32	37
Total permanent staff expenditure	30,526	27,262	2,242	462	559
Other employee related expenditure	562				
Total employee expenditure	31,088				
Capitalised labour costs	(1,454)				
Total operating expenditure	29,634				

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

Department	Total	Comprises			
		Permanent Full Time	Part Time	Casual	Temporary
Performance & Innovation	55.6	53.7	1.0	0.9	-
Economy & Community	75.0	52.6	14.7	2.8	4.9
CEO Office	3.0	3.0	-	-	-
Sustainable Infrastructure	140.4	133.0	6.8	0.3	0.3
Total staff	274.0	242.3	22.5	4.0	5.2

**Please note these tables includes employee costs and FTE that are capital in nature, and therefore represents higher totals than that shown in the Comprehensive Income Statement.*

4.7 Planned Human Resources Expenditure

	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
Performance & Innovation										
Permanent - Full time	6,348	6,820	7,030	7,222	7,420	7,616	7,825	8,049	8,270	8,497
Women	4,324	4,592	4,735	4,864	4,998	5,130	5,271	5,421	5,570	5,724
Men	2,024	2,228	2,296	2,358	2,422	2,486	2,554	2,627	2,700	2,774
Permanent - Part time	87	107	92	95	97	100	103	106	109	112
Women	87	107	92	95	97	100	103	106	109	112
Total Performance & Innovation	6,435	6,927	7,123	7,317	7,517	7,716	7,928	8,154	8,379	8,609
Economy & Community										
Permanent - Full time	6,565	6,756	6,959	7,149	7,344	7,538	7,744	7,965	8,183	8,408
Women	4,276	4,402	4,534	4,658	4,786	4,912	5,047	5,190	5,333	5,479
Men	1,990	2,046	2,108	2,165	2,224	2,282	2,345	2,411	2,477	2,545
Vacant	300	308	318	326	335	344	353	364	374	384
Permanent - Part time	1,537	1,584	1,633	1,678	1,724	1,769	1,818	1,870	1,921	1,974
Women	1,084	1,117	1,153	1,184	1,217	1,249	1,283	1,320	1,356	1,393
Men	176	181	186	191	197	202	208	213	219	225
Vacant	278	286	294	302	311	319	327	337	346	356
Total Economy & Community	8,102	8,340	8,592	8,826	9,068	9,307	9,562	9,835	10,104	10,382
Chief Executive Office										
Permanent - Full time	573	589	607	624	641	658	676	695	714	734
Women	573	589	607	624	641	658	676	695	714	734
Total Chief Executive Office	573	589	607	624	641	658	676	695	714	734

	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
Sustainable Infrastructure										
Permanent - Full time	13,776	14,201	14,633	15,028	15,436	15,840	16,271	16,827	17,285	17,756
Women	1,639	1,686	1,737	1,784	1,833	1,881	1,933	1,988	2,042	2,098
Men	11,379	11,731	12,089	12,414	12,751	13,084	13,440	13,819	14,195	14,581
Vacant	757	784	808	830	852	874	898	1,020	1,048	1,076
Permanent - Part time	617	635	654	672	691	709	729	750	770	791
Women	289	297	306	314	323	331	341	350	360	370
Men	313	322	332	341	350	359	369	380	390	401
Vacant	16	16	17	17	18	18	19	19	20	20
Total Sustainable Infrastructure	14,393	14,836	15,287	15,700	16,127	16,549	17,000	17,577	18,055	18,547
Casuals, temporary and other expenditure	1,585	1,048	1,072	1,096	1,120	1,143	1,168	1,195	1,222	893
Total employee expenditure	31,088	31,740	32,681	33,562	34,473	35,373	36,334	37,456	38,474	39,165
Capitalised labour costs	(1,454)	(1,498)	(1,543)	(1,585)	(1,628)	(1,670)	(1,716)	(1,764)	(1,812)	(1,861)
Total operating expenditure	29,634	30,242	31,138	31,977	32,845	33,703	34,619	35,692	36,662	37,304

	2023/24 FTE	2024/25 FTE	2025/26 FTE	2026/27 FTE	2027/28 FTE	2028/29 FTE	2029/30 FTE	2030/31 FTE	2031/32 FTE	2032/33 FTE
Performance & Innovation										
Permanent - Full time	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7
Women	36.7	36.7	36.7	36.7	36.7	36.7	36.7	36.7	36.7	36.7
Men	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Permanent - Part time	1.0	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Women	1.0	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Performance & Innovation	54.7	54.9	54.7	54.7	54.7	54.7	54.7	54.7	54.7	54.7
Economy & Community										
Permanent - Full time	52.6	52.6	52.6	52.6	52.6	52.6	52.6	52.6	52.6	52.6
Women	34.6	34.6	34.6	34.6	34.6	34.6	34.6	34.6	34.6	34.6
Men	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Vacant	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Permanent - Part time	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Women	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Men	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Vacant	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Economy & Community	67.3	67.3	67.3	67.3	67.3	67.3	67.3	67.3	67.3	67.3
Chief Executive Office										
Permanent - Full time	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Women	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Chief Executive Office	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Sustainable Infrastructure										
Permanent - Full time	133.0	133.0	133.0	133.0	133.0	133.0	133.0	134.0	134.0	134.0
Women	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Men	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0
Vacant	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0
Permanent - Part time	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Women	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Men	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Vacant	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Sustainable Infrastructure	139.8	139.8	139.8	139.8	139.8	139.8	139.8	140.8	140.8	140.8
Casuals and temporary staff	9.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.8
Total staff numbers	274.0	269.0	268.8	268.8	268.8	268.8	268.8	269.8	269.8	269.6

4.8 Assumptions to the Financial Plan Statements

This section presents information regarding the assumptions to the Comprehensive Income Statement for the 10 years from 2023/24 to 2032/33. The assumptions comprise the annual escalations / movement for each line item of the Comprehensive Income Statement.

Escalation Factors % movement	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
CPI	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rate revenue cap	3.50%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Statutory fees and fines	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
User fees	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Grants - Operating	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Grants – Capital	as per estimates provided on specific capital projects									
Other Income	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee costs	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Materials and services	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Depreciation and Amortisation	based on projected capital spending									
Other expenses	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

4.8.1 Consumer Price Index (CPI)

The Financial Plan assumes a conservative increase of 2.50 per cent year on year. This in effect builds in a strategy for cost containment and encourages efficiencies as current economic indicators reflect a greater increase in prices for various consumer goods.

4.8.2 Rates and Charges

Base rate revenue will increase by 3.50 per cent for the 2023/24 year, based on the State Government rate cap, with estimated future annual increases as set out in the table for the ensuing years of the long-term Financial Plan.

4.8.3 Statutory Fees and Fines

The Financial Plan applies a conservative indexation of 2.50 per cent for future years' statutory fees as they are outside of the control of Council.

4.8.4 User Fees

Most user fees are budgeted to increase by 3.50 per cent for the 2023/24 year in line with the annual rate cap. Details of user fees for the 2023/24 Budget year can be found in Council's schedule of Fees and Charges that is included in the Budget document.

Revenue increases for the ensuing years are based on a conservative annual rate of increase of 2.50 per cent.

4.8.5 Grants

Council currently receives grants for tied (specific purpose grants) and un-tied Financial Assistance grant funding received via the Victorian Local Government Grants Commission (VLGGC). Operating grants are expected to increase on an annual basis by approximately 2.5 per cent.

Capital grants include all monies received from state and federal sources for the purpose of funding the capital works program. The amount of capital grant funding received each year can vary significantly depending on the types of works included in the capital works program each year. For the purpose of this Financial Plan, forecast is as per estimates provided on specific capital projects.

4.8.6 Other Income

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

4.8.7 Employee Costs

A new Enterprise Agreement for South Gippsland Shire Council employees was registered in December 2022, and provides for employee remuneration increases through until the expiry of the agreement in 2026. This Plan has been developed based on the increases provided in the Enterprise Agreement, with an additional uplift to allow for banding increments. Superannuation guarantee charge increases were announced as part of the 2014 Federal Budget and this Plan assumes that superannuation will increase progressively from 10 per cent in 2021/22 to 12 per cent by 2025/26.

4.8.8 Materials and Services

Material costs include items required for the maintenance and repair of Council buildings, roads, drains and footpaths which are more governed by market forces based on availability than CPI. Other associated costs included under this category are utilities, materials for the supply of meals on wheels and consumable items for a range of services. Council also utilises external expertise on a range of matters, including legal services and audit. This Plan assumes a conservative rise of 2.50 per cent year-on-year in order to maintain costs.

4.8.9 Depreciation & Amortisation

Depreciation estimates have been based on the projected capital spending contained within this Plan.

4.8.10 Borrowing Costs

Borrowing costs comprise the interest expense to service Council's loan portfolio that is described in Section 4.9 Borrowing Strategy.

4.8.11 Other Expenses

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

4.9 Borrowing Strategy

4.9.1 Current Debt Position

Council's adopted *Treasury Management Policy (C24)* outlines the situations in which Council may use borrowings as a funding source. The Policy recognises the inter-generational equity funding principles and stipulates that borrowings should be for specific purposes, such as capital works of a strategic significance that could not otherwise be funded in the timeframe they are required. It goes on to state that future borrowings must be within the capacity of the Financial Plan to fund debt servicing costs for the life of the loan.

Council has accessed debt funding to complete a range of major infrastructure projects including the completion of the Mirboo North Pool Refurbishment project works. Additional low interest subsidised loans have been secured through the Community Infrastructure Loan Scheme Program for the Korumburra Community Hub and the Korumburra Streetscape Projects. An additional amount of \$5 million is projected to be borrowed in 2024/25 for the construction of the Korumburra Pool.

The total amount borrowed as at 30 June 2024 is \$11.20 million.

4.9.2 Future Borrowing Requirements

The following table highlights Council's projected loan balance, including new loans and loan repayments for the 10-years of the Financial Plan.

	Forecast /Actual 2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	4,936	9,165	11,203	14,726	13,006	11,242	9,433	7,577	5,674	3,936	2,320
Plus New loans	4,950	3,150	5,000	0	0	0	0	0	0	0	0
Less Principal repayment	(721)	(1,112)	(1,477)	(1,720)	(1,764)	(1,809)	(1,856)	(1,904)	(1,738)	(1,616)	(1,256)
Closing balance	9,165	11,203	14,726	13,006	11,242	9,433	7,577	5,674	3,936	2,320	1,064
Interest payment	(102)	(211)	(333)	(393)	(349)	(304)	(257)	(209)	(160)	(110)	(62)

4.9.3 Performance Indicators

The following table highlights Council's projected performance across a range of debt management performance indicators.

		Forecast /Actual 2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Target	%	%	%	%	%	%	%	%	%	%	%
Total borrowings / Rate revenue	Below 60%	19.2%	22.4%	28.5%	24.4%	20.5%	16.7%	13.0%	9.5%	6.4%	3.7%	1.6%
Debt servicing (interest) / Total Income	Below 5%	0.1%	0.3%	0.4%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%
Debt commitment (interest and principal) / Rate revenue	Below 10%	1.7%	2.6%	3.5%	4.0%	3.9%	3.7%	3.6%	3.5%	3.1%	2.7%	2.0%
Indebtedness / Own source revenue	Below 40%	25.8%	27.7%	32.2%	28.3%	24.7%	21.1%	17.6%	14.6%	11.8%	9.8%	8.6%

Council maintains its loan borrowing within prudent and management limits as demonstrated by the following performance indicators.

Total Borrowings / Rate revenue

This measures Council's ability to pay its interest-bearing loan obligations with the rate revenue it generates. Being well below the target of 60 per cent, Council has the ability to borrow to fund major capital works projects in the future.

Debt Servicing / Rate revenue

This measures Council's ability to pay its debt obligations with the rate revenue it generates.

Being well below the target of 5 per cent, means Council can pay its loan interest from rates instead of looking at alternative funding streams.

Debt Commitment / Rate Revenue

This measures Council's ability to pay its debt obligations with the rate revenue it generates.

Being well below the target of 10 per cent, means Council can pay its loan principal repayments and interest from rates instead of looking at alternative funding streams.

Indebtedness / Own Source Revenue

This measures Council's ability to pay its long-term obligations with the revenue it generates internally (i.e. excludes external grants and contributions).

Being well below the target of 40 per cent means Council's level of long-term obligations can easily be met without relying on external funding sources.

4.10 Reserves Strategy

4.10.1 Current Reserves

Public Open Space Reserve

- Purpose - The Open Space Reserve holds funds contributed by developers for works associated with developing and improved public open space and recreational facilities within Council. Funds are contributed in accordance with Section 18 of the *Subdivision Act* and transfers are restricted to the purpose of creating open space such as parks, playgrounds, pavilions and other such items where it is deemed that these works should occur at a later point than the initial development.
- Movements - transfers to the reserve (inflows) comprise contribution income from subdividers in lieu of the 5 per cent Public Open Space requirement. Transfers from the reserve (outflows) are applied to fund Open Space capital projects on an annual basis.

Development Contributions Reserve

- Purpose – This reserve retains funds received from developers for infrastructure provision related to Council's Development Contributions Plans.
- Movements – Transfers from this reserve will be for nominated capital works for Development Infrastructure projects and Community Infrastructure projects. These funds are tied directly to the income received or cash funds refunded to developers for capital works completed directly by the developer.

Venus Bay Surf Life Saving Club Reserve

- Purpose – This reserve was created in 2017/18 for the development of a new clubhouse design by the Venus Bay Surf Life Saving Club Reserve committee. Ongoing issues have resulted in the funds needing to be carried forward until planning issues can be sorted. Once this occurs, the reserve funds will be transferred to the committee.
- Movements – Nil

4.10.2 Reserve Usage Projections

The table below discloses the balance and projected annual movement for each reserve over the 10-year life of the Financial Plan. Total amount of reserves, for each year, aligns with the Statement of Changes in Equity, excluding the Asset Revaluation Reserve.

Reserves	Restricted / Discretionary	2022/23 \$000's	2023/24 \$000's	2024/25 \$000's	2025/26 \$000's	2026/27 \$000's	2027/28 \$000's	2028/29 \$000's	2029/30 \$000's	2030/31 \$000's	2031/32 \$000's	2032/33 \$000's
Public Open Space Reserve	Restricted											
Opening balance			1,001	1,087	1,112	1,234	1,309	1,509	1,613	1,743	2,014	2,286
Transfer to reserve			269	275	282	289	297	304	312	319	327	335
Transfer from reserve			(183)	(251)	(160)	(215)	(96)	(200)	(181)	(48)	(55)	(49)
Closing balance		1,001	1,087	1,112	1,234	1,309	1,509	1,613	1,743	2,014	2,286	2,573
Development Contributions Reserve	Restricted											
Opening balance			445	793	1,129	1,484	1,837	2,165	2,513	2,869	3,137	3,512
Transfer to reserve			601	823	601	353	328	348	357	268	375	358
Transfer from reserve			(253)	(487)	(246)	-	-	-	-	-	-	-
Closing balance		445	793	1,129	1,484	1,837	2,165	2,513	2,869	3,137	3,512	3,870
Reserves Summary	Total Restricted											
Opening balance			1,446	1,880	2,241	2,718	3,145	3,674	4,126	4,612	5,151	5,798
Transfer to reserve			870	1,098	883	642	625	652	668	587	702	694
Transfer from reserve			(436)	(738)	(406)	(215)	(96)	(200)	(181)	(48)	(55)	(49)
Closing balance		1,446	1,880	2,241	2,718	3,145	3,674	4,126	4,612	5,151	5,798	6,443
Corner Inlet Reserve	Discretionary											
Opening balance			11	11	11	11	11	11	11	11	11	11
Transfer to reserve												
Transfer from reserve												
Closing balance		11	11	11	11	11	11	11	11	11	11	11

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Reserves	Restricted / Discretionary	2022/23 \$000's	2023/24 \$000's	2024/25 \$000's	2025/26 \$000's	2026/27 \$000's	2027/28 \$000's	2028/29 \$000's	2029/30 \$000's	2030/31 \$000's	2031/32 \$000's	2032/33 \$000's
Venus Bay Surf Life Saving Club Reserve	Discretionary											
Opening balance			150	150	150	150	150	150	150	150	150	150
Transfer to reserve												
Transfer from reserve												
Closing balance		150	150	150	150	150	150	150	150	150	150	150

Reserves Summary	Total Discretionary											
Opening balance			161	161	161	161	161	161	161	161	161	161
Transfer to reserve												
Transfer from reserve												
Closing balance		161	161	161	161	161	161	161	161	161	161	161

Reserves Summary	Restricted & Discretionary											
Opening balance			1,607	2,041	2,402	2,879	3,306	3,835	4,287	4,773	5,312	5,959
Transfer to reserve			870	1,098	883	642	625	652	668	587	702	694
Transfer from reserve			(436)	(738)	(406)	(215)	(96)	(200)	(181)	(48)	(55)	(49)
Closing balance		1,607	2,041	2,402	2,879	3,306	3,835	4,287	4,773	5,312	5,959	6,604

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