

DAREBIN CITY COUNCIL

Strategic Resource Plan

2014-2018

Executive summary

In its 2013-2017 Council Plan, the Darebin Council's vision is: *Darebin, the place to live* and mission: *Working with our diverse community to build a sustainable and liveable city.*

A key part of this vision and mission is the notion of fairness and equity in the decisions that Council makes. This is particularly relevant to the way in which Council raises income and allocates expenditure to fund the many services it delivers and infrastructure that it maintains and upgrades. The principles of fairness and equity guide the actions of Council and are reflected in the goals set out in the Council Plan. These principles underpin the development of this Strategic Resource Plan.

The Strategic Resource Plan (SRP) includes details of both the financial and non-financial resources required to achieve the strategic objectives included in the Council Plan. The SRP is part of Council's ongoing financial planning to assist in adopting each annual budget within a longer term framework.

The SRP supports Council achieving its goals within a framework of financial sustainability. Financial sustainability in the longer term means that planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The key objectives set out in this SRP are:

Service levels	We will maintain the scope and standard of ongoing services provided to the Darebin community and be flexible to address changing community needs with innovative services and facilities.
Capital works asset renewal	We will focus on renewing community assets such as roads, footpaths, open space and buildings to ensure they are maintained at an appropriate standard to meet required service levels.
Operating performance	We will ensure that Council generates sufficient ongoing income to fund its services and capital works commitments over the longer term.
Cash and liquidity	We will ensure Council holds sufficient cash and other assets in order to meet payment obligations to suppliers and employees.

The objectives are each measured with specific financial indicators.

This SRP provides information on the key assumptions made in projecting Council's financial position over the next four years. It also sets out key Council strategies in relation to the rating structure, rating levels and borrowings.

The SRP has been developed through a rigorous process and is based on a range of key operating and balance sheet assumptions. Any significant adverse change in the key assumptions could result in the non-achievement of some or all of the financial objectives and accordingly the financial outcomes must be considered in light of these assumptions.

Based on the assumptions and modeling that has been performed, each of the objectives set out in the SRP are achieved. The SRP will be reviewed and updated each year to ensure it remains reflective of current circumstances and continues to support Council achieving its broader goals.

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1. Background

1.1 Legislative and policy framework

The Local Government Act 1989 (the Act) requires Council to prepare a Strategic Resource Plan (SRP) which includes both the financial and non-financial resources required to achieve the strategic objectives included in the Council Plan. The SRP forms part of the Council Plan and contains key objectives, strategies and financial statements for the next four year period.

In its 2013-2017 Council Plan, the Darebin Council’s vision is: *Darebin, the place to live* and mission: *Working with our diverse community to build a sustainable and liveable city.*

A key part of this vision and mission is the notion of fairness and equity in the decisions that Council makes. This is particularly relevant to the way in which Council raises income and allocates expenditure to fund the many services it delivers and infrastructure that it maintains and upgrades. The SRP has been prepared within this context.

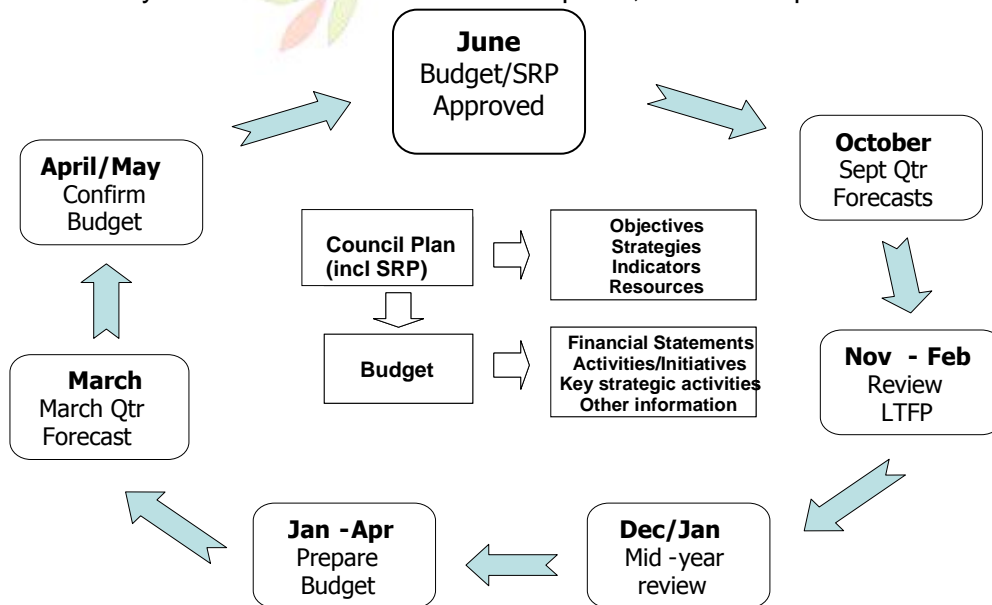
In preparing the SRP, Council has also been mindful of the need to comply with the following Principles of Sound Financial Management as contained in the Act:

- Prudently manage financial risks relating to debt, assets and liabilities
- Provide reasonable stability in the level of rate burden
- Consider the financial effects of Council decisions on future generations
- Provide full, accurate and timely disclosure of financial information.

With the current Darebin Council elected until October 2016, the last years of this SRP runs beyond the Council term. Existing Council strategies have been applied in developing this SRP, although the future strategic objectives and associated financial resources will ultimately be the decision of the new Darebin Council.

1.2 Relationship to Council’s financial framework

Council has a clearly-defined financial framework in place, which is depicted below.



The Council Plan and SRP provide the longer term framework within which the annual budget and annual service plans are developed. Actual financial performance against the budget is reviewed in detail and reported at different points in the annual cycle.

2. Objectives

The SRP supports Council achieving its goals within a framework of financial sustainability. Financial sustainability in the longer term means that planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The key objectives set out in this SRP and the measures used to reflect these objectives are:

Objective	Measure
<p><u>Service levels</u></p> <p>We will maintain the scope and standard of ongoing services provided to the Darebin community and be flexible to address changing community needs with innovative services and facilities.</p>	<p>Allowance for continuity of services included within the annual budgets throughout the plan period.</p>
<p><u>Asset renewal</u></p> <p>We will continue to focus on renewing community assets such as roads, footpaths, open space and buildings to ensure they are maintained at an appropriate standard to meet required service levels.</p>	<p>Increase in the amount of capital expenditure allocated to asset renewal projects in Council's capital works program, expressed as a percentage of the amount required to maintain the assets, as measured by depreciation.</p>
<p><u>Operating performance</u></p> <p>We will ensure that Council generates sufficient ongoing income to fund its services and capital works commitments over the longer term.</p>	<p>Achieve an underlying operating surplus throughout the term of the SRP. The underlying surplus is measured after adjusting for capital grants that are not necessarily ongoing funding sources and timing differences on grants for provision of services.</p>
<p><u>Cash and liquidity</u></p> <p>We will ensure Council holds sufficient cash and other assets in order to meet payment obligations to suppliers and employees.</p>	<p>Achieve a working capital ratio of at least 1.1 : 1 through out the plan.</p>

The measures set out are generally consistent with some of the indicators used by external agencies such as the Auditor-General Victoria when assessing financial sustainability.

This SRP provides detailed information on the key assumptions made in projecting Council's financial position over the next four years. It also sets out key Council strategies in relation to rating structure, rating levels and borrowings.

3. Development of plan

The objectives and strategies set out in the SRP support the achievement of Council's broader goals. The financial projections set out in this SRP have been developed through a rigorous process and are based on the following key information:

- Audited financial statements as at 30 June 2013.
- 2014/15 Annual Budget and updated forecasts for 2013/14 prepared during March 2014.
- Assumptions provided by Council service unit managers about specific changes in future income and expenditure which are expected in order to continue providing the current service levels. These assumptions are reviewed in discussion with the Finance department and Directors.
- Assumptions provided by the Finance department regarding key economic indicators and estimates, and future changes in assets, liabilities and equity.
- Detailed review and input provided by the Executive Management Team and Councillors.

The financial projections have been developed using a model that produces the forecast financial statements for the next four years based on the assumptions that have been applied. The modeling is prepared at a detailed level for each operating program delivered by Council.



4. Assessment of Council's current financial position

Indicator	Budget	Forecast	Variance
	2013/14 \$000s	2013/14 \$000s	\$000s
Net surplus/(deficit)	8,200	3,086	(5,114)
Underlying surplus/(deficit)	43	214	169
Cash and investments (inc. Financial assets)	25,880	34,386	8,506
Working capital ratio	1.40	1.69	0.29
Capital works	38,729	33,498	(5,231)
Capital works (renewal)	17,455	11,159	(6,296)
Borrowings outstanding	300	300	(0)

Before considering the key assumptions that have been applied to the financial modeling, it is useful to consider the base position in which Council enters into the SRP period.

Surplus

Council is expecting to achieve a net surplus of \$3.09 million in 2013/14, compared with an original budgeted net surplus of \$8.20 million. This lower than budgeted result is due mainly to lower user fees (\$1.20 million) received from leisure facilities and road reinstatements and delay in the receipt of some capital grants & contributions (\$6.20 million), partially offset by additional revenue from developer and public open space contributions of \$3.38 million.

After removing the impact of capital grants and timing differences relating to the receipt and expenditure of grants, an underlying surplus of \$0.21 million is expected in 2013/14 compared with a budgeted underlying surplus of \$0.04 million.

Cash and liquidity

Council is expected to hold \$34.39 million in cash and investments at 30 June 2014 compared with an original budget of \$25.88 million. The increase in the expected cash position is due mainly to the delay in expenditure on capital works which will be incomplete at the end of the 2013/14 year and will be carried forward for completion in 2014/15.

The working capital ratio is a key measure of Council's ability to fund its short-term payment obligations. The ratio is measured by comparing current assets to current liabilities. The ratio is expected to be 1.69 at 30 June 2014, indicating that Council has sufficient short-term assets to meet its payment obligations.

Capital works

Total expenditure on the capital works program in 2013/14 is expected to be \$33.50 million compared with an original budget of \$38.73 million. Delay in receiving external funding for Keon Park Community Hub (\$2.30 million) and Reservoir Library redevelopment (\$3.28 million) has resulted in the budget for these projects being carried into 2014/15 for completion. \$11.16 million of the total forecast expenditure relates to the renewal of existing capital infrastructure.

Borrowings

Loan borrowings outstanding at 30 June 2014 are forecast to total \$0.3 million. This amount equates to 0.3% of total rates revenue and is relatively low compared with the local government sector, with the average borrowing level for metropolitan Councils in Victoria being around 26.8% of rates.

5. Key assumptions

5.1 General operating assumptions

The revenue and expenditure assumptions underlying the SRP include a range of assumptions both of a general and specific nature. The general operating assumptions affecting all revenue and expenditure are set out in the following table.

	2014/15	2015/16	2016/17	2017/18
	%	%	%	%
Consumer price index	2.5	2.5	2.5	2.5
Wages growth	4.0	4.25	4.0	4.0
Superannuation Guarantee	9.5	9.5	9.5	10.0
Rates growth	5.0	5.0	5.0	5.0
Government funding	2.0	2.0	2.0	2.0
Statutory fees	2.0	2.0	2.0	2.0
Investment return	3.4	4.0	5.0	5.0

Consumer price index (CPI)

The annual inflation rate advised by the Australian Bureau of Statistics for the March 2014 quarter for Melbourne was 2.8%. The Victorian State Government Budget Papers for 2013/14 estimate CPI as 2.75% p.a. for the four years of the outlook period (the budget papers for 2014/15 are not yet available). For the purposes of developing the SRP, CPI has been set at 2.5% across the forecast period and has been applied to all revenue and expense types with the exception of those specifically identified in the above table.

Wages growth

The SRP assumes base wage growth of 4.0% per annum, being slightly above CPI and aligned to the Council's Enterprise Agreement.

Rates growth

For the purposes of future planning, rate increases of 5% have been included in the future years of the SRP, however it is noted that these figures may change in the future to reflect changes in circumstances or assumptions that cannot currently be predicted.

Government funding

Council receives approximately \$16 million annually in operating grants and subsidies from State and Federal sources for the purposes of funding the delivery of services to ratepayers. This includes \$4.99 million estimated for the 2014/15 year in Grants Commission funding. Future Grants Commission funding is forecast to increase by 2% across the forecast period.

Statutory fees

Council raises approximately \$6 million in fees and fines each year which are charged in line with various legislation governing local government activities, such as animal registrations and parking fines. Future increases in statutory fees have been set at CPI throughout the plan.

Investment return

While economic forecasts vary, it is generally expected that interest rates will remain steady in 2014/15 but then improve to around 5% in future years. The expected investment earning rate has been set at 3.4%. These forecasts are subject to significant uncertainty in the current economic environment.

5.2 Specific operating assumptions

In developing the assumptions underlying the SRP all Managers were consulted about future trends including any significant issues that may affect the net cost to Council of delivering services in the future. These issues were reviewed in discussion with the Finance Department and Executive Management Team. Where changes in the level of revenues and expenses in a service

area differ significantly from the general assumptions, these have been reflected in the SRP over the four year period.

The following table summarises Council's current and future proposed service delivery outcomes for the next four years.

Year	Service costs \$000s	Underlying surplus \$000s	Net Surplus \$000s
2015	86,426	109	6,756
2016	87,663	389	6,984
2017	91,208	834	7,507
2018	94,651	1,357	8,109

5.3 Other operating assumptions

A number of other operating assumptions have been made in the SRP in relation to revenues and expenses which cannot be directly attributed to service provision. The following is a summary of the most significant other assumptions included in the SRP.

	Budget	Strategic Resource Plan Projections		
	2014/15 \$000s	2015/16 \$000s	2016/17 \$000s	2017/18 \$000s
Supplementary rates	570	608	638	670
Public Open Space Contributions	3,500	3,500	3,500	3,500
Grants Commission	4,991	5,091	5,193	5,297
Capital Grants & Contributions	7,956	6,595	6,673	6,752
Asset Sales	675	985	985	985
Insurance costs	1,272	1,417	1,578	1,760
Major Maintenance	7,024	6,281	6,378	6,477

Supplementary rates

The municipality is expected to continue growing over the four year period based on current trends in property development. This is forecast to contribute an additional \$0.57 million in 2014/15 and increasing to \$0.67 by 2016/17. This growth will increase the City's rate base over the four year period and is reviewed regularly based on expected future planning and development in the City.

Developer contributions

Darebin's Development Contribution plan concludes on 30 June 2014. This 10 year plan raised contributions from developers for the purpose of defraying the future costs associated with the creation and maintenance of open space and the cost of infrastructure needs. Whilst funds will be received from developers towards the creation of public open space, no funds will be received in 2014/15 or future years via the Darebin Developer Contribution plan.

Grants commission

Council's Grants Commission allocation was decreasing since 2003 by around \$0.30 million per annum due mainly to a change in the allocation methodology and increases in Council's municipal property values relative to other Victorian Councils. However, in 2010/11 the grant increased slightly from the previous year and has continued to grow slightly each year. The SRP has assumed Darebin's grant allocation will remain constant over the outlook period.

Capital grants and contributions

Council's receives government funding as well as private contributions to capital works projects. The forecast for 2014/15 includes the expected level of capital grants based on confirmed funding for the projects included in the annual capital works program. This represents the typical level of

grants and contributions received by the City, although the actual amounts will vary each year depending on the composition of the capital program.

Sale of assets

Council has in the past disposed of surplus assets to fund its capital needs as well as replace its existing light and heavy vehicle fleet in accordance with its plant replacement program. An amount of \$0.67 million has been forecast in 2014/15 for the expected proceeds arising from Council's plant replacement program, and increasing to \$0.98 million over the outlook period.

Insurance

Council's insurance premiums rose significantly over the four years to 2006/07, with some reductions then received in 2007/08, particularly in the public liability and asset risk premiums. However, in 2013/14 significant increases in insurances occurred. The future projections are based on annual increases of 12.2% over the outlook period, reflecting the recent historical trend.

Major maintenance

Included in the annual capital works program are a number of projects which are considered to be maintenance rather than capital expenditure for accounting purposes. These include tree planting, road patching and feasibility studies. An allowance of around \$6.5 million per annum has been made in later years for projects in the capital works program considered to be of an operating nature, although in practice this will vary each year depending on the composition of the capital works program. The 2014/15 year estimate of \$7.02 million which includes \$0.71 million carried forward from 2013/14 related, largely, for the energy efficient street lighting project.

Other items not included

There is one other item which has not been considered in the SRP as its cannot be reliably measured.

From time to time Council receives contributed assets from developers at no cost which are recognised as revenue in the Income Statement. This normally occurs following the completion of a property development, where the developer agrees to construct the required infrastructure including roads, footpaths and drains and then at the conclusion of the development, hands these assets over to Council. While the value of assets cannot be reliably measured at this time, they could be in the order of \$1.00 million to \$2.00 million and may have a significant impact on future reported operating results.

5.4 Balance sheet assumptions

In addition to the operating assumptions there are a number of balance sheet assumptions made in the SRP which affect future levels of assets, liability and equity. The following is a summary of the most significant balance sheet assumptions included in the SRP.

	Budget	Strategic Resource Plan Projections		
	2014/15	2015/16	2016/17	2017/18
	\$000s	\$000s	\$000s	\$000s
Cash and investments	29,045	29,114	29,691	30,828
Rate arrears	6,421	7,102	7,820	8,579
Payables	14,327	14,716	15,122	15,547
Borrowings (outstanding)	965	757	646	567
Employee entitlements	16,374	16,822	17,289	17,776
Statutory reserves	11,884	12,384	12,884	13,384

Cash and investments

Cash and investments are forecast to increase from \$29.08 million to \$29.38 million over the four year period. The increase reflects the need for Council to maintain appropriate working capital levels and includes growth to match against increasing liabilities including employee leave provisions and possible defined benefit superannuation funding calls.

Rate arrears

The level of rate arrears has been set at around 3.3% of the total rates and charges raised across the forecast period.

Payables

Accounts payable to suppliers of goods and services to Council are forecast to increase by 3.0% per annum across the four years of the plan. The actual level of payables is influenced each year by the timing of capital works expenditure.

Borrowings

Borrowings are forecast to reduce across the four years of the plan based on repayment schedules on Council's fixed term borrowings. The proposed 2014/2015 budget includes new borrowings of \$0.85 million to assist in funding the upgrade to energy efficient street lights.

Further opportunities that may arise during the four year period for investment in iconic assets where there is a sound business case and an ability to meet the loan repayments will be considered on a case-by-case basis. Where further opportunities do arise, all alternative funding sources such as grants and contributions will be explored as part of the overall funding package. Section 6.2 of the SRP contains further information on Council's approach to borrowing.

Employee entitlements

Employee entitlements (provisions for annual and long service leave) have been increased in general by the indexation impact of future Collective Agreement and other expected increases.

Reserves

The level of statutory reserves is expected to be maintained as transfers to reserves are assumed to be expended in the same year.



6. Key strategies

6.1 Rating strategy

The Act provides for Councils to raise income through levying rates on land and property owners. There is currently no other broad-based way for Councils to raise revenue, and rates effectively represents the balance of funds remaining to fund Council's expenditure after income from grants, user fees and other avenues have been considered. Rates and charges comprise approximately 69% of Council's total revenue and this proportion is expected to increase slightly in future years.

The annual budget process each year will determine the extent of income that is required to be raised through rates and charges. The rating process and structure allows this income to be allocated across properties in the municipality.

Three methods of valuing land are allowed under the Act – site value, net annual value and capital improved value. The significant majority of Councils (including Darebin) use capital improved value for rating valuation purposes.

A number of rating options are available for Councils to use which gives some flexibility in how the total amount of rates is allocated. These methods are listed below, together with details of Council's current rating structure which has remained largely unchanged over the last decade:

Rating option	Description	Darebin structure for 2014/15
General rate	A general rate is applied to all properties and can be set as either a uniform rate or a number of differential rates.	Darebin applies the differential rates listed below.
Uniform rate	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality.	Darebin does not apply a uniform rate.
Differential rates	Differential rates are different rates in the dollar that are applied to different classes of properties and are permitted if the Council uses Capital Improved Value as the rating valuation base. The Act allows the use of differential rates if the Council considers that this will contribute to the equitable and efficient carrying out of its functions.	The following differential rates are proposed for 2014/15: <ul style="list-style-type: none"> • Residential • Business (set at 1.75 times the residential rate) • Recreational (set at 50% of the business rate) • Residential vacant land (set at 3 times the residential rate) • Business vacant land (set at 4 times the residential rate) • Vacant retail land (set at 4 times the residential rate) • Mixed usage occupancy (set at 1.40 times the residential rate)
Municipal charge	A municipal charge to cover some of the administrative costs of the Council. This is a flat-rate charge applied to all properties.	Darebin does not levy a municipal charge.
Service rates and charges	Service rates or annual service charges (or a combination of both) can be levied for provision of a water supply, collection and	Darebin levies a service charge for residents who elect to use the optional green waste service, with a discount for

Rating option	Description	Darebin structure for 2014/15
	disposal or waste, and sewerage services.	pensioners. Darebin does not levy an environmental charge.
Rebates and concessions	The Act allows Councils to grant a rebate or concession in relation to any rate or charge to assist the proper development of all or part of the municipal district, preserve buildings or places that are of historical or environmental interest, or to restore or maintain buildings or places of historical, environmental, architectural or scientific importance.	A rate rebate for pensioners of \$130 is provided in the 2014/15 rating year to each owner of rateable land who is an "eligible recipient" within the meaning of the State Concessions Act 2004.

Rating structure review

Each year, as part of the budget process, Council completes a comprehensive review of Darebin's rating system which considers possible rate differential options that can increase the efficiency and equity of the current rating system. This review also explored the other rating options that are outlined in the previous table and is part of this Council's commitment to equity throughout the City.

In the 2013/2014 year, Council introduced differential rates on derelict commercial buildings, vacant retail land and mixed-use dwellings.

The objective of the differential rates for derelict commercial buildings and vacant retail land was to promote responsible land management through appropriate maintenance and development of the land to stimulate economic development. This differential rate was set at 4 times the residential rate or 2.3 times the business rate. In 2014/15 it is proposed to suspend the differential rate on derelict business properties as the identification of the properties is difficult and time consuming and not generating the desired outcome.

The differential rate for mixed-use dwellings was introduced in 2013/14 to better reflect the use of these dwellings. In 2013/2014, a rate payer that owns and resides in a property that is their principle place of residence and is occupied for the purposes of operating a business was charged at 1.25 times the residential rate for the entire property. It is proposed in the 2014/15 budget to increase this differential rate to 1.40 times the residential rate.

Council considers the differential rates will contribute to the equitable and efficient performance of its functions.

Rating levels

The following table sets out future proposed increases in rates and charges and the total rates to be raised, based on the forecast financial position of Council as at 30 June 2014.

Year	General Rate Increase %
2014/15	5.00
2015/16	5.00
2016/17	5.00
2017/18	5.00

In order to meet the objectives set out in this SRP, Council needs to raise sufficient income to:

- Maintain the scope and standard of ongoing services and allow flexibility to respond to changing community needs
- Increase the amount of expenditure allocated to asset renewal projects included in Council's capital works program
- Ensure the cost of services and capital works commitments are covered without relying on external non-recurrent income sources such as capital grants
- Ensure sufficient cash levels are maintained to meet short-term payment obligations.

Council's ongoing cost increases average approximately 5% per annum. This level is linked to wage increases set under relevant industrial agreements, contract price increases, specific increases in various areas which particularly impact on local government (refer section 5.2), and reduced income from other sources. This level is consistent with local government cost indices published by the Municipal Associate of Victoria. The detailed budget process undertaken by Council each year ensures that operational efficiencies and increases in other income sources are achieved where possible in order to minimise the impact on rates.

After consideration of the different factors, and to ensure the above objectives are achieved, a rate increase of 5.0% has been set for the 2014/15 year.

It is proposed that the Council-funded rate rebate be retained at \$130. The pensioner rate rebate was first introduced in the 2010/2011 year and is to assist in the proper development of the municipal district, in accordance with section 169 of the Act.

For the purposes of future planning, rate increases of 5% have also been included in the future years of the SRP, however it is noted that these figures are indicative only and may change in the future to reflect changes in circumstances or assumptions that cannot currently be predicted.

6.2 Borrowing strategy

Council has a relatively low level of external borrowings with \$0.30 million outstanding in June 2014. This equates to 0.3% of total rate revenue, and compares with an average borrowing rate of 26.8% of rates for metropolitan Councils in Victoria.

In 2014/2015 it is proposed to borrow \$0.85 million to assist in the funding of the energy efficient street lighting project. External borrowings will continue to be relatively low with \$0.96 million outstanding at 30 June 2015.

Council has determined that borrowings will be considered as a means of funding strategic infrastructure initiatives with reference to criteria including funding of projects which are:

- iconic in nature
- of a size that could not otherwise be funded through the annual capital works program
- based on a sound business case including consideration of the following factors:
 - the purposes for which the borrowings are being sought including the level of demonstrated community need for the project and the expected life of the infrastructure
 - reasons why the project cannot be funded through normal operational income
 - a clear statement of how the repayments will be funded and the impact on funding otherwise available for recurrent services or capital works
 - any financial return to Council which can be used to meet the loan repayments

Borrowings may also be required in the future as a means of securing a fixed rate of payment for other liabilities Council may face, for example, should there be a future requirement to contribute additional amounts to the local government defined benefit superannuation fund.

Any future borrowings will be considered carefully in accordance with sound financial management principles and the ability of Council to meet the relevant prudential requirements for borrowing set out by State Government. The relevant State Government prudential requirements for borrowing

are set out below, together with Council's 2014/2015 budgeted position at 30 June 2015 and internal limits that Council applies to its own borrowing considerations:

Prudential ratio	Calculation	Rationale	State Govt Limit	Darebin – 2015 Budget	Darebin – internal limits
Liquidity (working capital)	Current Assets : Current Liabilities	Reflects ability to repay current commitments from cash or near cash assets	> 1.1 : 1	1.50 : 1	>1.1 : 1*
Debt commitment	Total loans as a percentage of rate revenue	Reflects total loan levels relative to Council rates	<60%	0.9%	<30%
Debt servicing	Total interest costs as a percentage of total revenue	Reflects the proportion of total revenue that is used to service loan interest	<5%	0.2%	<2%

* Working capital may reduce to a lower amount upon borrowing if financial projections provide for an increase to 1.1 within five years of the borrowings taking place

The following table summarises Council's current and future proposed borrowings and repayments for the next four years, based on existing plans.

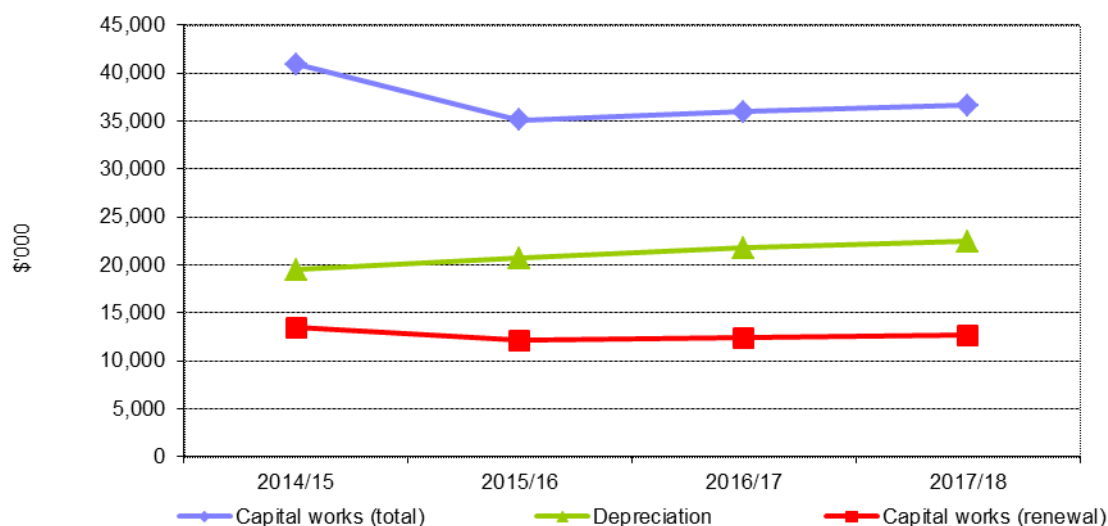
Year	New borrowings \$000s	Loan Principal repay \$000s	Loan Interest Payable \$000s	Balance 30 June \$000s
2015	846	180	47	965
2016	0	209	37	756
2017	0	111	27	645
2018	0	78	24	567

6.3 Infrastructure strategy

Council is developing a more detailed understanding of its future infrastructure requirements based on the knowledge provided by various Asset Management Plans, which sets out future capital expenditure requirements of the Council by class of asset. Asset management plans predict infrastructure consumption, renewal needs and consider infrastructure needs to meet future community service expectations. The key aspects of Council's approach to infrastructure management are:

- A long term capital planning process which integrates with the Council Plan, Strategic Resource Plan and Annual Budget processes;
- Identification of capital projects through the preparation of asset management plans;
- Prioritisation of capital projects within classes on the basis of evaluation criteria;
- Methodology for allocating annual funding to classes of capital projects; and
- Business Case template for officers to document capital project submissions.

A key objective set out in the Strategic Resource Plan is to continue to focus on renewing community assets such as roads, footpaths, open space and buildings to ensure they are maintained at an appropriate standard to meet required service levels. This is measured by the amount of expenditure allocated to asset renewal projects included in Council's capital works program across the plan period.



Council has demands for capital expenditure for both new assets and renewal of existing assets. The above graph indicates that total funding available for capital works exceeds depreciation in each of the four years. Capital works in the 2014/15 year is inflated due to the impact of projects not completed and carried forward from 2013/14. In terms of expenditure specifically on renewal works, expenditure will be lower than depreciation in 2014/15 by \$9.3 million. The future amounts allocated remain below depreciation with the underlying renewal expenditure compared with depreciation expected to remain steady between 55% and 65%. The difference between the level of renewal expenditure and depreciation represents the asset renewal gap and contributes to the level of backlog. This gap is being addressed in future strategies including the use of asset management plans to identify an improved measure of required renewal spending to replace the relatively simple measure of depreciation.

The following table summarises Council's proposed capital works programs including funding sources for the next four years. This includes both capitalised and major maintenance projects.

Year	Total Capital program \$000s	Grants & Contribs \$000s	Sale of assets \$000s	Loan Borrowings \$000s	Investment Reserves \$000s	Unrestricted Cash & Inv \$000s	Operations \$000s
2015	40,939	4,456	675	846	3,304	8,288	23,371
2016	35,117	3,095	985	0	3,000		28,037
2017	35,952	3,173	985	0	3,000		28,794
2018	36,660	3,252	985	0	3,000		29,422

7. Outcomes

7.1 Financial outcomes

The SRP supports Council achieving its goals within a framework of financial sustainability. Financial sustainability in the longer term means that planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The key objectives set out in this SRP and the measures used to reflect these objectives are included below, together with the outcomes for each objective.

Service levels

Objective

We will maintain the scope and standard of ongoing services provided to the Darebin community and be flexible to address changing community needs with innovative services and facilities.

Measure

Allowance for continuity of services included within the annual budgets throughout the plan period.

Outcome

Funding for the maintenance of service levels throughout the four-year period has been included in the SRP. Annual service plans are prepared for each Council service area which set out the activities and initiatives that will be undertaken each year in support of the goals outlined in the Council Plan.

Asset renewal

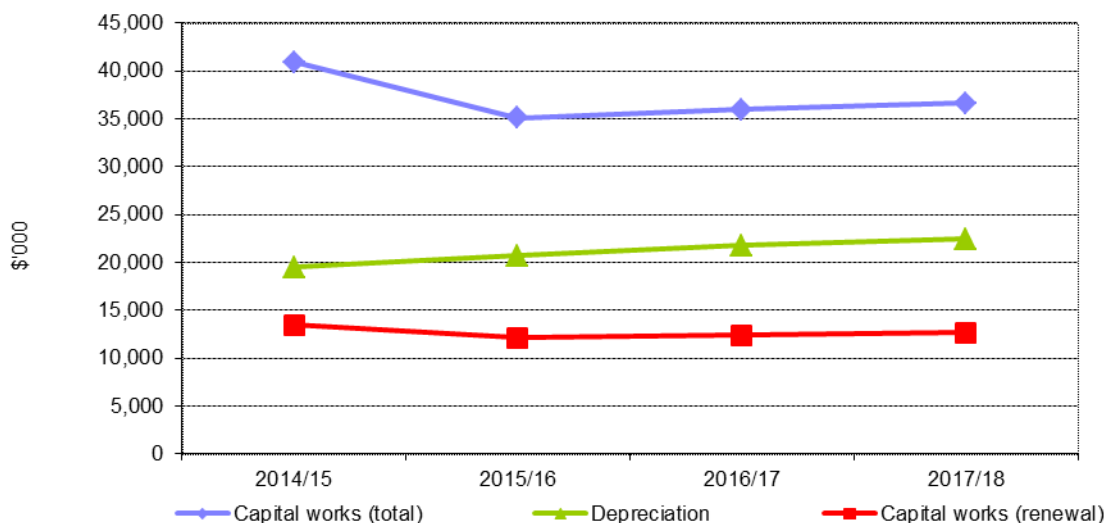
Objective

We will continue to focus on renewing our infrastructure such as roads, footpaths, open space and buildings to ensure these community assets are maintained at an appropriate standard to meet required service levels.

Measure

Increase in the amount of capital expenditure allocated to asset renewal projects in Council's capital works program, expressed as a percentage of the amount required to maintain the assets, as measured by depreciation.

Outcome



The capital works program over the four year period totals \$148.67 million at an average of \$37.17 million per annum. The graph above sets out asset depreciation, which provides some indication

of the required spending on the renewal of assets, together with the forecast capital works and the renewal expenditure over the life of the current SRP. The above graph indicates that the proportion of renewal expenditure is steady across the plan period.

Operating performance

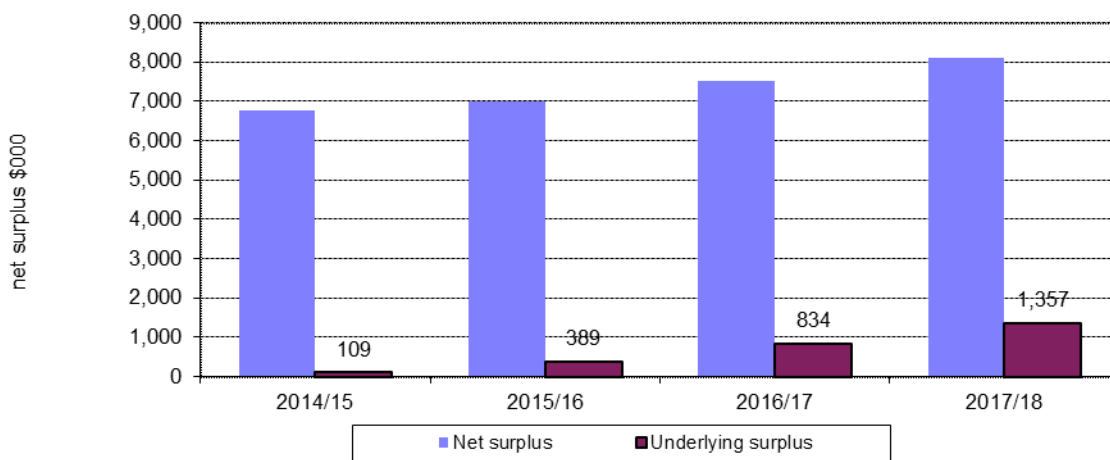
Objective

We will ensure that Council generates sufficient ongoing income to fund its services and capital works commitments over the longer term.

Measure

Achieve an underlying operating surplus throughout the term of the SRP. The underlying surplus is measured after adjusting for capital grants and contributions that are not necessarily ongoing funding sources and timing differences on grants for provision of services.

Outcome



The SRP forecasts that Council will achieve an underlying operating surplus of \$0.11 million in 2014/15 and growing to \$1.36 million in 2017/18. The underlying surplus is calculated by excluding the impact of capital grants and contributions and timing differences such as operating grants.

The underlying result is intended to grow in future years to provide for potential Defined Benefits superannuation funding calls and to rebuild Council’s cash reserves after the payment in 2012/13 of \$13.66 million for the most recent superannuation funding call.

Cash and liquidity

Objective

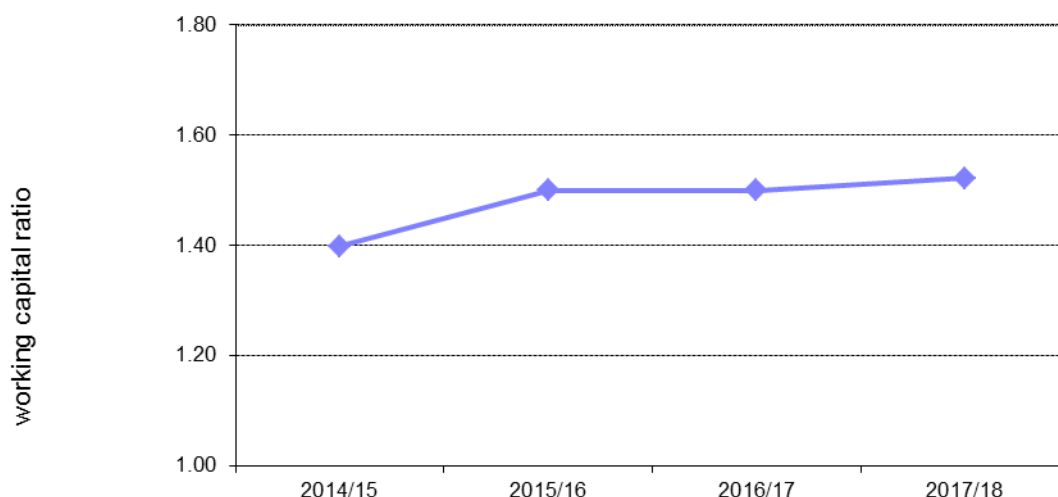
We will ensure Council holds sufficient cash and other assets in order to meet payment obligations to suppliers and employees.

Measure

Achieve a working capital ratio of at least 1.10 : 1 in the plan.

Outcome

Cash and investments are forecast to increase from \$29.05 million to \$30.83 million over the four year period. The increase reflects the need for Council to maintain appropriate working capital levels and includes growth to match against increasing liabilities including employee leave provisions and potential superannuation funding calls.



The working capital ratio reflects the difference between the current assets and current liabilities on Council's balance sheet, expressed as a ratio and indicates Council's ability to pay its debts when they come due. Council's working capital ratio is forecast to be 1.69 as at 30 June 2014.

Summary of financial outcomes

Based on the assumptions as set out in Section 5 and strategies in Section 6, each of the financial objectives which underpin the SRP have been achieved over the four year period. However, it must be noted that any significant adverse change in the key assumptions, could result in the non-achievement of some or all of the financial objectives and accordingly the financial outcomes must be considered in light of these assumptions. The SRP will be reviewed and updated each year.

7.2 Human resource outcomes

In addition to the financial resources to be consumed over the planning period, Council will also utilise non-financial resources, in particular human resources. Appendix B "Non-financial Resources" includes a more detailed analysis of the human resources to be used over the four year period.

	Forecast 2013/14 \$000s	Budget 2014/15 \$000s	Proposed 2015/16 \$000s	Proposed 2016/17 \$000s	Proposed 2017/18 \$000s
Staff Expenditure					
Employee Costs - Operating	73,571	74,931	77,893	81,172	84,629
Employee Costs - Capital	0	0	0	0	0
Total	73,571	74,931	77,893	81,172	84,629
Staff numbers					
Employee (EFT)*	657	659	662	666	669

*Excludes Home Care workers and casuals

On the basis of continuing to provide the same level of service to the community, the level of human resources as measured in Equivalent Full Time (EFT) personnel has been assumed to remain constant over the four year period with employee costs increasing in line with wage indexation assumptions inclusive of base rate increases and banding level changes.

Issues which may impact on Council's ability to maintain its current resource level are labour market constraints in highly specialised areas such as traffic engineering and areas where demand is high such as urban planning, although the current economic conditions have resulted in greater availability of labour at the present time. Council also has an ageing workforce, particularly in areas with high levels of manual labor which may also impact on its ability to maintain adequate service levels in these areas.

7.3 Key financial indicators

The following table summarises Council's current and project performance across a range of key financial indicators.

Indicator	Measure	Forecast		Strategic Resource Plan Projections			Trend +/-	Notes
		Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18		
Operating position								
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	0.2%	0.1%	0.3%	0.5%	0.8%	+	1
Adjusted underlying result (as per the Local Government Regulations)	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	0.1%	0.0%	0.1%	0.4%	0.7%	o	2
Liquidity								
Working Capital	Current assets / current liabilities	169.0%	150.0%	149.9%	152.1%	155.7%	+	3
Unrestricted cash	Unrestricted cash / current liabilities	8.4%	-7.8%	Not Available			-	
Obligations								
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	0.3%	0.9%	0.7%	0.5%	0.5%	o	4
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue	0.3%	0.2%	0.1%	0.1%	0.1%	o	
Indebtedness	Non-current liabilities / own source revenue	0.0%	0.1%	0.1%	0.1%	0.1%	o	
Asset renewal	Asset renewal expenditure / depreciation	109.0%	144.5%	109.3%	109.6%	104.4%	-	5
Stability								
Rates concentration	Rate revenue / adjusted underlying revenue	72.2%	71.9%	72.6%	73.2%	73.9%	o	6
Rates concentration (as per Local Government Regulations)	Rate revenue / adjusted underlying revenue	72.2%	71.3%	72.7%	73.4%	74.0%	o	7
Rates effort	Rate revenue / CIV of rateable properties in the municipality	0.3%	0.3%	0.3%	0.3%	0.3%	o	
Efficiency								
Expenditure level	Operating expenditure / no. of property assessments	\$2,162	\$2,314	\$2,401	\$2,492	\$2,577	+	
Revenue level	Residential rate revenue / No. of residential property assessments	\$1,315	\$1,382	\$1,386	\$1,390	\$1,394	+	
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year	12.0%	10.6%	10.6%	10.5%	10.5%	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

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. Improvement in financial performance expected over the period, although continued losses means reliance on Council's cash reserves or increased debt to maintain services.

2 Adjusted underlying result (as per Local Government Regulations) - An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives. Improvement in financial performance expected over the period, although continued losses means reliance on Council's cash reserves or increased debt to maintain services. This indicator uses adjusted underlying revenue as per the definition in the Local Government Regulations. The major differences from note 1 is the exclusion of maintenance carry forward and recurrent capital grants.

3 Working Capital – The proportion of current liabilities represented by current assets. Working capital is forecast to decrease significantly in 2014/15 year due to a run down in cash reserves to fund the capital program. The trend in later years is to remain steady at an acceptable level.

4 Debt compared to rates - Trend indicates Council's reducing reliance on debt against its annual rate revenue through redemption of long term debt.

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.

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.

7 Rates concentration (as per Local Government Regulations) - 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. This indicator uses adjusted underlying revenue as per the definition in the Local Government Regulations. The major difference from note 6 is the exclusion of recurrent capital grants.

APPENDIX A

Financial resources



CITY OF DAREBIN
Budgeted Income Statement
 For the four years ending 30 June 2018

	Forecast 2014 \$'000	Budget 2015 \$'000	Proposed 2016 \$'000	Proposed 2017 \$'000	Proposed 2018 \$'000
Income Statement					
Revenues from ordinary activities					
Rates and charges	100,866	106,616	112,615	118,930	125,646
User fees	11,422	12,258	12,524	12,837	13,158
Statutory fees and fines	6,070	6,104	6,226	6,350	6,477
Contributions	5,386	3,500	3,500	3,500	3,500
Grants - operating	13,483	15,764	16,080	16,402	16,731
Grants - capital	2,382	4,456	3,095	3,173	3,252
Other	5,071	4,636	4,609	4,657	4,707
Total revenues	144,680	153,334	158,649	165,850	173,471
Expenses from ordinary activities					
Employee benefits	73,571	74,931	77,893	81,172	84,629
Materials and services	38,604	42,065	41,273	43,365	46,152
Bad and doubtful debts	844	714	732	751	769
Finance costs	30	47	37	27	24
Depreciation and amortisation	20,045	20,711	21,756	22,416	22,945
Other	8,646	8,061	10,217	10,837	11,049
Total expenses	141,739	146,530	151,909	158,569	165,569
Net gain on disposal of property, infrastructure, plant and equipment	144	(48)	244	226	207
Net surplus / (deficit)	3,086	6,756	6,984	7,507	8,109
Capital Grants	(1,546)	(3,848)	(3,095)	(3,173)	(3,252)
DCP/POS Contributions	(5,386)	(3,500)	(3,500)	(3,500)	(3,500)
Maintenance cfwd from prev. years	(701)	701			
Grant Funding (received in advance)	3,388				
Non cash developer contributions					
Abnormal items	1,373				
Underlying Surplus / (deficit)	214	109	389	834	1,357

CITY OF DAREBIN
Budgeted Balance Sheet
 For the four years ending 30 June 2018

	Forecast 2014 \$'000	Budget 2015 \$'000	Proposed 2016 \$'000	Proposed 2017 \$'000	Proposed 2018 \$'000
Current assets					
Cash and cash equivalents	23,508	18,167	18,236	18,813	19,950
Finance Assets	10,878	10,878	10,878	10,878	10,878
Trade and other receivables	14,607	15,784	16,989	18,283	19,629
Other assets	59	59	59	59	59
Total current assets	49,052	44,888	46,162	48,033	50,516
Non Current Assets					
Trade and other receivables	154	114	114	114	114
Property, infrastructure, plant & equipment	1,153,094	1,165,150	1,267,468	1,273,897	1,436,361
Investment property	3,625	3,625	3,625	3,625	3,625
Intangibles	1,427	1,853	1,636	1,605	1,620
Other assets	206	206	206	206	206
Total non-current assets	1,158,506	1,170,948	1,273,048	1,279,447	1,441,926
Total assets	1,207,558	1,215,836	1,319,210	1,327,479	1,492,442
Current Liabilities					
Trade and other payables	13,903	14,327	14,716	15,122	15,547
Interest-bearing loans and borrowings	128	180	209	111	78
Provisions	14,992	15,423	15,871	16,338	16,825
Total current liabilities	29,023	29,930	30,796	31,571	32,450
Non Current Liabilities					
Interest-bearing loans and borrowings	172	785	548	535	489
Provisions	996	996	996	996	996
Total non-current liabilities	1,168	1,781	1,544	1,531	1,485
Total liabilities	30,191	31,711	32,340	33,102	33,935
Net assets	1,177,368	1,184,124	1,286,870	1,294,377	1,458,506
Equity					
Accumulated Surplus	477,809	484,368	490,853	497,860	505,468
Asset Revaluation Reserve	687,870	687,871	783,633	783,633	939,653
Other Reserves	11,688	11,884	12,384	12,884	13,384
Total Equity	1,177,368	1,184,124	1,286,870	1,294,377	1,458,506

CITY OF DAREBIN
Budgeted Cash Flow Statement
 For the four years ending 30 June 2018

	Forecast 2014 \$'000	Budget 2015 \$'000	Proposed 2016 \$'000	Proposed 2017 \$'000	Proposed 2018 \$'000
<i>Cash flows from operating activities</i>					
Receipts from customers	120,842	126,668	132,966	139,700	146,842
Payments to suppliers and employees	(120,880)	(124,916)	(129,279)	(135,252)	(141,688)
	(37)	1,751	3,687	4,447	5,154
Interest received	1,600	1,746	1,763	1,781	1,800
Government receipts	21,251	23,720	22,675	23,075	23,483
Net cash inflow from operating activities	22,814	27,217	28,125	29,303	30,437
<i>Cash flows from investing activities</i>					
Proceeds from sale of prop, plant and equip	1,062	675	985	985	985
Repayment of loans and advances	59	63	41		
Trusts funds and deposits					
Payments for other financial assets					
Payments for property, infrastructure, plant and equipment	(26,569)	(33,915)	(28,836)	(29,574)	(30,183)
Net cash outflow from investing activities	(25,448)	(33,177)	(27,810)	(28,588)	(29,197)
<i>Cash flows from financing activities</i>					
Finance costs	(30)	(47)	(37)	(27)	(24)
Trust funds and deposits					
Proceeds from borrowings		846			
Repayment of borrowings	(320)	(180)	(209)	(111)	(78)
Net cash outflow from financing activities	(349)	618	(246)	(138)	(102)
Net (decrease)/increase in cash & cash equivalents	(2,983)	(5,342)	69	577	1,137
Cash and cash equivalents at beg of year	26,492	23,509	18,168	18,237	18,814
Cash & cash equivalents at end of year	23,509	18,168	18,237	18,814	19,951
<i>Represented by:</i>					
Unrestricted cash and investments	11,820	6,283	5,852	5,929	6,566
Reserves	11,688	11,884	12,384	12,884	13,384
Total cash and investments	23,509	18,168	18,237	18,814	19,951

CITY OF DAREBIN
Budgeted Capital Works Statement
 For the four years ending 30 June 2018

	Forecast 2014	Budget 2015	Proposed 2016	Proposed 2017	Proposed 2018
Roads	7,880	9,675	9,393	9,632	9,839
Drains	672	783	990	1,005	1,018
Open space	7,877	8,182	7,862	8,062	8,237
Buildings	10,703	14,574	10,659	10,892	11,085
Plant, equipment & other	6,366	7,726	6,069	6,212	6,330
Feasibility studies			144	148	151
Total capital works	33,498	40,939	35,117	35,952	36,660
Represented by:					
Asset renewal	11,159	13,461	12,111	12,421	12,421
New assets	3,985	2,485	4,325	4,436	4,436
Asset expansion / upgrade	11,425	17,969	12,400	12,717	12,717
Capital expenditure	26,569	33,915	28,836	29,574	29,574
Operating expenditure ¹	6,929	7,024	6,281	6,378	6,477
Total capital works	33,498	40,939	35,117	35,952	36,051

1 These items are expensed in the Operating Statement as they do not meet the definition of capital expenditure.

Reconciliation of net movement in property, plant and equipment

	Forecast 2014 \$000s	Budget 2015 \$000s	Strategic Resource Plan Projections		
			2016 \$000s	2017 \$000s	2018 \$000s
Total Capital works	33,498	40,939	35,117	35,952	36,660
Maintenance projects	(6,929)	(7,024)	(6,281)	(6,378)	(6,477)
Depreciation and amortisation	(20,045)	(20,711)	(21,756)	(22,416)	(22,945)
Written down value of assets sold	(918)	(723)	(741)	(760)	(779)
Revaluation of assets	40,944		95,762	0	156,021
Net movement in property, plant and equipment	46,550	12,481	102,101	6,398	162,479

CITY OF DAREBIN
Budgeted Statement of Investment Reserves
 For the year ending 30 June 2015

	Transfers			
	Forecast	To	From	Budget
	30-Jun-14	Reserves	Reserves	30-Jun-15
	\$'000	\$'000	\$'000	\$'000
Statutory				
Car parking	228			228
Drainage	14			14
Developer contributions	4,420	0	(1,304)	3,116
Public resort and recreation	7,026	3,500	(2,000)	8,526
Total statutory reserves	11,688	3,500	(3,304)	11,884



CITY OF DAREBIN
Budgeted Statement of Changes in Equity
For the year ending 30 June 2018

	Total	Accumulated	Revaluation	Other
	\$'000	Surplus	Reserve	Reserves
	\$'000	\$'000	\$'000	\$'000
2015				
Balance at beginning of the financial year	1,177,369	477,811	687,870	11,688
Comprehensive result	6,756	6,756	-	-
Net asset revaluation increment(decrement)	0	-	-	-
Transfer to reserves	0	(3,500)	-	3,500
Transfer from reserves	0	3,304	-	(3,304)
Balance at end of the financial year	1,184,125	484,370	687,870	11,884
2016				
Balance at beginning of the financial year	1,184,125	484,370	687,870	11,884
Comprehensive result	6,984	6,984	-	-
Net asset revaluation increment(decrement)	95,762	-	95,762	-
Transfer to reserves	0	(3,500)	-	3,500
Transfer from reserves	0	3,000	-	(3,000)
Balance at end of the financial year	1,286,870	490,855	783,632	12,384
2017				
Balance at beginning of the financial year	1,286,870	490,855	783,632	12,384
Comprehensive result	7,507	7,507	-	-
Net asset revaluation increment(decrement)	0	-	0	-
Transfer to reserves	0	(3,500)	-	3,500
Transfer from reserves	0	3,000	-	(3,000)
Balance at end of the financial year	1,294,377	497,862	783,632	12,884
2018				
Balance at beginning of the financial year	1,294,377	497,862	783,632	12,884
Comprehensive result	8,109	8,109	-	-
Net asset revaluation increment(decrement)	156,021	-	156,021	-
Transfer to reserves	0	(3,500)	-	3,500
Transfer from reserves	0	3,000	-	(3,000)
Balance at end of the financial year	1,458,507	505,470	939,652	13,384

APPENDIX B

Human resources



CITY OF DAREBIN
Budgeted Statement of Human Resources
 For the four years ending 30 June 2018

	Forecast 2013/14 \$000s	Budget 2014/15 \$000s	Proposed 2015/16 \$000s	Proposed 2016/17 \$000s	Proposed 2017/18 \$000s
Staff Expenditure					
Employee Costs - Operating	73,571	74,931	77,893	81,172	84,629
Employee Costs - Capital	0	0	0	0	0
Total	73,571	74,931	77,893	81,172	84,629
Staff numbers					
Employee (EFT)*	657	659	662	666	669

*Note: Effective Full-Time Employees numbers excludes Home Carers



CITY OF DAREBIN
Summary of planned human resources expenditure
 For the four years ending 30 June 2018

	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000
Assets & Business Services				
-Permanent full time	9,079	9,334	9,643	10,044
-Permanent part time	999	1,027	1,061	1,105
Total Assets & Business Services	10,078	10,361	10,704	11,149
Culture, Leisure & Works				
-Permanent full time	15,891	16,546	17,245	17,960
-Permanent part time	1,751	1,823	1,900	1,979
Total Culture, Leisure & Works	17,642	18,369	19,145	19,939
Community Development				
-Permanent full time	18,701	19,481	20,341	21,226
-Permanent part time	6,967	7,257	7,578	7,908
Total Community Development	25,668	26,738	27,919	29,134
Corporate & Planning Services				
-Permanent full time	13,743	14,338	14,948	15,571
-Permanent part time	764	797	831	866
Total Corporate & Planning Services	14,507	15,135	15,779	16,437
Total other non-attributable	7,036	7,290	7,625	7,970
Total staff expenditure	74,931	77,893	81,172	84,629

	EFT	EFT	EFT	EFT
Assets & Business Services				
-Permanent full time	89.8	90	90	90
-Permanent part time	16.1	16	16	16
Total Assets & Business Services	105.9	106	106	106
Culture, Leisure & Works				
-Permanent full time	187.7	189	190	191
-Permanent part time	22.7	23	23	23
Total Culture, Leisure & Works	210.4	212	213	214
Community Development				
-Permanent full time	122.1	122	124	124
-Permanent part time	79.5	80	80	81
Total Community Development	201.6	202	204	205
Corporate & Planning Services				
-Permanent full time	133	134	135	135
-Permanent part time	8.5	8	8	9
Total Corporate & Planning Services	141.5	142	143	144
Total staff numbers*	659.4	662	666	669

*Excludes casual and home care staff