City of Greater Bendigo

Draft Financial Plan 2021-2031

CITY OF GREATER BENDIGO

Document Set ID: 4609172
Version: 16, Version Date: 11/08/2021

Contents

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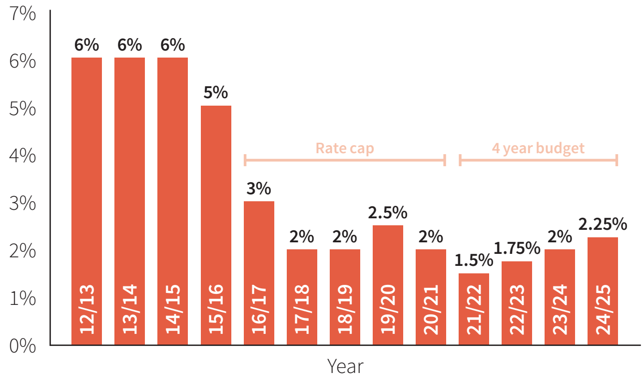
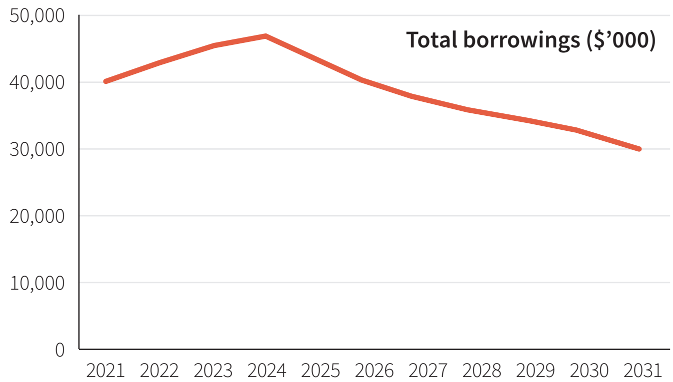
City of Greater Bendigo Financial Plan at a glance

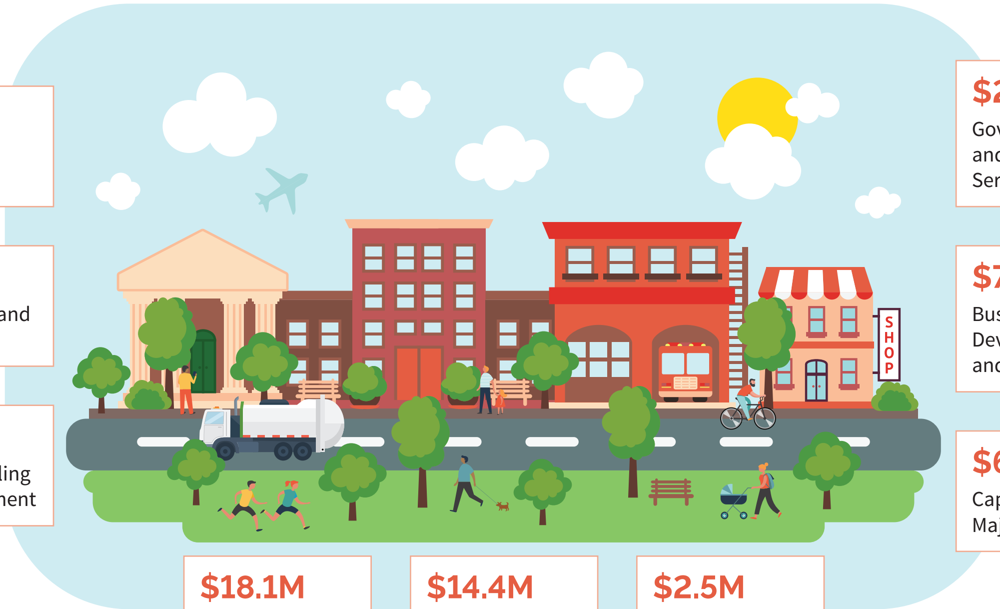
- **$223.5M in total operating revenue in 2021/2022**
- **$158.5M in operating expenditure (excluding depreciation)**
- **$66.2M in capital projects (then between $50M and $70M annually)**
- **$133M in rates and charges (increasing with CPI)**
- **$5M-$10M in borrowings annually after 2021/2022 supporting capital expenditure**
- **766 full time equivalent staff in 2021/2022**
- **Average 1.95% increase on rates (1.5% in 2021/2022 budget)**

The City of Greater Bendigo publishes a 10-year Financial Plan to support the community vision and Council Plan. Revenues over the period are forecast to increase from $223M to $269M, and borrowings will continue to be used to support capital expenditure. The graph below on the left shows the percentage that rates have increased in past years as well as the projected increase based on CPI for the next four years. The graph on the right shows the projected borrowings for the next 10 years. The City's borrowing policy ensures money is borrowed sustainably, so that future repayments are manageable.





The following categories of service and capital costs are planned in 2021/2022. More details are available in the City's 10-year Financial Plan 2021-2031 at **www.letstalkgreaterbendigo.com.au/imagine**



$8.9M Planning and Regulation

$14.8M Arts, Culture and Libraries

$25.2M Waste, Recycling and Environment

$18.1M Recreation and Parks

$14.4M Community Services

$2.5M Maternal and Child Health

$24.3M Governance and Corporate Services

$7.8M Business Development and Tourism

$60.1M Capital and Major Works

A snapshot of other responsibilities:

- More than **47,000** drainage pits
- More than **1,400** public buildings and structures
- More than **70** sporting reserves and venues
- More than **100,000** nature strip trees
- More than **900km** of walking and cycling paths
- More than **9,500** street lights
- More than **1,500km** of sealed roads
- **130** playgrounds

Executive Summary

The City of Greater Bendigo has prepared the 10 year financial plan to support the Community's vision and Council plan. Through the development of the vision, the community has told us their desire for Greater Bendigo to be sustainable, prosperous and to have a bright and happy future. The Council plan includes actions to deliver on this vision.

Our Financial Plan outlines the resources required to deliver the Council plan and ensure we are investing in assets the community values; our services remain affordable and accessible for the community; and our organisation remains financially sustainable.

Greater Bendigo is growing – our population is currently around 123,000 and forecast to be over 155,000 people by 2036. This growth will provide some additional rate revenue for the City, however additional growth also requires additional investment in assets and services to support the larger population. These additional costs add to what we already invest maintaining our existing $1.8 billion in assets, and to the costs of delivering services our community values.

The City enters this financial plan in a stable financial position. The City has sufficient cash reserves, a sustainable level of current borrowings and an efficiently sized workforce. This position has been able to be achieved through a level of financial discipline over many previous years. This discipline has included a commitment to reinvest in our asset base; restraint in additional operational expenses; using a mixture of rates, partnerships, Government funding and, where required, debt to fund new asset construction. A high level summary of the City's financial story was produced to support consultation early in 2021, and can be found here.

Interest rates are currently at record low levels but are expected to rise through the life of this plan. The City will continue a restrained approach to debt and only pursue new borrowings where an intergenerational benefit can be proven.

For the City's finances to remain sustainable and our services to remain affordable for the community, this disciplined approach must continue through the life of this plan and beyond. Increases to rate revenue are currently capped under the State Government's *Fair Go Rates* system, determined by the State Minister for Local Government. This significantly limits revenue available to fund new projects and initiatives. There is the ability to apply to operate above the cap; but it would need to be done with the support of the community. This is one option available for the City and the community, as are increases in other fees and charges for services the City provides.

The City must continue to reinvest in our existing assets so our roads, parks, gardens, pools and buildings that we value stay in a condition we are proud of. As we bring on new assets, to remain sustainable we must also review the assets we already have to assess whether they are still valued by the community or could have a different future.

Services also evolve, and the City will assess the performance and future for current services to understand whether they are relevant and whether the City needs to continue to deliver them or whether there is a role for an alternative delivery model. To remain sustainable over the life of this plan, some City services will have to change.

The City has a commitment to achieving zero carbon through the life of this plan and there are a number of actions in the Council Plan that will support this aspiration. This will have generational benefit, but also short-term financial cost impacts. The plan that has been developed considers all of these factors and more.

As part of the plan, the following key documents have been prepared:

- 10 year Financial Statements (Income statement, Balance Sheet, Statement of Changes in Equity, Cash Flow and Capital Works Statement)
- Operational and capital expenditure modelling to guide future budget processes
- 10 year financial sustainability ratios

Through the life of this plan the City forecasts that:

- Rates increases remain with the forecast CPI rate cap
- Asset renewal increases
- Working capital position decreases and still remains strong
- Unrestricted cash reduces over time and still remains strong
- Borrowings as a percentage of rates and charges reduces

The numbers help confirm that the plan outlines a pathway to continue to achieve high levels of service and affordability for the community and maintain financial sustainability for future generations to benefit.

Legislative Requirements

This section describes how the Financial Plan links to the achievement of the Community Vision and the Council Plan within the Integrated Strategic Planning and Reporting framework. This framework guides the City in identifying community needs and aspirations over the long term (Community Vision), medium term (Council Plan) and short term (Budget) and then holding itself accountable (Annual Report).

The following diagram provides an overview of the core legislated elements of an Integrated Strategic Planning and Reporting Framework.

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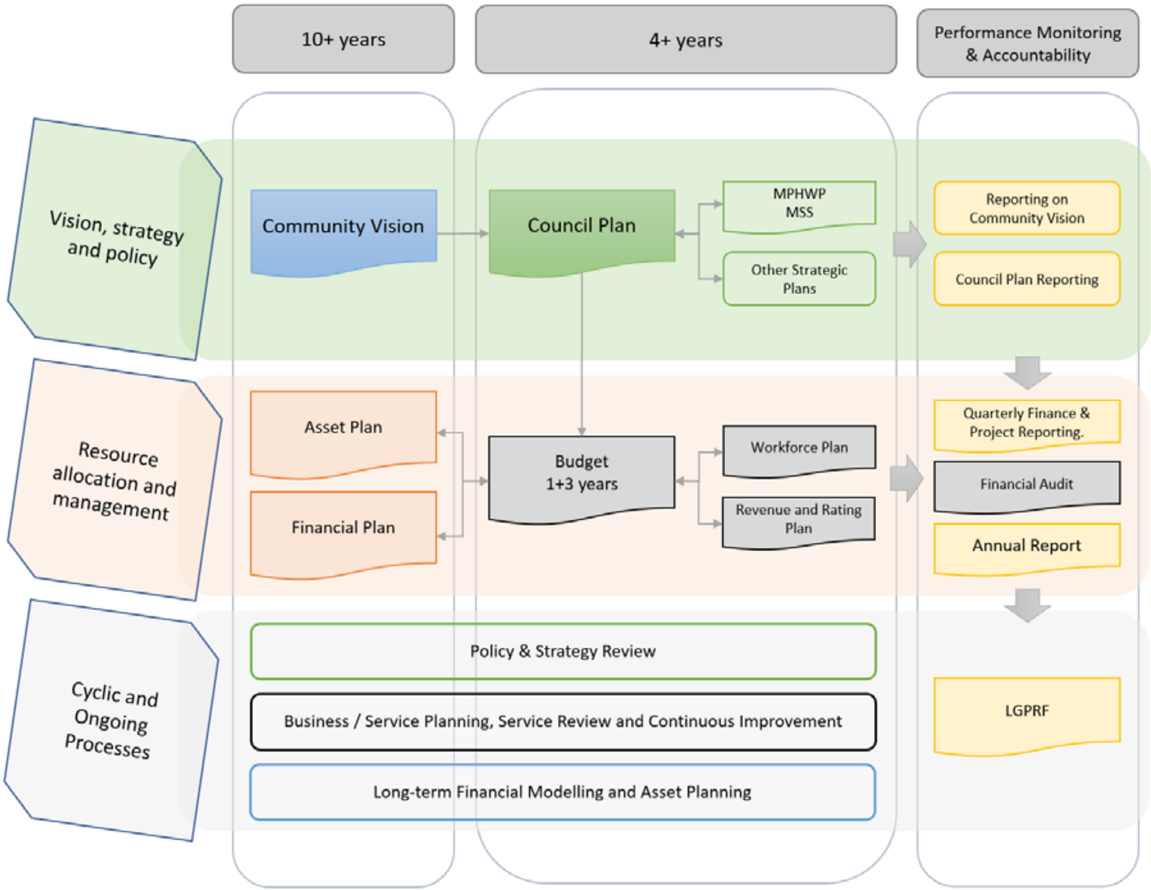


Source: Department of Jobs, Precincts and Regions

MPHWP – Municipal Public Health and Wellbeing Plan

MSS – Municipal Strategic Statement

LGPRF – Local Government Performance Reporting Framework

Community Vision and Strategic Planning Principles

The City 's community vision is:

Greater Bendigo celebrates our diverse community. We are welcoming, sustainable and prosperous. Walking hand-in-hand with the traditional custodians of this land. Building on our rich heritage for a bright and happy future.

The City contributes to the achievement of this broader community vision through its Council Plan. The Financial Plan provides a 10 year financial projection regarding how the actions of the Council Plan may be funded to achieve the Community Vision.

The Financial Plan is developed in the context of the following strategic planning principles:

- The City has an integrated approach to planning, monitoring and performance reporting.
- Council's Financial Plan addresses the Community Vision by funding the priorities of the Council Plan. The Council Plan priorities and actions are formulated in the context of the Community Vision.

- The modelled financial statements articulate the resources available over the next 10 years to implement the goals and priorities of the Council Plan to support the Community Vision.
- The City's strategic planning process identifies and addresses risks to financial sustainability (managed as a Strategic Risk of the organisation).
- Reporting on the Financial Plan will provide an opportunity to monitor progress annually, and reviews will identify and adapt to changing circumstances.

Financial Management Principles

The Financial Plan demonstrates the following financial management principles:

- Revenue, expenses, assets, liabilities, investments, and financial transactions are managed in accordance with the City's financial policies and strategic plans.
- Management of the risk to financial sustainability. This is currently rated as a medium risk in the City's Risk Management Framework.
- Financial policies and strategic plans are designed to provide financial stability and predictability to the community.
- The City maintains accounts and records that explain its financial operations and financial position.

Engagement Principles

The City has implemented the following consultation process to obtain feedback from stakeholders:

- Early 2021 community engagement undertaken including a summary *Our Financial Story* document, and questions around future rate increases, services and assets on the *Let's Talk* community engagement platform
- Community Panel involvement by Finance staff, including a community priorities session as part of input to Council planning
- Draft Financial Plan prepared by officers, incorporating community engagement and input
- Draft Financial Plan placed on public exhibition following August 2021 Council meeting for a period of 21 days and calling for public submissions
- The Financial Plan, including any revisions, presented to October 2021 Council meeting for adoption.

Community Engagement will continue with the annual Budget cycle and the Financial Plan engagement will align with the Council term and other strategic planning documents.

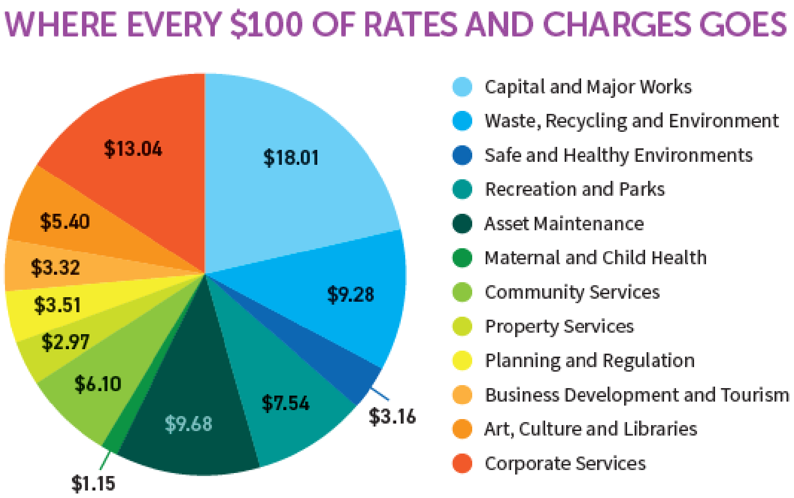
Service Performance Principles

The City seeks to provide services on a community needs and value for money basis. The service performance principles are listed below:

- Services are provided in an equitable manner and are responsive to the diverse needs of the community. The Council Plan is designed to identify the key services and projects to be delivered to the community. The Financial Plan shows how the service aspirations within the Council Plan may be funded
- Services are available to the relevant users within the community

- The City delivers quality services seeking to provide value for money to the community. The Local Government Performance Reporting Framework (LGPRF) is designed to communicate the City's performance regarding the delivery of services. Details can be viewed by the public here: https://knowyourcouncil.vic.gov.au/
- The City has a customer service charter and engagement framework that considers and responds to community feedback and complaints regarding service provision.

Our current break-down of service expenditure, at a high level is below, and the City continues to engage with the community on which services they prioritise.



Financial Plan context and challenges

Overview

The City covers a large geographic area of 3,000 square kilometres. While around 85 per cent of the population reside within urban Bendigo, we have a number of unique smaller townships and rural communities which contribute to the rich and diverse fabric of the municipality. Continuing our support for these townships has been a key theme of the consultations.

The City is a regional centre which delivers services for a wider catchment than the municipal boundaries. Examples of these regional services include the Bendigo Art Gallery, Bendigo Airport, Bendigo Livestock Exchange and a number of regional recreation and sporting facilities. These services come at an additional net cost for the City, but also drive economic development and a higher quality of service provision through the region.

Over the coming years the City will be presented with many opportunities and challenges. A stable and sustainable financial position will position the City to best respond to opportunities that are presented.

Further detail on some key challenges that are relevant to long term financial planning are outlined below.

Our Community and Future Growth

The municipality's population has grown to around 123,000 residents and is expected to increase to around 156,000 by 2036. The growth has occurred in the municipality's outer suburbs including Marong, Maiden Gully, Huntly and Strathfieldsaye and this pattern is predicted to continue into the future

How the City responds to this growth relies on effective planning to ensure timely and coordinated delivery of infrastructure and services to these areas. This planning includes asset and service-based strategies as well as provisions for Development Contributions Plans (DCPs) to support infrastructure delivery through funding partnership arrangements.

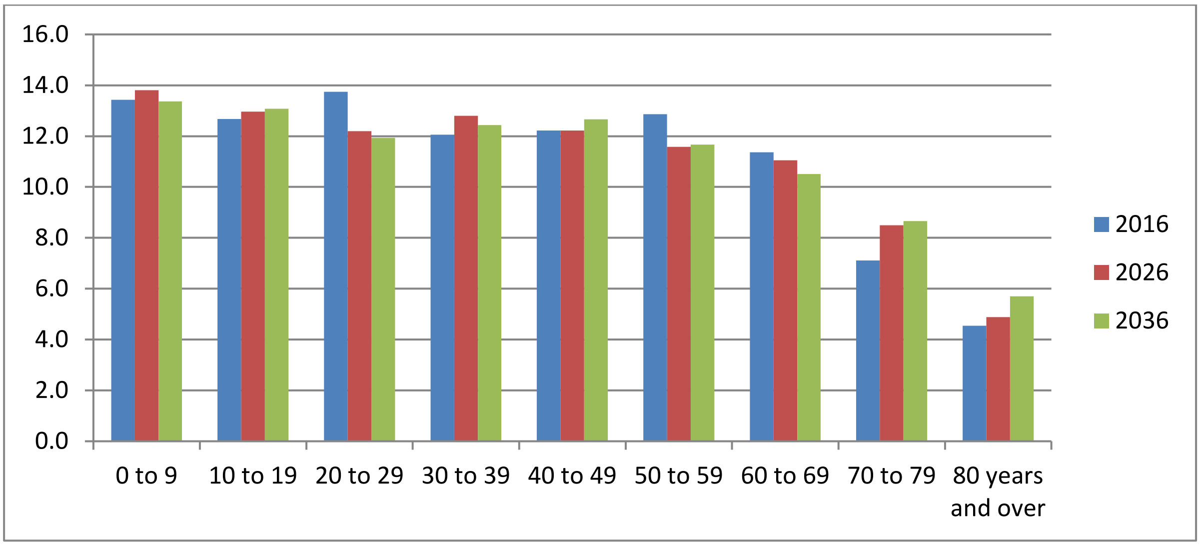
DCPs are a mechanism which shares the costs of certain services across developments through a planning process. All DCPs are subject to the Council's formal approval. This plan includes modelled cost estimates for future DCPs in Huntly, Maiden Gully and Marong.

To sustainably contend with growth, the City must also look for ways to encourage and facilitate behavioural change that considers innovative approaches to infrastructure needs, and reduces the reliance on the supply of costly infrastructure. This could include shared community facilities and, providing alternatives such as greater access to public transport and cycling and walking paths to mitigate challenges associated with increased traffic, reducing the community's reliance on cars.

There are also changing expectations and regulation across community services. For example, public swimming pools now require increased additional supervision and oversight to remain safe. Increased female participation in sport is a wonderful step in the right direction for gender equality. However this is also creating greater demand for additional grounds and appropriate facilities.

Population demographic changes are likely to challenge how the organisation delivers future services and responds to employment needs. The proportion of residents aged over 70 years is expected to grow. This is more pronounced in some communities including in Heathcote where current forecasts suggest that by 2036 around one in four residents will be aged over 70. This may change the municipality's demand for health and wellbeing related services and infrastructure. The proportion of residents of working age (20-64 years) is also expected to decline from 57 to 54 percent, outcomes of which will flow on to Greater Bendigo's workforce.

Percentage of Greater Bendigo's population by age group - forecast changes over time



Our Economy

Greater Bendigo benefits from a strong, diverse and relatively self-contained economy with key industries including manufacturing, construction, finance, healthcare and retail trade. However, this positive economic climate is also experiencing challenges, such as attracting skilled workers for various occupations a relatively high youth unemployment rate and sourcing future industrial land to meet growing industry needs. The City continues to work on actions within the Economic Development Strategy to address these issues.

Bendigo's retail sector is experiencing a period of rapid transformation as technology, record low wage growth, and changing consumer preferences all impact the sector. To support the current business environment through these changes the City Centre needs to evolve and diversify through government and private sector investment. The State Government has committed to significant investment to support the development and transition of the City Centre. The Bendigo GovHub ($90M), new Bendigo Law Court ($152M) and expansion of Bendigo TAFE ($59M) will all be completed over the next four years.

From a built form perspective, positive signs are emerging with new mixed-use buildings being proposed or under construction across central Bendigo. Their continued roll-out will inject new life and a residential population into the heart of Bendigo and make it a much stronger destination and ensure that Bendigo's role as a regional hub is strengthened.

Our Environment and Climate Risk

The City has adopted the *One Planet Living* framework and is committed to implementing this into the City's strategic policy framework and operations. This framework provides a holistic approach to managing the impacts of a changing environment by empowering the community and improving wellbeing as well as improving energy efficiency and reducing waste and water use.

The City has opportunities in planning for this changing environment with potential for longer term cost savings. This will include pursuing a zero-carbon initiative, retrofitting buildings to increase energy efficiency, better utilisation of multiple water sources, planting additional urban street trees and reducing waste through an increased emphasis on our circular economy.

There are immediate and longer-term challenges related to waste. The key capital assumptions within previous waste modelling have been included in the Financial Plan model and are referenced in the assumptions. The current landfill has a limited lifespan, with only a few years of capacity remaining. The Financial Plan includes landfill remediation and early estimates for future waste costs to support our Circular Economy (forecast currently at an additional $8M over 4 years).

In Victoria we are already experiencing the impacts of climate change, with a temperature increase of over 1° C since 1910, a decrease in average rainfall, and an increased fire danger in spring. We are facing more frequent climatic impacts.

The changing climate will make it more expensive for the City to build and maintain infrastructure and deliver existing services due to:

- damage to property and infrastructure
- rising insurance costs
- increasing energy and water costs to cover the infrastructure needed for increased heating/cooling and water preservation
- demand for additional services, shading and trees to address heat stress, new microbial diseases and mental health issues
- demand for emergency management services to prepare, prevent, respond and recover from the increasing frequency of extreme weather events
- some loss of vegetation, birds and wildlife
- impacts on economic development in areas such as tourism, events and recreational activities.

Council passed a resolution in its previous term which recognised Greater Bendigo is in a state of climate and biodiversity breakdown and acknowledged the urgent need for action as well as the need to contribute to global efforts to reduce greenhouse gas emissions.

The Council Plan includes objectives and actions to prioritise addressing climate risk. These actions will result in benefits for our current community and future generations. This will also require increased investment which has been factored into this Financial Plan.

Our Assets

Provision of infrastructure will remain a delicate balance for the City to consider existing levels of service, increasing community expectations and available resources. Negotiating the current levels of asset-related services identified in the organisation's Asset Management Plans and the required funding to maintain these services in future years will continue to be a challenge. This will require better use of current assets – including community buildings, pools and shared spaces – rather than new or upgraded facilities.

The City tests its assumptions and funding strategies related to maintaining existing service levels through asset modelling. This allows the organisation to understand the implications of particular expenditure profiles on the serviceability of its existing asset base and deliverability of related services. As part of this Financial Plan, from 2020/2021 higher annual yearly increases have been applied to investing in renewing and maintaining our existing assets. As the City's asset modelling improves, in future iterations of the Financial Plan it is intended that growth factors will be applied to reflect expected asset base growth.

The City will work collaboratively across all business units for a framework and set of criteria to assess whether there are some assets in the community that are no longer required and could be deemed as surplus to requirements. This may result in some assets being considered for sale or usage in line with other adopted strategies. Any consideration of disposing of assets will be matched with a level of community engagement and information.

The proposed renewal investment of $34M currently modelled in the first year of the Financial Plan does not align with modelling which indicates investment of approximately $40M is required.

Without a level of intervention which includes considering asset consolidation and alternative revenue sources, the gap between the what is required and what is invested will continue to grow.

Another measure of this trend is seen through the VAGO Capital Replacement and Renewal Gap ratios, which for the City over the next four years are indicative of an increasingly insufficient spend on asset renewal. The Financial Plan address this over the life of the plan by increasing renewal funding investment.

The following table provides details on assets which the City has responsibility for that support services to the Community:

Asset Type	Quantity	Value
Sealed roads	1,514 kms	$524M
Unsealed roads	1,427 kms	$21M
Kerb and channel	1,222 kms	$127M
Pathways	897 kms	$145M
Carparks	79 No.	$10M
Bridges	91 No.	$76M
Buildings and structures	1210 No.	$436M
Swimming pool	28 No.	$11M
Drainage and stormwater structures	1,225 kms	$384M
Public furniture	3,193 No.	$33M
Land improvement	701 No.	$69M
Other (incl. tram tracks, parking infrastructure, airport, artworks)	-	$41M
Total:		**$1.877B**

Our Strategies, Grants and Partnerships

If all strategies of the City were to be delivered over the next 5-10 years, the City would require new capital expenditure in the order of $30M-$40M per annum. Currently the City has modelled capacity to contribute towards new and upgrade projects at around $4-$6M per annum.

Previous major projects for the City have cost up to $35M. These projects have been funded with a combination of Council raising rates to fund a contribution as well as significant State and/or Federal Government funding. However, with the introduction of the rate cap, Council no longer has the ability to raise rates for a specific projects or initiatives without first applying to exceed the rate cap. Future investment decisions in major projects will require the consideration of a number of factors, including re-prioritisation of expenditure commitments.

The ability for many community groups to provide funding towards capital infrastructure is also expected to decline, particularly in areas most needed. The City will investigate ways that it can continue to equitably manage an increasingly competitive funding environment for community facilities.

Our Financial Risk Management

The City uses the VAGO sustainability ratios to assess risk whilst also utilising its own Risk Management framework to document strategic and operational risks. Through the assessment of the internal and external environment that impacts the City, *Financial Sustainability* has been assessed as a strategic risk. There are a number in controls in place to manage this risk. Without these controls and regular assessment, this risk could limit the City's ability to operate for the community.

Below is a summary of causes and controls around the City's financial sustainability strategic risk.

Strategic Risk: Unable to deliver operational capability and maintain expenditure within the available funding, which leads to a financially unsustainable City

<u>Risk causes</u>

- Change in fiscal policy (State or Federal grants)
- Inability to be resilient when faced with a disaster
- Inability to sufficiently fund the renewal of the asset base or reduce the asset base
- Inability to scale operational capability / reduce costs within funding envelope
- Lack of ongoing reviews for service effectiveness, or introduction of transformational efficiencies
- Interest rate rises; labour costs are not controlled; further rate capping
- Increasing and mixed expectations from Community. There are conflicting demands; some seeking increased and diverse services, others seeking a return to more traditional services
- Poor financial and/ or resource management, poor project management, poor compliance.

<u>Controls in place</u>

- 10 year financial plan and 4 year Revenue & Rating Plan which focuses on maintaining good working capital; appropriate reserves and surplus positions
- Procurement and delegations framework
- Advocacy and long term relationships across government and region.
- Service review program
- Strong focus on Asset Management and funding of renewals
- Finance systems; qualified staff across the organisation

- Relevant training and inductions for staff and Councillors

Further background on the issues around rural and regional Council's financial sustainability was tabled in 2018 to the Victoria parliament, and can be accessed here: https://www.parliament.vic.gov.au/401-enrrdc/inquiry-into-the-sustainability-and-operational-challenges-of-victorias-rural-and-regional-councils

Financial Sustainability Indicators and Policy Statements

The table below provides the City's financial sustainability indicators over the next 10 years based on the modelled financials:

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031
Working Capital											
Current Assets / Current Liabilities	206%	178%	154%	141%	139%	145%	156%	144%	158%	152%	149%
Unrestricted Cash											
Unrestricted Cash / Current Liabilities	96%	93%	71%	65%	66%	67%	71%	58%	72%	67%	63%
Obligations											
Borrowings / Rates Revenue	32%	33%	34%	34%	30%	26%	24%	22%	21%	19%	17%
Obligations (repayments)											
Borrowings repayments / Rates	5%	14%	6%	7%	7%	7%	6%	5%	4%	5%	5%
Indebtedness											
Non-current liabilities / Own Revenue	35%	31%	30%	29%	26%	23%	22%	20%	19%	17%	16%
Asset renewal and upgrade											
Asset renewal / Depreciation	73%	79%	82%	83%	84%	89%	87%	88%	87%	87%	106%
Adjusted underlying result											
Adjusted Underlying surplus/(deficit)	-6.1%	-3.7%	-4.3%	-3.1%	-2.3%	-1.3%	-0.7%	0.2%	0.7%	1.4%	1.6%
Rates concentration											
Rates compared to adj. revenue	70%	68%	68%	69%	69%	69%	69%	70%	70%	70%	70%

The following comments and policy statements support these ratios:

Working capital: The City will ensure sufficient working capital is maintained to meet its obligations as they fall due. The City is forecasting that it will have cash or short-term assets available to convert to cash to meet liabilities. Low risk when assessed using VAGO ratios.

Unrestricted cash: The City will maintain a sufficient level of unrestricted cash to support operations. Low risk when assessed using VAGO ratios.

Indebtedness: The City will apply loan funding to new capital for specific projects after consideration of intergenerational equity, and will maintain total borrowings which are affordable when compared to the income and the growth of the municipality. The City continues to plan to utilise debt to fund new capital expenditure or expenditure which occurs as a result of major disruptions such as COVID. Borrowings are forecast to slowly decrease over time. Low risk when assessed using VAGO ratios.

Asset renewal and upgrade: The City seeks to allocate adequate funds towards renewal capital in order to replace assets and infrastructure as they reach the end of their service life. This ratio indicates that the City will remain in the medium risk category with current settings in the short term. Medium risk when assessed using VAGO ratios, improving through the life of the plan.

Adjusted underlying result: The City seeks to move the adjusted underlying result towards the positive. Currently this result is rated as a high risk when assessed using VAGO ratios. This is primarily because depreciation charges on City assets are high, and by definition underlying surplus removes other (non-ongoing) government funding – on which the City will continue to be dependent. The forward financial plan builds in a gradual improvement in the underlying result over the 10 years.

Rates concentration: Rates compared to adjusted underlying revenue remains steady over time. Low risk per VAGO ratios.

Key Financial Assumptions

The City's Financial Plan incorporates various assumptions:

- Cost increases in relation to inputs, and price increases relating to outputs (refer to the following table)
- CPI per Australian Bureau of Statistics - Victorian economic forecasts
- Rates income continues to be capped in accordance with the Victorian State Government *Fair Go Rates* system
- Continued increase in rateable properties (in line with historical growth)
- Relatively low rates of return on our investment portfolio for the next 2-3 years
- Future loan borrowings for 2021/2022 are based on those recommended to Council as part of the adoption of the 2021/2022 Budget. Modelled future borrowings are identified in the Financial Plan, and will be considered by Council for approval as part of the adoption of each year's Budget
- Operational services in the model have been forecast to continue at similar levels of service – noting the pressures described elsewhere in this document
- Employee costs are determined by the City's Enterprise Agreement, and have been modelled in line with CPI through the life of the plan.

The City has modelled services at relatively similar levels, but also seeks to review these periodically to ensure they are equitable, and provide value. The 10 year plan has materials and services expenses increasing annually (with CPI) to support this objective.

A summary of assumptions is provided in the following table:

2021/2022 - 2030/2031 Indexation Rates for Financial Plan											
Description	Budget 2021/2022 $000s	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031
Council Rates (CPI)	(109,954)	1.5%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rates - Garbage Charge	(13,704)	18.0%	8.0%	6.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rates - Recycling & Organics	(9,277)	1.5%	1.75%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Statutory Fees & Fines	(5,429)	1.5%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
User Fees	(29,090)	1.5%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Grants - Operating	(27,620)	1.5%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Grants - Capital	(13,397)	1.5%	1.75%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contributions - Monetary	(3,453)	1.5%	1.75%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contributions - Non-monetary*	(15,225)	1.5%	-14.6%	0%	0%	0%	0%	0%	0%	0%	0%
Other Income	(1,174)	1.5%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Employee Costs	73,217	1.7%	3.06%	2.58%	2.68%	2.58%	2.14%	2.14%	2.14%	2.14%	2.14%
Materials and Services	76,347	0.0%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Depreciation & Amortisation	45,501	1.5%	3.0%	1.5%	3.0%	1.5%	3.0%	1.5%	3.0%	1.5%	3.0%
Other Expenses	6,666	1.5%	1.75%	2.0%	2.25%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

*Contributions – Non-monetary are projected at $13M from 2022/2023 onwards. This is the average of the prior five years Contributions.

The City has obligations under the defined benefits superannuation scheme that may result in the need to make additional contributions to the scheme.

Currently the City does not have any outstanding or forecasts any legal proceedings that will significantly impact operations.

Assumptions – capital expenditure

The following assumptions contain significant capital expenditures with a high likelihood of implementation which have been included within the current model. There are a large number of capital projects which will be part of an annual competitive bidding process. This Financial Plan models available capacity for capital expenditure, rather than identifying specific projects.

2021/2022 - 2030/2031 Capital Expenditure										
Category	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031
Asset Renewal	34,187	36,238	37,235	39,179	40,739	42,271	43,117	43,979	44,858	55,756
New Capital Investment	31,962	18,318	12,000	7,250	9,840	7,144	10,144	10,144	10,144	10,644
Developer Contribution Plans	150	3,944	5,976	2,553	-	1,849	12,197	1,061	10,988	2,017

The “New Capital Investment” line above includes allocations for projects approved in the current 2021/2022 budget, with approximately $4M-$6M unallocated each year over the coming 4 years. Although this varies significantly, each year there are over $30M in project proposals considered.

Major projects with allocations already approved through the annual budget process include:

- Catherine McAuley College (CMC) joint development
- Kennington Recreation Reserve Pavilion Upgrade

- Bendigo Botanical Gardens Central Hub Design & Construct
- Municipal Baths redevelopment
- Landfill remediation

All of these projects were part of the 2021/2022 budget process, with more details available – including mapping of key projects here: https://letstalkgreaterbendigo.com.au/budget-2021-2022

There are a large number of projects that are at various pre-construction stages that will require a level of Council funding and funding from other sources.

These projects include:

- Bendigo Airport terminal and business park
- Bendigo Art Gallery expansion
- National Chinese Museum of Australia expansion
- Central Deborah Gold Mine expansion
- Bendigo Regional Employment Precinct
- Bendigo Showgrounds developments
- Bendigo Livestock Exchange shade structure
- Establishment of additional tracks and trails through Greater Bendigo

Further details of the assumptions underpinning the Financial Plan Model are provided at Appendix B.

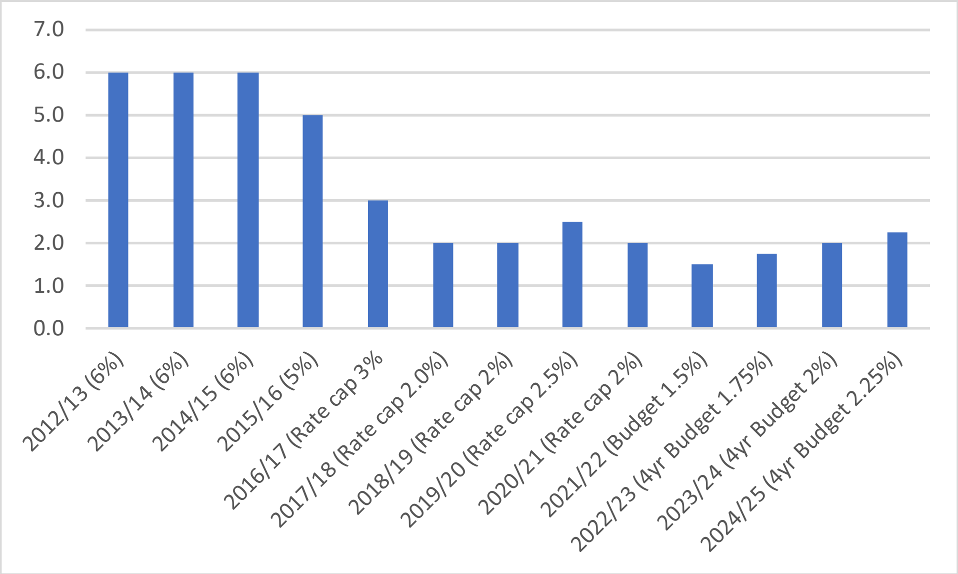
Assessment of the City's projected financial position

The following graphs illustrate the forecast financial position of the City within the Financial Plan model.

Revenues over the period are forecast to increase from $223M to $269M, with 60% of this revenue being raise from rates. The Revenue & Rating Plan adopted by Council in June 2021 has more details on the approach the City takes with regards to rates revenue and pricing.

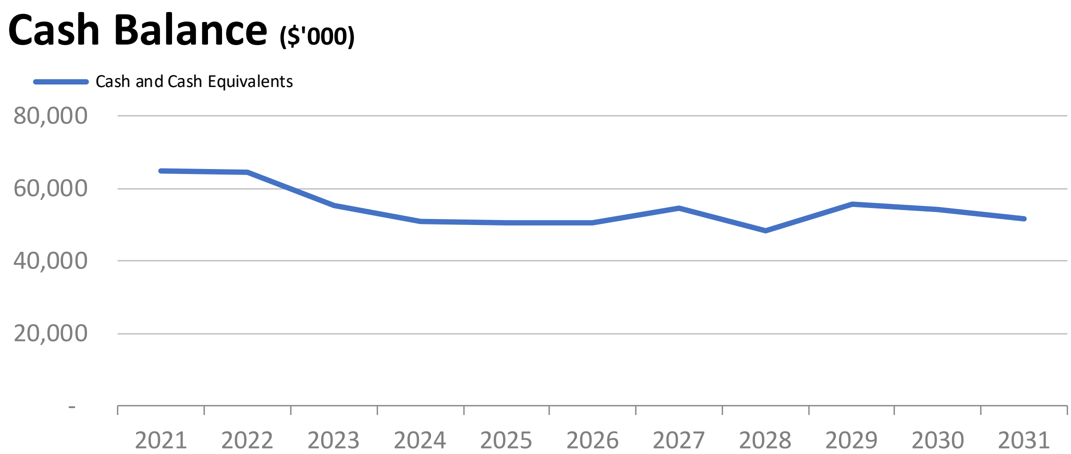
Document Set ID: 4609172
Version: 16, Version Date: 11/08/2021

City of Greater Bendigo Rates - Historical and Projected



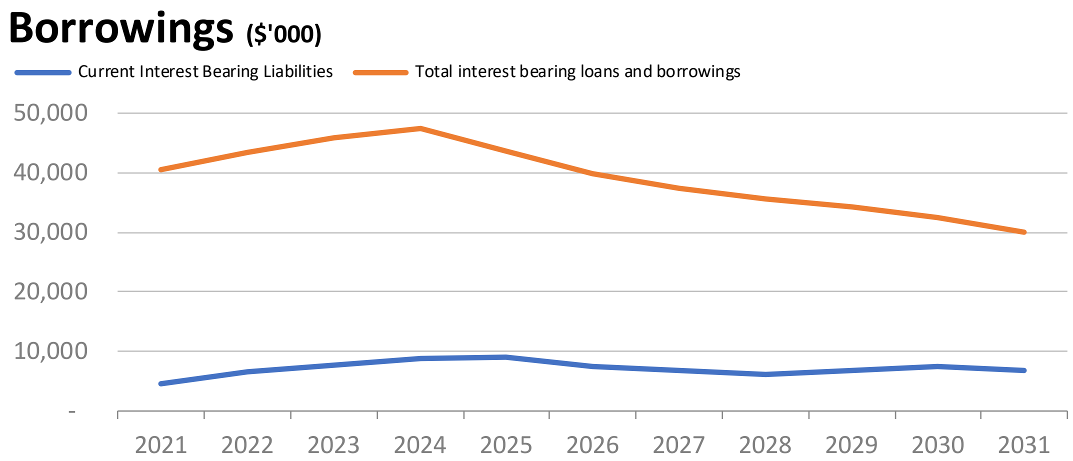
This graph shows the historical annual rate increase that the City applied as part of the annual budgeting process. For 2021/2022 the City has a 1.5 per cent rate increase in line with the cap set by the State Government under the Fair Go Rates System.

City of Greater Bendigo - cash holdings



The City's cash holdings are projected to drop over the next five years due to DCP expenditure and anticipated investment in the City's existing asset base for required renewal expenditure. The current model takes a conservative approach to future debt redraws. The City aims to manage and control expenditure in line with CPI.

City borrowing strategy – supporting capital growth



New capital investment is forecast at $32M for 2021/2022. Annual new capital investment to 2030/2031 ranges from $7M to $18M. In addition to this, estimated Development Contribution Program (DCPs) capital works funded by the City add an additional $40M to new asset investment over the forecast period. The City plans to continue to borrow to remain within the low risk for liquidity in the VAGO sustainability indicators.

In 2021/2022 the City will make $16M in loan principal repayments. A proportion of this is planned to be redrawn to maintain cash reserves and support additional capital expenditure. This principal repayment in 2021/2022 includes the repayment of an $11M interest only loan.

It is important also to note that the City is guarantor on a $13M loan for the Bendigo Stadium.

A table summarising these modelled borrowings follows:

	2021/2022 - 2030/2031 Borrowings									
	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031
Opening Balance	40,491	43,479	45,784	47,447	43,653	39,736	37,274	35,523	34,317	32,489
New Borrowings	19,462	9,294	9,754	5,254	5,254	5,254	5,254	5,254	5,254	5,254
Loan Repayments	(16,474)	(6,989)	(8,092)	(9,048)	(9,171)	(7,716)	(7,006)	(6,460)	(7,082)	(7,692)
Interest Repayments	(1,586)	(1,463)	(1,438)	(1,330)	(1,152)	(999)	(898)	(852)	(825)	(782)
Closing Balance	43,479	45,784	47,447	43,653	39,736	37,274	35,523	34,317	32,489	30,051

APPENDIX A: Financial Statements

City of Greater Bendigo

Budgeted Comprehensive Income Statement

For the ten years ending 30 June 2031	Forecast Actual	Budget	Projections								
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income											
Rates and charges	126,419	132,935	137,718	142,664	147,474	152,023	156,664	161,397	166,225	171,149	175,601
Statutory fees and fines	4,132	5,429	5,524	5,634	5,761	5,876	5,994	6,114	6,236	6,361	6,488
User fees	20,655	29,090	29,599	30,191	30,870	31,488	32,118	32,760	33,415	34,083	34,765
Grants - Operating	31,717	27,620	28,050	28,549	29,123	29,644	30,176	30,718	31,271	31,835	32,411
Grants - Capital	19,135	13,397	4,998	5,058	5,126	5,189	5,253	5,318	5,384	5,452	5,521
Contributions - monetary	2,030	3,453	3,513	3,584	3,664	3,738	3,812	4,272	4,349	4,429	4,510
Contributions - non-monetary	15,000	15,225	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(6,217)	(4,100)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Share of net profits/(losses) of associates and joint ventures	94	95	49	46	41	23	41	47	65	65	65
Other income	360	374	500	510	521	532	543	553	564	576	587
Total Income	213,325	223,518	217,951	224,237	230,581	236,513	242,599	249,178	255,510	261,950	267,947
Expenses											
Employee costs	(73,036)	(73,217)	(75,457)	(77,404)	(79,479)	(81,529)	(83,274)	(85,056)	(86,876)	(88,735)	(90,634)
Materials and services	(73,602)	(76,347)	(77,683)	(79,237)	(81,020)	(82,640)	(84,293)	(85,979)	(87,698)	(89,452)	(91,241)
Depreciation	(38,625)	(43,062)	(44,354)	(45,019)	(46,370)	(47,065)	(48,477)	(49,204)	(50,681)	(51,441)	(52,984)
Amortisation - right of use assets	(2,607)	(2,439)	(1,815)	(1,069)	(667)	(438)	(278)	(69)	-	-	-
Bad and doubtful debts	(268)	(335)	(236)	(242)	(248)	-	-	-	-	-	-
Borrowing costs	(1,849)	(1,586)	(1,463)	(1,438)	(1,330)	(1,152)	(999)	(898)	(852)	(825)	(782)
Finance Costs - leases	(296)	(258)	(159)	(97)	(56)	(27)	(11)	(1)	-	-	-
Other expenses	(92)	(4,434)	(6,842)	(7,539)	(7,664)	(7,838)	(8,016)	(8,199)	(8,386)	(8,579)	(8,776)
Total Expenses	(190,375)	(201,679)	(208,009)	(212,045)	(216,833)	(220,689)	(225,347)	(229,406)	(234,493)	(239,031)	(244,417)
Surplus/(deficit) for the year	22,950	21,839	9,942	12,192	13,748	15,824	17,252	19,772	21,017	22,919	23,530
Other comprehensive income											
Items that will not be reclassified to surplus or deficit in future periods:											
Net asset revaluation increment /(decrement)	-	57,124	41,742	63,031	45,042	68,813	47,995	74,932	51,524	81,709	55,283
Total comprehensive result	22,950	78,963	51,684	75,223	58,790	84,637	65,247	94,704	72,541	104,628	78,813

City of Greater Bendigo
Budgeted Balance Sheet

For the ten years ending 30 June 2031

	Forecast Actual	Budget	Projections								
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets											
Current assets											
Cash and cash equivalents	64,874	64,638	55,357	51,049	50,396	50,539	54,509	48,237	55,553	54,095	51,793
Trade and other receivables	22,687	13,277	13,306	13,676	14,123	14,761	15,158	15,543	15,998	16,420	16,811
Total current assets	87,561	77,915	68,663	64,725	64,518	65,300	69,667	63,780	71,551	70,515	68,605
Non-current assets											
Trade and other receivables	142	142	142	142	142	142	142	142	142	142	142
Investments in associates and joint ventures	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339
Property, infrastructure, plant & equipment	1,632,433	1,723,919	1,787,807	1,869,030	1,924,683	2,005,010	2,063,792	2,162,978	2,227,005	2,331,264	2,409,980
Right-of-use assets	6,775	4,336	2,521	1,452	785	347	69	-	-	-	-
Intangible asset	2,482	2,482	2,482	2,482	2,482	2,482	2,482	2,482	2,482	2,482	2,482
Total non-current assets	1,645,171	1,734,217	1,796,291	1,876,444	1,931,431	2,011,320	2,069,824	2,168,941	2,232,968	2,337,227	2,415,943
Total assets	1,732,732	1,812,133	1,864,953	1,941,169	1,995,950	2,076,620	2,139,492	2,232,720	2,304,519	2,407,741	2,484,548
Liabilities											
Current liabilities											
Trade and other payables	15,856	15,611	16,217	16,597	17,047	17,436	17,799	18,119	18,547	18,932	19,326
Trust funds and deposits	3,372	3,406	3,440	3,474	3,509	3,544	3,579	3,615	3,651	3,688	3,725
Provisions	16,311	16,311	16,311	16,311	16,311	16,311	16,311	16,311	16,311	16,311	16,311
Interest-bearing loans and borrowings	4,552	6,577	7,660	8,815	8,938	7,483	6,773	6,227	6,849	7,459	6,729
Lease liabilities	2,420	1,809	1,083	699	474	312	80	-	-	-	-
Total current liabilities	42,511	43,714	44,711	45,897	46,279	45,086	44,543	44,273	45,358	46,391	46,091
Non-current liabilities											
Provisions	10,745	10,745	10,745	10,745	10,745	10,745	10,745	10,745	10,745	10,745	10,745
Interest-bearing loans and borrowings	35,939	36,902	38,124	38,631	34,714	32,253	30,501	29,295	27,468	25,030	23,322
Lease liabilities	4,377	2,649	1,565	866	392	80	-	-	-	-	-
Total non-current liabilities	51,061	50,296	50,435	50,243	45,852	43,078	41,246	40,040	38,213	35,775	34,067
Total liabilities	93,572	94,010	95,146	96,140	92,130	88,164	85,789	84,313	83,571	82,165	80,158
Net assets	1,639,160	1,718,123	1,769,807	1,845,030	1,903,819	1,988,456	2,053,703	2,148,407	2,220,948	2,325,576	2,404,389
Equity											
Accumulated surplus	789,879	811,700	821,895	836,587	851,578	866,985	882,065	901,838	922,855	945,773	969,304
Reserves	849,281	906,423	947,912	1,008,443	1,052,241	1,121,471	1,171,637	1,246,569	1,298,094	1,379,803	1,435,086
Total equity	1,639,160	1,718,123	1,769,807	1,845,030	1,903,819	1,988,456	2,053,703	2,148,407	2,220,948	2,325,576	2,404,389

City of Greater Bendigo
Budgeted Statement of Changes in Equity

	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
2020/21				
Balance at beginning of the financial year	1,612,265	766,928	816,385	28,952
Surplus/(deficit) for the year	22,950	22,950	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	3,945	1	-	3,944
Balance at end of financial year	**1,639,160**	**789,879**	**816,385**	**32,896**
2021/22				
Balance at beginning of the financial year	1,639,160	789,879	816,385	32,896
Surplus/(deficit) for the year	21,839	21,839	-	-
Net asset revaluation increment/(decrement)	57,124	-	57,124	-
Transfer (to)/from reserves	-	(18)	-	18
Balance at end of financial year	**1,718,123**	**811,700**	**873,509**	**32,914**
2022/23				
Balance at beginning of the financial year	1,718,123	811,700	873,509	32,914
Surplus/(deficit) for the year	9,942	9,942	-	-
Net asset revaluation increment/(decrement)	41,742	-	41,742	-
Transfer (to)/from reserves	-	253	-	(253)
Balance at end of financial year	**1,769,807**	**821,895**	**915,251**	**32,661**
2023/24				
Balance at beginning of the financial year	1,769,807	821,895	915,251	32,661
Surplus/(deficit) for the year	12,192	12,192	-	-
Net asset revaluation increment/(decrement)	63,031	-	63,031	-
Transfer (to)/from reserves	-	2,500	-	(2,500)
Balance at end of financial year	**1,845,030**	**836,587**	**978,282**	**30,161**
2024/25				
Balance at beginning of the financial year	1,845,030	836,587	978,282	30,161
Surplus/(deficit) for the year	13,748	13,748	-	-
Net asset revaluation increment/(decrement)	45,042	-	45,042	-
Transfer (to)/from reserves	-	1,243	-	(1,243)
Balance at end of financial year	**1,903,819**	**851,578**	**1,023,323**	**28,918**
2025/26				
Balance at beginning of the financial year	1,903,819	851,578	1,023,323	28,918
Surplus/(deficit) for the year	15,824	15,824	-	-
Net asset revaluation increment/(decrement)	68,813	-	68,813	-
Transfer (to)/from reserves	-	(416)	-	416
Balance at end of financial year	**1,988,456**	**866,985**	**1,092,137**	**29,334**
2026/27				
Balance at beginning of the financial year	1,988,456	866,985	1,092,137	29,334
Surplus/(deficit) for the year	17,252	17,252	-	-
Net asset revaluation increment/(decrement)	47,995	-	47,995	-
Transfer (to)/from reserves	(0)	(2,172)	-	2,172
Balance at end of financial year	**2,053,703**	**882,065**	**1,140,131**	**31,506**
2027/28				
Balance at beginning of the financial year	2,053,703	882,065	1,140,131	31,506
Surplus/(deficit) for the year	19,772	19,772	-	-
Net asset revaluation increment/(decrement)	74,932	-	74,932	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**2,148,407**	**901,838**	**1,215,063**	**31,506**
2028/29				
Balance at beginning of the financial year	2,148,407	901,838	1,215,063	31,506
Surplus/(deficit) for the year	21,017	21,017	-	-
Net asset revaluation increment/(decrement)	51,524	-	51,524	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**2,220,948**	**922,855**	**1,266,588**	**31,506**
2029/30				
Balance at beginning of the financial year	2,220,948	922,855	1,266,588	31,506
Surplus/(deficit) for the year	22,919	22,919	-	-
Net asset revaluation increment/(decrement)	81,709	-	81,709	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**2,325,576**	**945,773**	**1,348,297**	**31,506**
2030/31				
Balance at beginning of the financial year	2,325,576	945,773	1,348,297	31,506
Surplus/(deficit) for the year	23,530	23,530	-	-
Net asset revaluation increment/(decrement)	55,283	-	55,283	-
Transfer (to)/from reserves	-	-	-	-
Balance at end of financial year	**2,404,389**	**969,304**	**1,403,580**	**31,506**

City of Greater Bendigo

Budgeted Statement of Cash Flows

For the ten years ending 30 June 2031	Forecast Actual	Budget	Projections								
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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	117,320	139,082	137,163	142,186	146,946	151,535	156,346	161,103	165,864	170,812	175,296
Statutory fees and fines	4,164	5,630	5,511	5,624	5,748	5,865	5,988	6,108	6,229	6,354	6,481
User fees	20,832	30,169	29,531	30,134	30,799	31,424	32,083	32,730	33,374	34,047	34,728
Grants - operating	34,181	28,644	27,988	28,499	29,060	29,588	30,147	30,693	31,236	31,804	32,379
Grants - capital	16,940	13,894	5,439	5,050	5,117	5,180	5,249	5,315	5,380	5,448	5,517
Contributions - monetary	2,030	3,453	3,513	3,584	3,664	3,738	3,812	4,272	4,349	4,429	4,510
Interest received	360	374	500	510	521	532	543	553	564	576	587
Trust funds and deposits taken	33	34	34	34	35	35	35	36	36	37	37
Other receipts	23	128	(8)	(7)	(8)	(8)	(4)	(25)	(5)	(4)	(4)
Net GST refund / payment	(86)	-	-	-	-	-	-	-	-	-	-
Employee costs	(72,754)	(73,335)	(75,231)	(77,229)	(79,248)	(81,322)	(83,098)	(84,900)	(86,669)	(88,548)	(90,443)
Materials and services	(60,927)	(76,470)	(77,549)	(79,102)	(80,818)	(82,477)	(84,126)	(85,833)	(87,501)	(89,275)	(91,061)
Other payments	(11,652)	(4,441)	(6,598)	(7,471)	(7,649)	(7,820)	(7,998)	(8,183)	(8,365)	(8,559)	(8,756)
Net cash provided by/(used in) operating activities	50,464	67,163	50,296	51,813	54,167	56,270	58,976	61,870	64,492	67,119	69,271
Cash flows from investing activities											
Payments for property, infrastructure, plant and equipment	(47,162)	(66,299)	(58,500)	(55,211)	(48,982)	(50,579)	(51,264)	(65,458)	(55,184)	(65,990)	(68,417)
Proceeds from sale of property, infrastructure, plant and equipment	1,034	-	-	-	-	-	-	-	-	-	-
Proceeds from investments	61	95	49	46	41	23	41	47	65	65	65
Net cash provided by/(used in) investing activities	(46,067)	(66,204)	(58,451)	(55,165)	(48,941)	(50,556)	(51,223)	(65,411)	(55,119)	(65,925)	(68,352)
Cash flows from financing activities											
Finance costs	(1,849)	(1,586)	(1,463)	(1,438)	(1,330)	(1,152)	(999)	(898)	(852)	(825)	(782)
Proceeds from borrowings	3,000	19,462	9,294	9,754	5,254	5,254	5,254	5,254	5,254	5,254	5,254
Repayment of borrowings	(4,233)	(16,474)	(6,989)	(8,092)	(9,048)	(9,171)	(7,716)	(7,006)	(6,460)	(7,082)	(7,692)
Interest paid - lease liability	(296)	(258)	(159)	(97)	(56)	(27)	(11)	(1)	-	-	-
Repayment of lease liabilities	(2,625)	(2,339)	(1,809)	(1,083)	(699)	(474)	(312)	(80)	-	-	-
Net cash provided by/(used in) financing activities	(6,003)	(1,195)	(1,126)	(956)	(5,880)	(5,570)	(3,783)	(2,731)	(2,058)	(2,652)	(3,220)
Net increase/(decrease) in cash & cash equivalents	(1,606)	(236)	(9,281)	(4,308)	(653)	144	3,970	(6,272)	7,315	(1,458)	(2,301)
Cash and cash equivalents at the beginning of the financial year	66,480	64,874	64,638	55,357	51,049	50,396	50,539	54,509	48,237	55,553	54,095
Cash and cash equivalents at the end of the financial year	64,874	64,638	55,357	51,049	50,396	50,539	54,509	48,237	55,553	54,095	51,793

City of Greater Bendigo
Budgeted Capital Works Statement

For the ten years ending 30 June 2031	Forecast Actual	Budget	Projections								
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property											
Land	530	5,950	1,662	-	-	-	-	-	-	-	-
Buildings	10,148	21,143	7,171	15,518	18,213	24,422	20,775	18,936	22,984	33,290	38,021
Total property	14,858	27,093	8,833	15,518	18,213	24,422	20,775	18,936	22,984	33,290	38,021
Plant and equipment											
Plant, machinery and equipment	4,231	3,840	6,296	5,276	4,870	4,891	5,146	6,173	5,597	4,852	5,509
Office equipment, furniture and fittings	515	974	10,028	-	-	-	-	-	-	-	-
Fountains, statues and monuments	-	55	-	-	-	-	-	-	-	-	-
Total plant and equipment	4,746	4,869	16,324	5,276	4,870	4,891	5,146	6,173	5,597	4,852	5,509
Infrastructure											
Land improvements	4,180	6,812	6,602	7,946	4,430	4,208	3,505	10,175	3,799	4,063	3,415
Sealed Roads	8,570	11,640	14,608	16,541	11,428	8,793	12,153	18,360	12,269	11,154	10,029
Unsealed Roads	2,850	3,200	4,193	3,153	3,243	2,924	3,427	4,110	3,727	3,231	3,335
Bridges	510	1,254	750	629	580	523	613	736	667	578	597
Pathways	3,450	3,500	2,651	1,985	1,832	1,652	1,936	2,519	2,106	2,425	1,884
Drainage	1,510	3,160	1,839	1,541	2,298	1,283	1,503	1,803	1,635	4,317	3,480
Public furniture and fittings	1,915	4,771	2,700	2,262	2,088	1,883	2,206	2,646	2,400	2,080	2,147
Total infrastructure	22,985	34,337	33,343	34,057	25,899	21,266	25,343	40,349	26,603	27,848	24,887
Total capital works expenditure	42,589	**66,299**	58,500	54,851	48,982	50,579	51,264	65,458	55,184	65,990	68,417
Represented by:											
New asset expenditure	-	28,588	21,928	17,706	9,671	9,743	8,860	22,008	11,039	20,817	12,323
Asset renewal expenditure	780	37,388	36,238	37,235	39,179	40,739	42,271	43,117	43,979	44,858	55,756
Asset upgrade expenditure	-	323	334	270	132	98	133	333	166	315	338
Total capital works	780	**66,299**	58,500	55,211	48,982	50,579	51,264	65,458	55,184	65,990	68,417
Funding sources represented by:											
Grants	7,212	**13,091**	4,998	5,058	5,126	5,189	5,253	5,318	5,384	5,452	5,521
Contributions	1,185	**1,180**	1,204	1,228	1,252	1,277	1,303	1,329	1,355	1,383	1,410
Council Cash	27,012	**46,078**	43,005	39,172	37,349	38,859	39,455	53,557	43,191	53,902	56,232
Borrowings	3,000	**5,950**	9,294	9,754	5,254	5,254	5,254	5,254	5,254	5,254	5,254
Total capital works expenditure	38,409	**66,299**	58,500	55,211	48,982	50,579	51,264	65,458	55,184	65,990	68,417

APPENDIX B: Further notes on assumptions

Rating and service charge assumptions

Rates and charges are a significant source of revenue for the City, and planning for future rates revenue is an important component of the Financial Plan. The Victorian State Government established the *Fair Go Rates System* in 2016/2017 which caps the percentage of annual rate increases. The City has a rating structure comprised of ten differential rates based on the purpose for which the property is used. These differentials can be found in the City's Annual Budget.

The City levies a general waste and landfill charge, a recyclable waste charge and an organic waste charge on each residential occupancy. Non-residential properties will also be levied the charges if they use the City's collection service. The charges reflect the cost of providing the service.

Rate and charges income

The City's overall rate income for 2021/2022 is capped to increase by maximum 1.5 per cent and has been modelled at 1.75 per cent in 2022/2023 and 2.0 per cent in future years in line with State Government forecasts. Supplementary rates are expected to remain steady at $1.6M annually.

Grants – operational

92 per cent of the operational grants for 2021/2022 are recurrent. This is made up of 51 per cent or $14M of funding from the Victoria Grants Commission for the annual Financial Assistance Grant. Other significant recurrent grants are 16 per cent or $4.5M for aged care funding and 13 per cent or $3.6M for local roads.

For future years the Financial Plan Model assumes that the Financial Assistance Grant and Local Roads Grant will remain constant and increase by 1.5 per cent in 2022/2023 and thereafter annually by 2 per cent. With net decreases in population possible in Victoria and nationwide due to COVID, there is a chance these increases could be lower.

The aged care sector is expected to go through significant changes to the market in 2022 and 2023. However, due to it being unclear of the changes, this model has assumed that service levels will remain constant.

Contributions – monetary

For 2021/2022, 40 per cent of contributions are levies that the City collects from developers, 40 per cent are donations to support the operational services and 9 per cent are reimbursements. The City also collects approximately 5 per cent of donations to support the capital and major works program. Contributions are estimated to grow by CPI.

Contributions from Developer Contribution Plans at Huntly are modelled to commence in 2027/2028.

Contributions – non-monetary

The non-monetary contributions are estimated developer gifted assets and found or recognised assets. For 2021/2022 we are anticipating the following assets to be gifted to the City:

- $2.1M – Land
- $4.9M – Drainage
- $2.4M – Footpath
- $5.2M – Constructed Roads

The Financial Plan Model assumes that $13M of contributed, gifted or found assets will be recognised annually in the future.

User fees and charges

User fees make up approximately 13 per cent of income the City receives. The Financial Plan Model assumes that services levels will be maintained, with CPI movements (currently frozen due to COVID) changes to user fees and charges.

Employee costs

Employee costs are governed by the City's Enterprise Bargaining Agreement (EBA). The current EBA, which expires in 2021/2022 states that annual salary will increase by 80 per cent of the annual rate capping increase or 1.7 per cent, whichever is the greater. The Model assumes that annual salaries will increase by 2.1 per cent which is made up of 1.7 per cent of annual increase, and relevant superannuation increases.

Materials and services

Operational services in the Model have been forecast to continue at the same level of service with annual increases in line with CPI.

The Model assumes that utility costs will increase annually by 3 per cent. This is based on previous trends where utilities have increased by more than CPI annually.

Other components of the materials are:

- From 2022 – Our Future Workplace rental expenditure is estimated to increase expenditure by more than $3M per annum.
- Landfill remediation works will add $4.3M over the next 10 years
- In 2021/2022 the budget has $4.3M of works will be expended for maintenance and operational works on assets (this hits operational expenses, rather than being capitalised.

Net gain/(loss) on disposal of property, infrastructure, plant and equipment

The loss on sale of an asset is determined when control of the asset has passed to the buyer. Write offs also occur on an annual basis. It is predicted that average annual losses on sale and write off are $5M.

Asset revaluation

The valuation process for sealed roads, unsealed roads, pathways, bridges and drainage is performed annually whilst public furniture and fittings and land improvements are completed on a three year cycle. Buildings are revalued every two years.

Contingent liabilities risk

The City has guaranteed an $13M loan as at 31 March 2021 for the Bendigo Stadium.

The City has obligations under the defined benefits superannuation scheme that may result in the need to make additional contributions to the scheme.

Currently the City does not have any outstanding or forecasts any legal proceedings that will significantly impact operations.

Renewal program

As noted earlier in this report, future renewal demand is expected to continue to be above the modelled amounts in the model and will require continual monitoring. The model increases support for renewal funding at a faster pace than the modelled rate cap.

APPENDIX C: VAGO Financial Sustainability Indicators

Indicator	Formula	Description
Underlying result (per cent)	Adjusted net surplus/ total underlying revenue	A positive result indicates a surplus. The larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term. Underlying revenue does not take into account non-cash developer contributions and other one-off (non-recurring) adjustments.
Liquidity	Current assets/ current liabilities	Measures the ability to pay existing liabilities in the next 12 months. A ratio higher than 1:1 means there is more cash and liquid assets than short-term liabilities.
Indebtedness (per cent)	Non-current liabilities/ own-sourced revenue	Comparison of non-current liabilities (mainly comprised of borrowings) to own-sourced revenue. The higher the percentage, the less able to cover non-current liabilities from the revenues the entity generates itself. Own-sourced revenue is used (rather than total revenue) because it does not include capital grants, which are usually tied to specific projects.
Self-financing (per cent)	Net operating cash flows/ underlying revenue	Measures the ability to replace assets using cash generated by the entity's operations. The higher the percentage, the more effectively this can be done.
Capital replacement	Capital expenditure/ depreciation	Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciation rate. This is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option.
Renewal gap	Renewal and upgrade expenditure/depreciation	Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate. Similar to the investment gap, this is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option.

Risk assessment criteria for financial sustainability indicators

Risk	Underlying result	Liquidity	Indebtedness	Self-financing	Capital replacement	Renewal gap
High	**Negative 10% or less** Insufficient revenue is being generated to fund operations and asset renewal.	**Equal to or less than 1.0** Insufficient current assets to cover liabilities.	**More than 60%** Potentially long-term concern over ability to repay debt levels from own-source revenue.	**Less than 10%** Insufficient cash from operations to fund new assets and asset renewal.	**Equal to or less than 1.0** Spending on capital works has not kept pace with consumption of assets.	**Equal to or less than 0.5** Spending on existing assets has not kept pace with consumptio n of these assets.
Medium	**Negative 10% to zero** A risk of long-term run down to cash reserves and inability to fund asset renewals.	**1.0–1.5** Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	**40–60%** Some concern over the ability to repay debt from own-source revenue.	**10–20%** May not be generating sufficient cash from operations to fund new assets.	**1.0–1.5** May indicate spending on asset renewal is insufficient.	**0.5–1.0** May indicate insufficient spending on renewal of existing assets.
Low	**More than zero** Generating surpluses consistently.	**More than 1.5** No immediate issues with repaying short-term liabilities as they fall due.	**40% or less** No concern over the ability to repay debt from own-source revenue.	**20% or more** Generatin g enough cash from operations to fund assets.	**More than 1.5** Low risk of insufficient spending on asset renewal.	**More than 1.0** Low risk of insufficient spending on asset base.

APPENDIX D: Glossary of Terms

Asset renewal - Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

Asset upgrade - Expenditure which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the asset base.

Asset expansion - Expenditure which extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. Expansion expenditure is discretional which increases future operating and maintenance costs because it increases the City's asset base, but may be associated with additional revenue from the new user group.

Base Services Budget – Plan of services and to be funded for the financial year.

Borrowing strategy - A borrowing strategy is the process by which the City's current external funding requirements can be identified, existing funding arrangements are managed, and future requirements monitored.

Capital works program - Capital works projects that will be undertaken during the 2021/2022 year.

City - City of Greater Bendigo.

Community Plan – Means a Council Plan prepared by the Council under Section 125 of the Local Government Act 2020. This document sets out the strategic objectives of the Council and strategies for achieving the objectives as part of the overall strategic planning framework required by the Local Government Act. Known as the Community Plan at the City.

Developer Contribution Plans (DCP) – A mechanism used to levy new developments for contributions to planned infrastructure needed by future community. These result in capital project costs for the City, as well as receipts from developers as part of developing "new" areas.

Financial sustainability – A key outcome of the strategic resource plan. Longer term planning is essential in ensuring that a Council remains financially sustainable in the long term.

Infrastructure - Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services.

Land Development Strategy - The City of Greater Bendigo is working in partnership with the Victorian Planning Authority (VPA) to develop an Industrial Land Development Strategy to drive the future of industry in Bendigo.

Financial Plan – The Financial Plan is a 10 year tool to assist the City can continue to deliver these high quality services.

Financial Plan model – The Financial Plan model is a financial tool to assist the City to continue to deliver these high quality services.

Financial Plan document– Is a detailed document that explains the City's 10 year Financial Plan.

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New assets - New assets do not have any element of expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for the City and will result in an additional burden for future operation, maintenance and capital renewal.

One Planet Living Framework - One Planet Living, to reflect the City's commitment towards creating a liveable municipality within the capacity of the earth's resources.

Restricted Cash – Restricted cash are funds set aside for specified purposes in accordance with various legislative and contractual requirements.

Road Management Act - The purpose of this Act which operates from 1 July 2004 is to reform the law relating to road management in Victoria and to make relating amendments to certain Acts, including the Local Government Act 1989.

The Act - Local Government Act 2020.

Unrestricted cash and investments - Unrestricted cash and investments represents funds that are free of all specific Council commitments and are available to meet daily cash flow requirements and unexpected short term needs.

Valuation of Land Act 1960 - The Valuation of Land Act 1960 requires the Valuer-General to cause a general valuation of rateable land to be made as at 1 January in each calendar year.