




Latrobe City

Financial Plan 2021–2031

Adopted 25 October, 2021





*Latrobe City Council acknowledges
that it operates on the traditional land
of the Braiakaulung people of the
Gunaikurnai nation and pays respect
to their Elders past and present.*





LATROBE 2031

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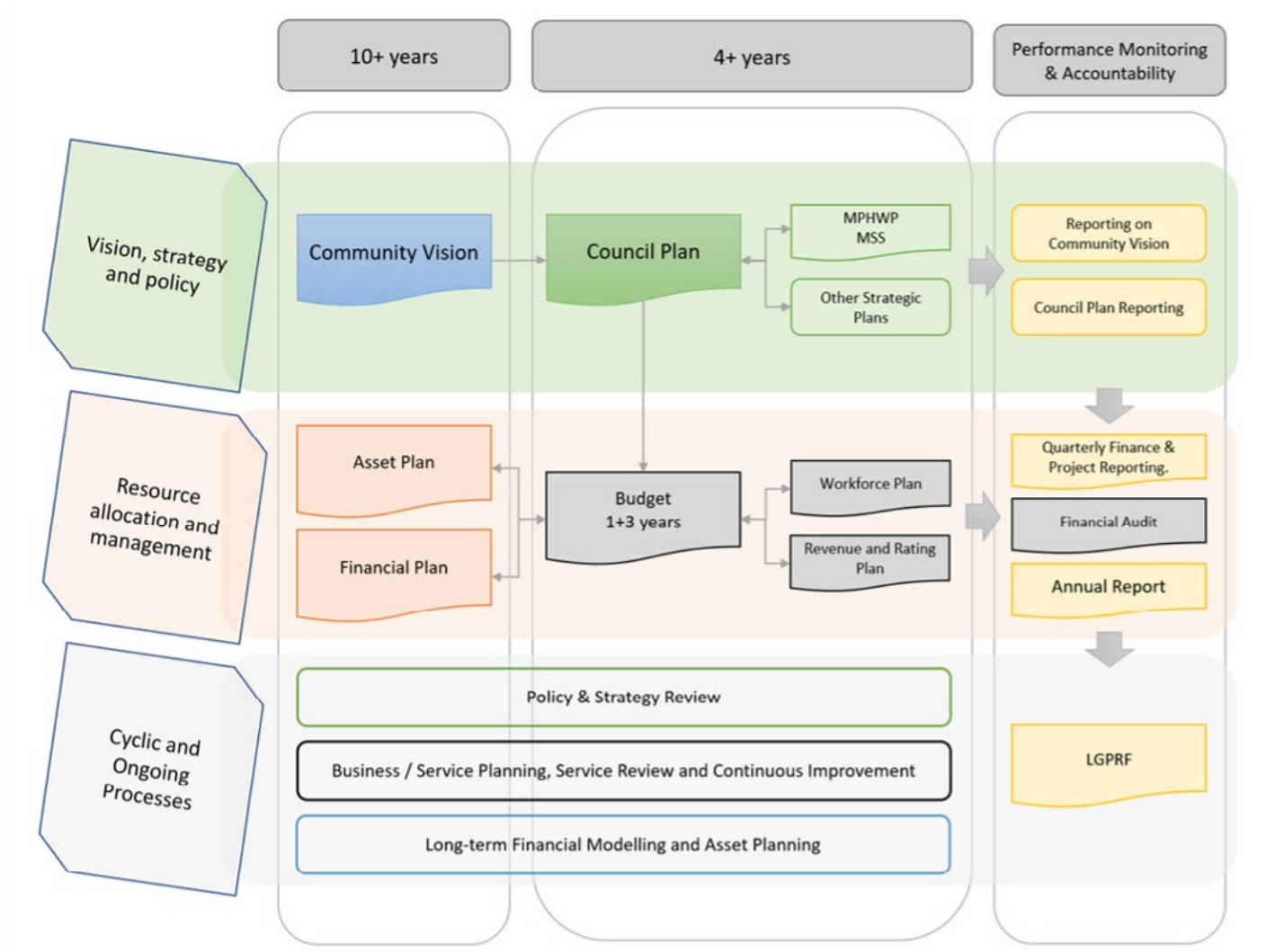
1. Legislative Requirements

The Financial Plan links to the achievement of the Latrobe City Council Community Vision and the Council Plan within the Integrated Strategic Planning and Reporting framework.

This framework guides the Council in identifying community needs and aspirations over the long term (Community Vision), medium term (Council Plan) and short term (Annual 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 and outcomes.

The following figure demonstrates how each element might inform or be informed by other parts of the integrated framework.



1.1 Strategic Planning Principles

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

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

1.2 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 Council's financial policies and strategic plans.
- Management of the following financial risks:
 - the financial viability of the Council.
 - the management of current and future liabilities of the Council.
- Financial policies and strategic plans are designed to provide financial stability and predictability to the community.
- Council maintains accounts and records that explain its financial operations and financial position (refer Section 3 Financial Statements)

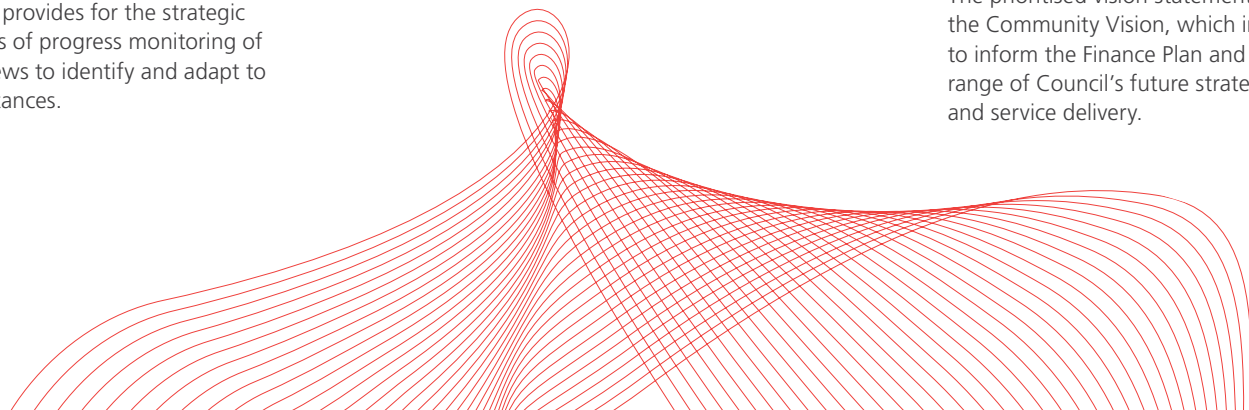
1.3 Engagement Process

Under the *Local Government Act 2020*, Council is required to prepare the Finance Plan in accordance with its deliberative engagement practices.

Council recruited a panel of community members through an expression of interest process sent randomly to 9,000 households across the municipality. Applications were then analysed by Federation University to identify a sample of 100 people representing the demographic profile of Latrobe City were selected to represent the views of the community.

Over a period of two weeks, varying numbers of those selected attended two learning sessions and two whole day workshops. Due to state-wide COVID-19 restrictions the sessions intended to be held in person were required to be held online. 54 of the selected community panel members participated in the full day sessions to develop and prioritise the preferred vision statements under six themes.

The prioritised vision statements were used to develop the Community Vision, which in turn has been used to inform the Finance Plan and will also inform a range of Council's future strategic work, projects and service delivery.



1.4 Service Performance Principles

Council services are designed for purpose, targeted to community needs and value for money. 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 provides the mechanism to demonstrate how the service aspirations within the Council Plan may be funded.
- Services are accessible to the relevant users within the community.
- Council provides quality services that provide value for money to the community. The Local Government Performance Reporting Framework (LGPRF) is designed to communicate Council's performance regarding the provision of quality and efficient services.
- Council is developing a performance monitoring framework to continuously improve its service delivery standards.
- Council is developing a service delivery framework that considers and responds to community feedback and complaints regarding service provision.

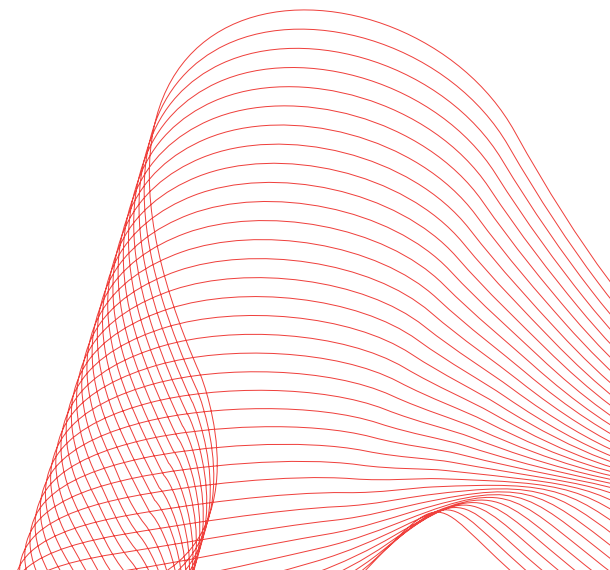
1.5 Asset Plan Integration

Integration to the Asset Plan is a key principle of the Council's strategic financial planning principles. The purpose of this integration is designed to ensure that future funding is allocated in a manner that supports service delivery in terms of the plans and the effective management of Council's assets into the future. In accordance with the *Local Government Act 2020* the requirement for the adoption of an Asset Plan is set for June 2022, therefore any reference to the Asset Plan in this document is in relation to the draft Asset Plan.

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

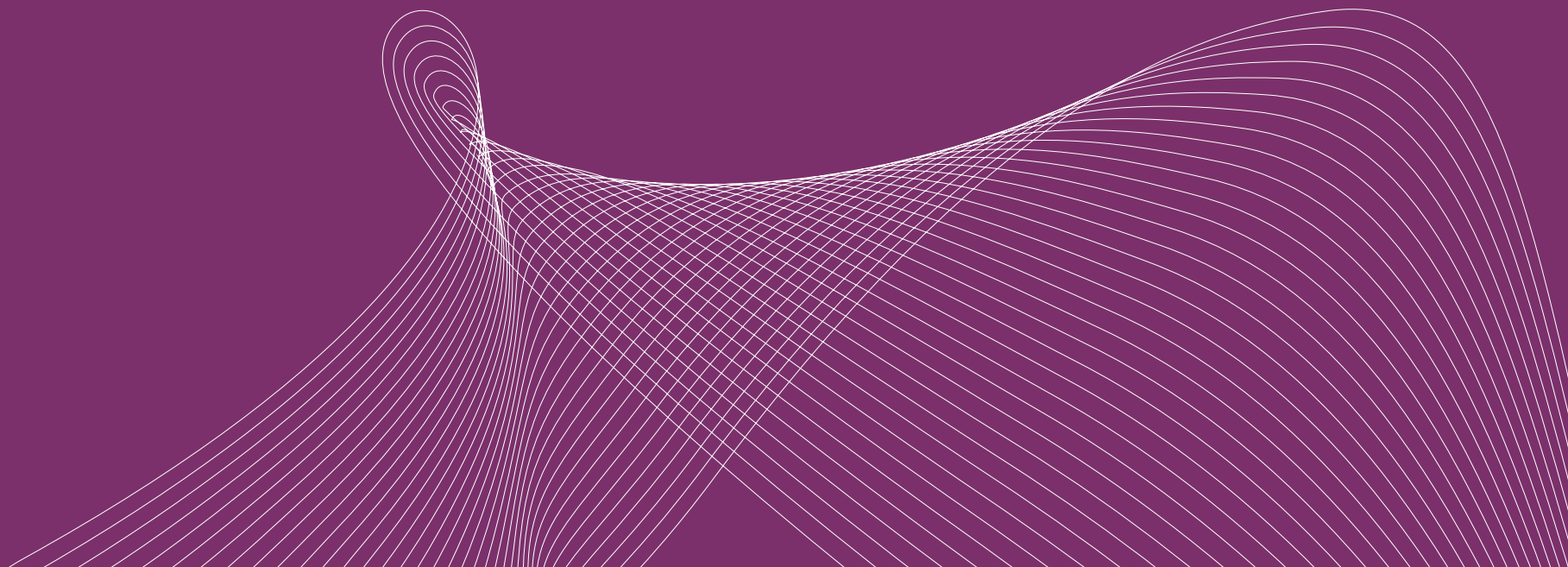
The Asset Plan is designed to inform the 10-year Financial Plan by identifying the amount of capital renewal, backlog and maintenance funding that is required over the life of each asset category. The level of funding will incorporate knowledge of asset condition, the risk assessment issues as well as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

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



2. Financial Plan Context

This section describes the context and external/internal environment and consideration in determining the 10-year financial projections and assumptions.



Policy Statement	Measure	Target	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Net result - indicates how much of each dollar collected as revenue translates to net result. The higher the % the stronger the result	Net Result / Total Revenue	> -10%	-3.0%	-0.9%	-0.4%	-0.1%	0.1%	0.3%	-1.1%	-1.0%	-0.9%	-0.8%
Adjusted underlying result - the ability of the organisation to generate a surplus in the ordinary course of business. A surplus indicates a strong operating position	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	> 0	-7.7%	-5.6%	-5.1%	-4.7%	-4.5%	-4.3%	-5.8%	-5.7%	-5.5%	-5.4%
Liquidity - ability of council to meet its immediate debts. The higher the ratio the greater the ability to meet obligations as they fall due.	Current Assets / Current Liabilities	> 1	1.87	1.98	2.14	2.04	2.19	2.37	2.43	2.45	2.74	2.78
Internal financing - ability to finance capital works using cash generated by its operating cash flow. The higher the % the greater the ability to finance capital works from its own funds.	Net operating cash flow / Net capital expenditure	> 75%	53.9%	130.5%	126.1%	126.6%	138.7%	127.2%	120.5%	129.6%	118.9%	108.3%
Indebtedness - assesses a councils ability to pay principal and interest on borrowings as they fall due from the funds it generates. The lower the ratio the less revenue the entity is required to use to repay its total debt.	Non-current liabilities / Own-source revenue	< 60%	30.4%	28.4%	25.0%	18.7%	16.4%	13.5%	11.1%	9.4%	9.0%	8.7%
Capital replacement ratio - compares the rate of all capital spending against annual depreciation. Long term indicator, a ratio of less than 1 means the spending on capital works has not kept pace with consumption of assets	Cash outflows for infrastructure, property, plant and equipment / Depreciation	> 1	1.14	0.68	0.73	0.77	0.71	0.74	0.78	0.72	0.76	0.87
Renewal gap ratio - compares the rate of capital expenditure on infrastructure assets with depreciation expense. A ratio of less than 1 means that spending on infrastructure renewal is not keeping pace with consumption of assets.	Renewal & upgrade expenditure / Depreciation	> 0.5	0.77	0.60	0.65	0.69	0.63	0.66	0.69	0.64	0.67	0.78

2.1 Financial Policy Statements

This section demonstrates Council's financial sustainability to fund the aspirations of the Community Vision and the Council Plan. Council uses the Victorian Auditor General Office financial sustainability indicators as a guide. The colours indicate the risk assessment of the result, it is Council's aim to remain in the green or yellow risk criteria.

Council recognises the need to take action to rectify those areas identified as high risk in red above. This primarily relates to the underlying result and capital replacement ratio and is as a result of the recent injection of over \$90 million of new capital infrastructure mostly funded by the State and Federal governments. This has increased

depreciation rates by over \$3 million in past three years and will ultimately result in a shortfall of funds available to renew infrastructure assets in the future if it remains unresolved. Council will need to undertake a review of current infrastructure, services and service levels in order to identify and implement actions to alleviate this risk.

2.2 Strategic Actions

Following a community survey and deliberative engagement workshops, Council has identified strategic actions that will support the Community Vision and aspirations of the Council Plan.

The community aspirations and priorities have been grouped into five broad outcome areas that provide the structure for the Council Plan

These community outcome areas comprise:

- Smart
- Creative
- Healthy
- Sustainable
- Connected

To ensure Council has the capacity to work towards the achievement of the Community Vision, a Financial Plan has been prepared to guide the financial resources of Council over the next 10 years.

2.3 Assumptions to the Financial Plan statements

This section presents information regarding the assumptions to the Comprehensive Income Statement for the 10 years from 2021/22 to 2030/31. The assumptions comprise the annual escalations / movement for each line item of the Comprehensive Income Statement.

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2.3.1 Key Assumption Information

The following provides further explanation on how Council's assumptions have been determined. The assumptions have been established on the best information available at the time of developing this plan and are subject to variation by internal and external factors particularly in the outer years.

Consumer Price Index (CPI)

Council utilises the Victorian State Government Department of Treasury and Finance (DTF) macroeconomic indicators to inform the forecast rate of CPI.

Rates

Council is limited to the Victorian Government's Fair Go Rates System rate cap which is set by the Minister for Local Government each year. Historically the rate cap has been closely aligned with CPI, although the Minister is able to take into consideration other factors including efficiency targets when setting this rate. Council's assumption is that the annual rate cap will continue to be closely aligned to CPI predictions.

Rates Growth

This represents the annual increase in rates revenue associated with new capital improvements and is predominately driven by new subdivisions resulting in additional dwellings. Historically Council's growth rate has been around 0.5% per annum. The recent Federal Government stimulus packages available to first home buyers has seen a surge in new subdivisions and housing growth, this is expected to emerge as above average rates growth over the next three years.

Waste Charges

Waste charges are calculated on a fee for service basis, with annual costs representing predicted whole of life costs associated with the collection, processing, disposal, and lifetime management and rehabilitation of existing and legacy landfill sites. Council currently employs a three-bin waste system, costs are expected to grow in line with annual CPI predictions. The costs associated with the introduction of a fourth bin have not been considered as part of this plan and will require future consideration once there is a better understanding of the bin service and the impacts across the combined services.

User Fees and Charges

User charges are expected to increase in line with CPI predictions and growth. Overall revenue will decrease in the 22/23 financial year due to Council's decision to exit the Commonwealth Home Support Program (CHSP) and the Home and Community Care Program for Young People (HACC-PYP under 65), however it is anticipated that revenue from other services will continue to grow in line with CPI.

Statutory Fees and Fines

Statutory fees and fines are set by legislation; it is expected that these fees will continue to increase in line with CPI predictions.

Grants Operating

Council currently receives grants for tied (specific purpose grants) and un-tied Financial Assistance grant funding received via the Victorian Local Government Grants Commission (VLGGC). Operating grants have

traditionally increased annually at less than the rate of CPI, it is assumed that this will continue, and operating grants will increase at a rate of CPI less 1%. In addition, total operating grant revenue is predicted to fall in 22/23 and 23/24 as Council exits HACC and Assessment services.

Grants Capital

The model assumes that Australian Government's Roads to Recovery funding through the Grants Commission will continue in perpetuity, the funding amounts are set through to 22/23 after which it is assumed that increases will be at a rate of CPI less 1%.

Other Revenue

Comprises interest on overdue rates, investment income, kiosk sales, property rental and leases, and other sundry income. Excluding investment income, which is assumed to remain steady, the remaining revenue streams are forecast to increase in line with CPI predictions, it is not anticipated that there will be any additional growth in this area.

Employee Costs

Employee costs make up almost 50% of Council's operating expenses therefore annual increases must be maintained at a level which does not exceed the forecast rate cap for Council to remain financially sustainable. Annual increases include estimated Enterprise Bargaining Agreement increases along with increases in banding levels and increases to the Superannuation Guarantee.

2.4 Other Matters impacting the 10-year financial projections

Materials and Consumables

Includes contractors, consultants, materials, utilities, insurance, professional services, and other requirements for the running of the organisation and maintenance and repairs of Council's infrastructure (buildings, roads, drains, footpaths, bridges etc.). These costs are traditionally more influenced by market forces than CPI alone. Over the period of the Financial Plan, it is assumed that these costs will be maintained within annual CPI increases.

Other Expenses

Other expenses include administration costs such as community grants, Councillor allowances, levies, leases, audit costs and other costs associated with the day to day running of Council. Increases in these areas are expected to be maintained within CPI increases.

Current challenges and expected future events likely to impact the Financial Plan projections include:

Energy Generation Industry Changes

Electricity generation via coal fired power stations is a major contributor to the economy of the region. The generators themselves contribute almost 13% of Council's rate revenue on an annual basis along with the industry directly and indirectly supporting a significant portion of Latrobe City Council's residents.

The use of fossil fuels is being phased out as a source of electricity generation in Victoria and the region has already seen in 2017 the closure of Hazelwood power station, and it has been recently announced that the Yallourn power station is to close in 2027/28.

The closure of the Hazelwood power station resulted in a reduction in Council's annual rates revenue of approximately \$2 million per year. As a result of this the State and Federal Government launched a major stimulus package for the region which saw over \$90 million of government funding invested in new infrastructure across the region including new projects such as the Gippsland Regional Aquatic Centre, Gippsland Regional Cricketing Centre, and the Morwell to Traralgon shared pathway. Along with this there were also upgrades to existing infrastructure including Gippsland Sport and Entertainment Park, Morwell Recreation Reserve, and the Gippsland Regional Indoor Sports Stadium.

Additionally, Council is nearing completion of the construction of the \$40 million Gippsland Performing Arts Centre, and \$10 million has been committed for

the upgrade of Kernot Hall and delivery of stage 2 of the Moe Rail Precinct project.

These new and upgraded facilities are a magnificent addition to the region and cement Council's position as one of Victoria's major regional cities. However, the addition of such infrastructure also comes with the need to run and maintain such facilities, which adds financial stress on the organisation's limited financial resources in a time when Council's rates revenue is contracting due to the closure and impending closure of the regions power stations.

This presents two major challenges for Council:

1. The closure of Yallourn power station in 2027/28

- The closure will result in a reduction of approximately \$2 million in rates revenue from 2027/28.
- As Council is constrained by the rate cap, and generators sit outside the rate cap process, the only means available to recover the lost revenue would be via an application seeking a variation to the rate cap. The deliberative engagement undertaken with the community identified that the community had little to no appetite for a rate cap variation.
- Therefore, in preparation for the closure of Yallourn, the financial plan includes annual savings of \$0.4 million per year for a period of five years to prepare for the impending reduction in revenue.
- How Council will achieve these savings has not yet been identified.

2. Expansion of infrastructure

- Depreciation costs associated with buildings and recreation facilities have increased by more than \$3 million since 2018/19, due primarily to the \$90M of infrastructure improvements.
- At some point in the future each asset will need to be replaced or renewed for the infrastructure to continue to meet the expectations of the community.
- The injection of \$90 million of community infrastructure has further added to the impending renewal gap, being the difference between the actual annual capital renewal expenditure and the annual depreciation expense.
- Within the current term of this plan, Council is unable to increase renewal expenditure to a level where it is equivalent to annual depreciation, while there is no immediate need for this to occur, it will become critical at some point in the future and Council will likely face the need to either rationalise assets or services in order to remain financially sustainable.
- This challenge remains to be solved and is reflected in a diminishing infrastructure renewal ratio and ongoing underlying deficits.

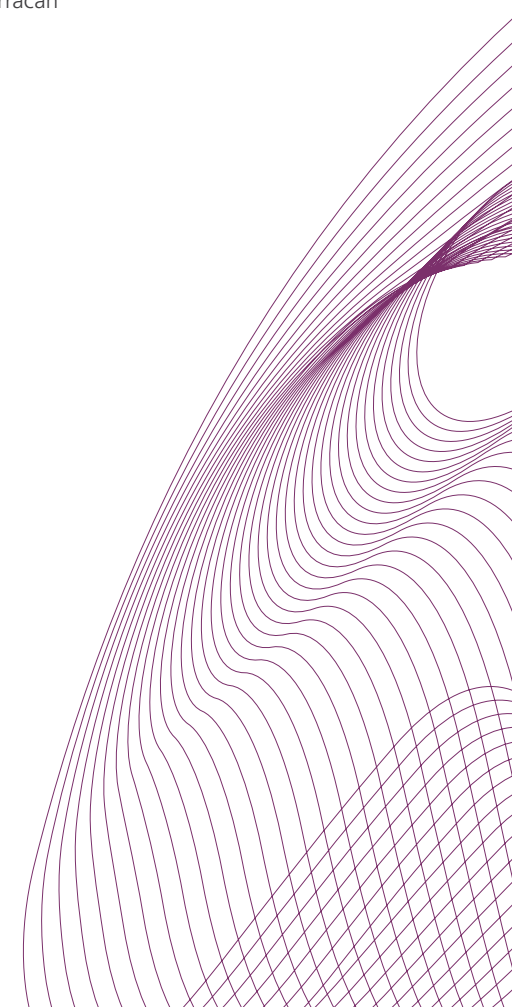
Development Contribution Plan (DCP)

Developer contribution plans set out the requirements proposed to fund, plan and deliver infrastructure and services to meet the needs of the residents within the area covered by the DCP. While the developers are required to fund the requirements of the developed area it often also requires Council to provide certain shared infrastructure and to fund infrastructure in the interim while waiting for contributions from developers who may be many years from developing. For example, a development may need a bridge to access the area, while the bridge will be jointly paid for by all the developers in the DCP, some may not contribute to the cost of the bridge for many years as contributions are only paid when their area is developed. Therefore, council is required to fund the shortfall until contributions are received in the future.

The timing of contributions is linked to the progression of the development, therefore the amount of funding required, and the timing of funding requirements by Council is not easily identifiable. It is assumed in this plan that any bridging funding requirements by Council will be borrowed from internal cash reserves, the amount borrowed will fluctuate year on year and is estimated to be a maximum requirement of approximately \$10 million. There will also be a requirement to fund over \$10 million of Council funded infrastructure assets, which are assumed will be funded through new borrowings. However, these borrowings have not been included in this plan as further works are required to identify when these borrowings will be necessary before they can be built into the plan.

Current DCPs include:

- Morwell North West
- Traralgon North
- Lake Narracan



3. Financial Plan Statements

This section presents information regarding the Financial Plan Statements for the 10 years from 2021/22 to 2030/31.

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

3.1 Comprehensive Income Statement

Forecast / Actual Assumptions	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000
Income											
Rates and charges	81,667	83,713	85,678	87,892	90,049	92,200	94,394	94,375	96,562	98,794	101,070
Statutory fees and fines	2,152	2,545	2,590	2,642	2,695	2,748	2,803	2,860	2,917	2,975	3,035
User fees	9,634	11,666	9,773	9,969	10,168	10,371	10,579	10,791	11,006	11,226	11,451
Grants - Operating	28,125	26,630	23,695	23,106	23,337	23,571	23,807	24,045	24,285	24,528	24,773
Grants - Capital	33,551	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Contributions - monetary	429	90	92	94	96	98	100	102	104	106	108
Contributions - non-monetary	4,000	4,000	4,070	4,151	4,234	4,319	4,405	4,494	4,583	4,675	4,769
Other income	3,047	3,073	3,224	3,284	3,344	3,406	3,469	3,534	3,599	3,666	3,735
Total income	162,605	133,418	130,822	132,837	135,624	138,414	141,258	141,898	144,757	147,670	150,639
Expenses											
Employee costs	61,688	66,645	58,571	58,732	59,904	61,101	62,321	63,566	64,835	66,130	67,451
Materials and services	46,505	36,188	36,631	37,301	37,891	38,649	39,422	40,211	41,015	41,835	42,672
Depreciation	29,772	30,226	31,782	32,350	32,929	33,521	34,124	34,739	35,366	36,006	36,658
Amortisation - intangible assets	630	93	733	733	733	733	733	733	733	733	733
Amortisation - right of use assets	39	38	23	23	23	23	23	23	23	23	23
Bad and doubtful debts	10	11	11	11	11	11	11	12	12	12	12
Borrowing costs	621	562	508	456	406	355	171	118	69	24	(0)
Finance Costs - leases	29	28	27	27	26	25	25	24	23	23	22
Other expenses	4,606	3,607	3,670	3,744	3,818	3,895	3,973	4,052	4,133	4,216	4,300
Total expenses	143,900	137,398	131,955	133,375	135,743	138,313	140,803	143,477	146,208	149,002	151,870
Surplus/(deficit) for the year	18,705	(3,980)	(1,133)	(538)	(119)	101	455	(1,578)	(1,451)	(1,332)	(1,231)
Other comprehensive income											
Items that will not be reclassified to surplus or deficit in future periods											
Net asset revaluation increment /(decrement)	2,000	25,686	25,818	25,906	25,991	26,073	26,152	26,222	26,283	26,344	26,399
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-
Items that may be reclassified to surplus or deficit in future periods (detail as appropriate)	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive result	20,705	21,706	24,685	25,368	25,872	26,174	26,607	24,644	24,832	25,013	25,168

3.2 Balance Sheet

Forecast / Actual	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000
Assets											
Current assets											
Cash and cash equivalents	14,861	15,445	16,440	16,895	17,737	21,218	25,890	29,229	34,829	38,082	41,336
Trade and other receivables	6,320	6,733	6,630	6,770	6,951	7,089	7,256	7,252	7,414	7,586	7,782
Other financial assets	60,169	41,169	44,257	47,576	51,144	51,144	51,144	51,144	51,144	51,144	51,144
Other assets	4,778	4,778	4,778	4,778	4,778	4,778	4,778	4,778	4,778	4,778	4,778
Total current assets	86,128	68,125	72,105	76,018	80,610	84,230	89,067	92,404	98,165	101,590	105,040
Non-current assets											
Trade and other receivables	8	8	8	8	9	9	9	9	9	9	9
Property, infrastructure, plant & equipment	1,284,282	1,314,564	1,331,836	1,350,432	1,370,378	1,388,281	1,407,187	1,427,143	1,445,115	1,464,308	1,487,241
Right-of-use assets	684	646	623	600	577	554	531	508	485	462	439
Intangible assets	4	-	-	-	-	-	-	-	-	-	-
Landfill rehabilitation intangible asset	89	-	1,467	734	1	1,468	735	2	1,469	736	3
Total non-current assets	1,285,067	1,315,219	1,333,934	1,351,775	1,370,964	1,390,311	1,408,462	1,427,662	1,447,078	1,465,515	1,487,692
Total assets	1,371,195	1,383,343	1,406,039	1,427,793	1,451,574	1,474,541	1,497,529	1,520,066	1,545,243	1,567,105	1,592,733
Liabilities											
Current liabilities											
Trade and other payables	17,201	14,453	13,779	13,906	14,189	14,473	14,763	15,017	15,359	15,666	15,980
Trust funds and deposits	3,312	3,362	3,421	3,489	3,559	3,630	3,702	3,777	3,852	3,929	3,929
Provisions	19,093	16,079	16,709	15,611	15,854	17,698	16,432	16,841	18,401	17,523	17,794
Interest-bearing loans and borrowings	2,461	2,520	2,439	2,489	5,889	2,591	2,644	2,411	2,455	(0)	(0)
Lease liabilities	28	14	14	15	15	16	17	17	18	19	19
Total current liabilities	42,095	36,427	36,361	35,510	39,506	38,408	37,558	38,062	40,085	37,137	37,722
Non-current liabilities											
Provisions	10,439	9,090	9,619	9,362	9,179	9,677	9,569	9,385	10,180	9,996	9,890
Interest-bearing loans and borrowings	23,443	20,918	18,479	15,990	10,101	7,510	4,866	2,455	-	-	-
Lease liabilities	678	663	649	633	617	601	584	567	549	530	511
Total non-current liabilities	34,560	30,671	28,747	25,985	19,896	17,788	15,018	12,407	10,729	10,526	10,401
Total liabilitiesw	76,655	67,098	65,108	61,494	59,402	56,195	52,576	50,469	50,814	47,663	48,122
Net assets	1,294,540	1,316,246	1,340,931	1,366,299	1,392,172	1,418,346	1,444,953	1,469,597	1,494,429	1,519,442	1,544,610
Equity											
Accumulated surplus	803,126	799,056	797,831	797,199	796,985	796,988	797,344	795,664	794,109	792,671	791,333
Reserves	491,414	517,190	543,100	569,100	595,187	621,358	647,610	673,933	700,320	726,770	753,277
Total equity	1,294,540	1,316,246	1,340,931	1,366,299	1,392,172	1,418,346	1,444,953	1,469,597	1,494,429	1,519,442	1,544,610

3.3 Statement of Changes in Equity

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2021 Forecast Actual				
Balance at beginning of the financial year	1,273,835	784,822	484,435	4,578
Surplus/(deficit) for the year	18,705	18,705	-	-
Net asset revaluation increment/(decrement)	2,000	-	2,000	-
Transfers (to)/from other reserves	-	(401)	-	401
Balance at end of the financial year	1,294,540	803,126	486,435	4,979
2022				
Balance at beginning of the financial year	1,294,540	803,126	486,435	4,979
Surplus/(deficit) for the year	(3,980)	(3,980)	-	-
Net asset revaluation increment/(decrement)	25,686	-	25,686	-
Transfers (to)/from other reserves	(0)	(90)	-	90
Balance at end of the financial year	1,316,246	799,056	512,121	5,069
2023				
Balance at beginning of the financial year	1,316,246	799,056	512,121	5,069
Surplus/(deficit) for the year	(1,133)	(1,133)	-	-
Net asset revaluation increment/(decrement)	25,818	-	25,818	-
Transfers (to)/from other reserves	0	Z(92)	-	92
Balance at end of the financial year	1,340,931	797,831	537,939	5,161
2024				
Balance at beginning of the financial year	1,340,931	797,831	537,939	5,161
Surplus/(deficit) for the year	(538)	(538)	-	-
Net asset revaluation increment/(decrement)	25,906	-	25,906	-
Transfers (to)/from other reserves	0	(94)	-	94
Balance at end of the financial year	1,366,299	797,199	563,845	5,255
2025				
Balance at beginning of the financial year	1,366,299	797,199	563,845	5,255
Surplus/(deficit) for the year	(119)	(119)	-	-
Net asset revaluation increment/(decrement)	25,991	-	25,991	-
Transfers (to)/from other reserves	0	(96)	-	96
Balance at end of the financial year	1,392,172	796,985	589,836	5,351

3.3 Statement of Changes in Equity (cont.)

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2026				
Balance at beginning of the financial year	1,392,172	796,985	589,836	5,351
Surplus/(deficit) for the year	101	101	-	-
Net asset revaluation increment/(decrement)	26,073	-	26,073	-
Transfers (to)/from other reserves	0	(98)	-	98
Balance at end of the financial year	1,418,346	796,988	615,909	5,449
2027				
Balance at beginning of the financial year	1,418,346	796,988	615,909	5,449
Surplus/(deficit) for the year	455	455	-	-
Net asset revaluation increment/(decrement)	26,152	-	26,152	-
Transfers (to)/from other reserves	0	(100)	-	100
Balance at end of the financial year	1,444,953	797,344	642,062	5,548
2028				
Balance at beginning of the financial year	1,444,953	797,344	642,062	5,548
Surplus/(deficit) for the year	(1,578)	(1,578)	-	-
Net asset revaluation increment/(decrement)	26,222	-	26,222	-
Transfers (to)/from other reserves	0	(102)	-	102
Balance at end of the financial year	1,469,597	795,664	668,284	5,650
2029				
Balance at beginning of the financial year	1,469,597	795,664	668,284	5,650
Surplus/(deficit) for the year	(1,451)	(1,451)	-	-
Net asset revaluation increment/(decrement)	26,283	-	26,283	-
Transfers (to)/from other reserves	(0)	(104)	-	104
Balance at end of the financial year	1,494,429	794,109	694,567	5,753
2030				
Balance at beginning of the financial year	1,494,429	794,109	694,567	5,753
Surplus/(deficit) for the year	(1,332)	(1,332)	-	-
Net asset revaluation increment/(decrement)	26,344	-	26,344	-
Transfers (to)/from other reserves	(0)	(106)	-	106
Balance at end of the financial year	1,519,442	792,671	720,911	5,859
2031				
Balance at beginning of the financial year	1,519,442	792,671	720,911	5,859
Surplus/(deficit) for the year	(1,231)	(1,231)	-	-
Net asset revaluation increment/(decrement)	26,399	-	26,399	-
Transfers (to)/from other reserves	(0)	(108)	-	108
Balance at end of the financial year	1,544,610	791,333	747,311	5,967

3.4 Statement of Cash Flows

Forecast / Actual	20 20/21	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	82,031	83,707	85,551	87,768	89,902	92,066	94,257	94,405	96,411	98,654	100,927
Statutory fees and fines	2,152	2,800	2,846	2,903	2,960	3,020	3,080	3,142	3,204	3,269	3,334
User fees	9,634	12,832	10,863	10,954	11,170	11,395	11,623	11,858	12,091	12,335	12,581
Grants - operating	28,126	26,630	23,734	23,115	23,333	23,567	23,803	24,042	24,280	24,524	24,769
Grants - capital	33,551	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Contributions - monetary	429	90	92	94	96	98	100	102	104	106	108
Interest received	700	250	250	250	250	250	250	250	250	250	250
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Trust funds and deposits taken	65	50	59	68	70	71	73	74	76	77	-
Other receipts	2,346	3,105	3,262	3,334	3,399	3,468	3,537	3,608	3,679	3,754	3,829
Net GST refund / payment	2,000	4,581	4,125	4,237	4,441	4,350	4,514	4,709	4,630	4,821	5,273
Employee costs	(61,357)	(67,518)	(59,004)	(58,386)	(59,426)	(60,630)	(61,843)	(63,096)	(64,324)	(65,628)	(66,940)
Materials and services	(53,757)	(41,290)	(40,198)	(40,908)	(41,531)	(42,351)	(43,198)	(44,085)	(44,919)	(45,842)	(46,759)
Short-term, low value and variable lease payments	(134)	-	-	-	-	-	-	-	-	-	-
Trust funds and deposits repaid	-	-	-	-	-	-	-	-	-	-	-
Other payments	(9,150)	(8,363)	(5,046)	(5,440)	(4,102)	(4,103)	(5,702)	(4,188)	(4,344)	(5,649)	(4,512)
Net cash provided by/(used in) operating activities	36,636	18,574	28,234	29,688	32,261	32,901	32,193	32,519	32,837	32,371	34,560
Cash flows from investing activities											
Payments for property, infrastructure, plant and equipment	(85,824)	(34,436)	(21,632)	(23,539)	(25,486)	(23,718)	(25,315)	(26,984)	(25,338)	(27,229)	(31,910)
Proceeds from sale of property, infrastructure, plant and equipment	369	531	550	561	572	584	595	607	619	632	644
Payments for investments	-	-	(3,088)	(3,319)	(3,568)	-	-	-	-	-	-
Proceeds from sale of investments	10,000	19,000	-	-	-	-	-	-	-	-	-
Loan and advances made	-	-	-	-	-	-	-	-	-	-	-
Payments of loans and advances	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by/ (used in) investing activities	(75,455)	(14,905)	(24,169)	(26,297)	(28,482)	(23,135)	(24,719)	(26,377)	(24,718)	(26,597)	(31,266)
Cash flows from financing activities											
Finance costs	(621)	(562)	(508)	(456)	(406)	(355)	(171)	(118)	(69)	(24)	0
Proceeds from borrowings	18,200	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(2,572)	(2,466)	(2,520)	(2,439)	(2,489)	(5,889)	(2,591)	(2,644)	(2,411)	(2,455)	-
Interest paid - lease liability	(29)	(28)	(27)	(27)	(26)	(25)	(25)	(24)	(23)	(23)	(22)
Repayment of lease liabilities	(29)	(29)	(14)	(15)	(16)	(15)	(16)	(17)	(17)	(18)	(19)
Net cash provided by/(used in) financing activities	14,949	(3,085)	(3,069)	(2,937)	(2,937)	(6,285)	(2,803)	(2,803)	(2,519)	(2,520)	(41)
Net increase/(decrease) in cash & cash equivalents	(23,870)	584	995	454	842	3,482	4,671	3,340	5,599	3,253	3,254
Cash & cash equivalents at the beginning of the financial year	38,731	14,861	15,445	16,440	16,895	17,737	21,218	25,890	29,229	34,829	38,082
Cash & cash equivalents at the end of the financial year	14,861	15,445	16,440	16,895	17,737	21,218	25,890	29,229	34,829	38,082	41,336

3.5 Statement of Capital Works

Forecast / Actual	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	300	-	-	-	-	-	-	-	-	-	-
Land improvements	-	-	-	-	-	-	-	-	-	-	-
Total land	300	-	-	-	-	-	-	-	-	-	-
Buildings	53,440	4,771	2,917	3,145	3,436	3,676	3,678	3,693	4,158	4,339	4,766
Heritage buildings	328	-	-	-	-	-	-	-	-	-	-
Total buildings	53,768	4,771	2,917	3,145	3,436	3,676	3,678	3,693	4,158	4,339	4,766
Total property	54,068	4,771	2,917	3,145	3,436	3,676	3,678	3,693	4,158	4,339	4,766
Plant and equipment											
Heritage plant and equipment	22	15	16	16	16	17	17	17	18	18	18
Plant, machinery and equipment	2,504	2,605	2,003	2,043	2,084	2,125	2,168	2,211	2,255	2,301	2,347
Fixtures, fittings and furniture	10	10	10	11	11	11	11	11	12	12	12
Computers and telecommunications	569	600	624	637	649	662	676	689	703	717	731
Library books	-	-	-	-	-	-	-	-	-	-	-
Total plant and equipment	3,105	3,230	2,653	2,706	2,760	2,815	2,872	2,929	2,988	3,047	3,108
Infrastructure											
Roads	16,863	10,206	10,543	10,773	11,009	11,195	11,385	11,579	11,776	11,978	14,418
Bridges	1,686	445	468	478	487	497	507	517	527	538	549
Footpaths and cycleways	2,084	1,208	1,285	1,311	1,337	1,364	1,391	1,419	1,447	1,476	1,505
Drainage	158	503	494	557	568	580	591	603	615	627	640
Recreational, leisure and community facilities	1,892	-	368	413	433	442	450	459	469	478	488
Waste management	2,311	2,530	-	1,061	2,165	-	1,126	2,297	-	1,195	2,438
Parks, open space and streetscapes	2,472	8,170	676	690	704	718	732	747	762	777	792
Aerodromes	-	-	-	-	-	-	-	-	-	-	-
Off street car parks	345	243	260	265	271	276	282	287	293	299	305
Other infrastructure	840	-	-	-	-	-	-	-	-	-	-
Total infrastructure	28,651	23,305	14,095	15,548	16,973	15,070	16,464	17,908	15,889	17,367	21,135
Total capital works expenditure	85,824	31,306	19,665	21,399	23,169	21,562	23,013	24,531	23,034	24,753	29,009
Represented by:											
New asset expenditure	50,905	7,945	453	462	471	464	473	482	492	502	512
Asset renewal expenditure	23,733	20,801	19,213	20,937	22,699	21,098	22,540	24,048	22,542	24,251	28,497
Asset expansion expenditure	965	-	-	-	-	-	-	-	-	-	-
Asset upgrade expenditure	10,221	2,560	-	-	-	-	-	-	-	-	-
Total capital works expenditure	85,824	31,306	19,665	21,399	23,169	21,562	23,013	24,531	23,034	24,753	29,009
Funding sources represented by:											
Grants	33,551	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Contributions	-	-	-	-	-	-	-	-	-	-	-
Council cash	44,073	29,606	17,965	19,699	21,469	19,862	21,313	22,831	21,334	23,053	27,309
Borrowings	8,200	-	-	-	-	-	-	-	-	-	-
Total capital works expenditure	85,824	31,306	19,665	21,399	23,169	21,562	23,013	24,531	23,034	24,753	29,009

3.6 Statement of Human Resources

Staff expenditure	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
Total staff expenditure											
Male	16,058	17,706	16,925	17,377	17,723	18,078	18,439	18,739	19,084	19,495	19,885
Female	45,557	48,855	41,571	41,279	42,025	42,865	43,721	44,395	45,211	46,186	47,108
Self-described gender	73	84	76	76	155	158	161	432	440	449	458
Total staff expenditure	61,688	66,645	58,571	58,732	59,904	61,101	62,321	63,566	64,735	66,130	67,451
Permanent full time											
Male	14,609	16,739	14,874	14,915	15,135	15,438	15,746	16,060	16,356	16,708	17,042
Female	9,376	9,169	7,892	7,914	8,072	8,233	8,398	8,566	8,723	8,911	9,089
Self-described gender	73	84	76	76	155	158	161	165	168	171	175
Total	24,058	25,992	22,843	22,905	23,363	23,829	24,305	24,791	25,247	25,791	26,306
Permanent part time											
Male	1,929	2,349	2,269	2,220	2,292	2,338	2,384	2,403	2,447	2,500	2,550
Female	19,662	20,977	18,231	18,336	18,675	19,048	19,428	19,578	19,938	20,368	20,775
Self-described gender	-	-	-	-	-	-	-	267	272	278	283
Total	21,591	23,326	20,500	20,556	20,966	21,385	21,812	22,248	22,657	23,146	23,608
Staff numbers											
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
Total staff numbers											
Male	265	284	280	279	279	279	279	278	278	278	278
Female	753	784	688	663	662	662	662	660	660	660	660
Self-described gender	1	1	1	1	2	2	2	5	5	5	5
Total staff numbers	1,019	1,069	969	943	943	943	943	943	943	943	943
Permanent full time											
Male	201	199	196	196	195	195	195	195	195	195	195
Female	129	109	104	104	104	104	104	104	104	104	104
Self-described gender	1	1	1	1	2	2	2	2	2	2	2
Total	331	309	301	301	301	301	301	301	301	301	301
Permanent part time											
Male	26	29	28	27	27	27	27	27	27	27	27
Female	265	259	225	223	220	220	220	220	220	220	220
Self-described gender	-	-	-	-	-	-	-	3	3	3	3
Total	291	288	253	250	247	247	247	250	250	250	250

4. Financial Performance Indicators

The following table highlights Council's projected performance across a range of key financial performance indicators.

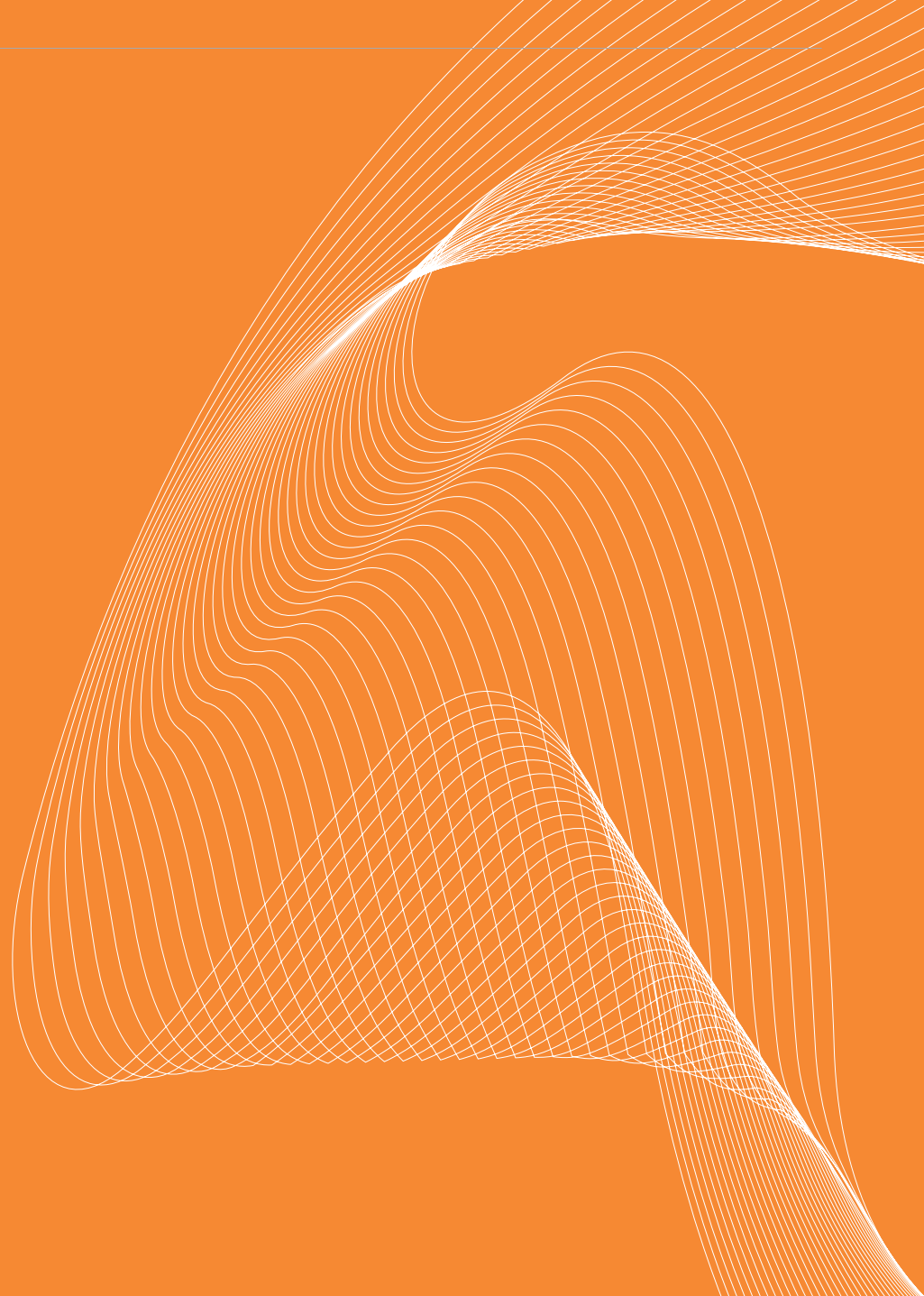
These indicators provide an analysis of Council's 10-year financial projections and should be interpreted in the context of the organisation's objectives and financial management principles.

4. Financial Performance Indicators

Indicator	Measure	Forecast / Actual										
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Operating position												
Adjusted underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	-14.3%	-7.7%	-5.6%	-5.1%	-4.7%	-4.5%	-4.3%	-5.8%	-5.7%	-5.5%	-5.4%
Liquidity												
Working Capital	Current assets / current liabilities	204.6%	187.0%	198.3%	214.1%	204.0%	219.3%	237.1%	242.8%	244.9%	273.6%	278.5%
Unrestricted cash	Unrestricted cash / current liabilities	15.6%	19.3%	21.6%	23.0%	22.3%	31.6%	44.3%	52.0%	62.9%	76.2%	83.4%
Obligations												
Loans and borrowings	Interest bearing loans and borrowings / rate revenue	35.3%	31.0%	27.2%	23.4%	19.7%	12.1%	8.8%	5.6%	2.7%	-0.0%	-0.0%
Loans and borrowings	Interest and principal repayments on interest bearing loans and borrowings / rate revenue	4.4%	4.0%	3.9%	3.7%	3.6%	7.5%	3.2%	3.2%	2.8%	2.7%	-0.0%
Indebtedness	Non-current liabilities / own source revenue	35.8%	30.4%	28.4%	25.0%	18.7%	16.4%	13.5%	11.1%	9.4%	9.0%	8.7%
Asset renewal	Asset renewal and upgrade expense / Asset depreciation	114.0%	77.3%	60.5%	64.7%	68.9%	62.9%	66.1%	69.2%	63.7%	67.4%	77.7%
Stability												
Rates concentration	Rate revenue / adjusted underlying revenue	58.2%	59.2%	61.6%	62.3%	62.6%	62.9%	63.1%	64.3%	64.5%	64.7%	64.9%
Rates effort	Rate revenue / CIV of rateable properties in the municipality	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Efficiency												
Expenditure level	Total expenses/ no. of property assessments	\$3,702	\$3,483	\$3,321	\$3,334	\$3,369	\$3,409	\$3,447	\$3,488	\$3,529	\$3,572	\$3,615
Revenue level	Total rate revenue / no. of property assessments	\$2,101	\$2,122	\$2,157	\$2,197	\$2,235	\$2,273	\$2,311	\$2,294	\$2,331	\$2,368	\$2,406

5. Strategies & Plans

This section describes the strategies and plans that support the 10-year financial projections included to the Financial Plan.





5.1 Borrowing Strategy

Current Debt Position

The total amount borrowed as at 30 June 2021 is \$25.9 million.

Council's current borrowings primarily relate to a range of major infrastructure projects including the construction of the Gippsland Regional Aquatic Centre, Gippsland Performing Arts Centre, Gippsland Indoor Sports Stadium, Stage 2 of the Moe Rail Precinct and upgrade to Kernot Hall in Morwell. Loans are fixed interest spanning 10 years with all current borrowings due to be repaid by June 2029.

Future Borrowing Requirements

The Financial Plan does not include new borrowings beyond 2020/21, as there are currently no new major infrastructure projects identified. Borrowings are normally used in conjunction with other government funding opportunities, these opportunities are considered as they become available.

5.2 Reserves Strategy

Current Reserves

Restricted

- Public Open Space Reserve – established in accordance with the *Subdivision Act 1988* and used to develop strategically located reserves, parks and recreation facilities for the benefit of the residents in the municipality.
- Developer Contributions Reserve – contains contributions received from developers associated with DCP schemes to be used to fund identified items within the scheme

Unrestricted

- Waste and Landfill Reserve – is funded through the garbage charge and is used to fund whole of life costs associated with the collection, processing, disposal, and lifetime management and rehabilitation of existing and legacy landfill sites.
- Loan Repayment Reserve – Council has an interest only loan that is funded through the Local Government Funding Vehicle, each year a portion of the principal is placed in reserve so that there are sufficient funds available at the time of maturity to extinguish the loan.
- Defined Benefits Superannuation Call Reserve – Council is required to contribute to a defined benefits superannuation scheme on behalf of present and past employees. There have previously been two occasions when Council has been required to contribute to the topping up of the fund.

5.2 Reserve Usage Projections

The table below discloses the balance and annual movement for each reserve over the 10-year life of the Financial Plan. Total amount of reserves, for each year, is to align with the Statement of Changes in Equity.

Reserves	Restricted / Discretionary	2020-21 \$000's	2021-22 \$000's	2022-23 \$000's	2023-24 \$000's	2024-25 \$000's	2025-26 \$000's	2026-27 \$000's	2027-28 \$000's	2028-29 \$000's	2029-30 \$000's	2030-31 \$000's
Public Open Space Reserve	Restricted											
Opening balance		1,260	1,661	1,706	1,752	1,799	1,847	1,896	1,946	1,997	2,049	2,102
Transfer to reserve		401	45	46	47	48	49	50	51	52	53	54
Transfer from reserve		0	0	0	0	0	0	0	0	0	0	0
Closing balance		1,661	1,706	1,752	1,799	1,847	1,896	1,946	1,997	2,049	2,102	2,156
Development Contributions Reserve	Restricted											
Opening balance		3,318	3,318	3,363	3,409	3,456	3,504	3,553	3,602	3,653	3,704	3,757
Transfer to reserve		0	45	46	47	48	49	49	51	51	53	54
Transfer from reserve		0	0	0	0	0	0	0	0	0	0	0
Closing balance		3,318	3,363	3,409	3,456	3,504	3,553	3,602	3,653	3,704	3,757	3,811
Reserves Summary	Total Restricted											
Opening balance		4,578	4,979	5,069	5,161	5,255	5,351	5,449	5,548	5,650	5,753	5,859
Transfer to reserve		401	90	92	94	96	98	99	102	103	106	108
Transfer from reserve		0	0	0	0	0	0	0	0	0	0	0
Closing balance		4,979	5,069	5,161	5,255	5,351	5,449	5,548	5,650	5,753	5,859	5,967
Waste & Landfill Reserve	Discretionary											
Opening balance		21,802	18,892	15,355	18,448	20,255	22,469	27,022	29,029	31,562	36,422	38,972
Transfer to reserve		0	0	3,093	1,807	2,214	4,553	2,007	2,533	4,860	2,550	2,638
Transfer from reserve		-2,910	-3,537	0	0	0	0	0	0	0	0	0
Closing balance		18,892	15,355	18,448	20,255	22,469	27,022	29,029	31,562	36,422	38,972	41,610

Reserves	Restricted / Discretionary	2020-21 \$000's	2021-22 \$000's	2022-23 \$000's	2023-24 \$000's	2024-25 \$000's	2025-26 \$000's	2026-27 \$000's	2027-28 \$000's	2028-29 \$000's	2029-30 \$000's	2030-31 \$000's
Loan Repayment Reserve	Discretionary											
Opening balance		0	670	1,340	2,010	2,680	3,350	0	0	0	0	0
Transfer to reserve		670	670	670	670	670	0	0	0	0	0	0
Transfer from reserve		0	0	0	0	0	-3350	0	0	0	0	0
Closing balance		670	1,340	2,010	2,680	3,350	0	0	0	0	0	0
Unfunded Defined Benefits Superannuation Reserve	Discretionary											
Opening balance		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Transfer to reserve		0	0	0	0	0	0	0	0	0	0	0
Transfer from reserve		0	0	0	0	0	0	0	0	0	0	0
Closing balance		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Reserves Summary	Total Discretionary											
Opening balance		23,302	21,062	18,195	21,958	24,435	27,319	28,522	30,529	33,062	37,922	40,472
Transfer to reserve		670	670	3763	2477	2884	4553	2007	2533	4860	2550	2638
Transfer from reserve		-2,910	-3537	0	0	0	-3350	0	0	0	0	0
Closing balance		21,062	18,195	21,958	24,435	27,319	28,522	30,529	33,062	37,922	40,472	43,110
Reserves Summary	Restricted & Discretionary											
Opening balance		27,880	26,041	23,264	27,119	29,690	32,670	33,971	36,077	38,712	43,675	46,331
Transfer to reserve		1071	760	3855	2571	2980	4651	2106	2635	4963	2656	2746
Transfer from reserve		-2910	-3537	0	0	0	-3350	0	0	0	0	0
Closing balance		26,041	23,264	27,119	29,690	32,670	33,971	36,077	38,712	43,675	46,331	49,077





Latrobe City's Council Plan has been printed on 100% Australian paper and printed in the Latrobe Valley.

Stock used for the inside pages is manufactured at our local Maryvale Mill by Australian Paper.

Latrobe City Council is a proud supporter of the local economy.

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To obtain this information in languages other than English, or in other formats, please contact Latrobe City Council on 1300 367 700.



Service Centres & Libraries

Morwell

Corporate Headquarters
141 Commercial Road, Morwell

Morwell Library
63-65 Elgin Street, Morwell

Moe

Moe Service Centre and Library
1-29 George Street, Moe

Traralgon

Traralgon Service Centre and Library
34-38 Kay Street, Traralgon

Churchill

Churchill Community Hub
9-11 Philip Parade, Churchill