



Central Goldfields Shire Council

Financial Sustainability Strategy

June 2024



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1. Executive Summary

This strategy outlines the financial sustainability challenges faced by Central Goldfields Shire Council, emphasising the critical importance of maintaining service provision while navigating fiscal constraints.

Financial sustainability in local government can be defined as the ability of a council to cover the service provision requirements and other financial obligations without compromising their capacity to meet future commitments.

Analysis of key financial performance indicators (KPIs) reveals a high-risk status in one of the indicators, underlying result. The underlying result indicator measures a council's ability to generate a surplus from its ordinary course of business (excluding capital receipts) to fund its asset renewal. The ongoing challenge of delivering a positive underlying result is impacted by negative factors such as rate capping, escalating costs, and reduced revenue from COVID-19 impacts.

Emerging issues and trends identified from a recent industry survey highlighted widespread financial pressure among councils, driven by factors like rate caps, increasing costs and legislative changes. Additionally, external factors like natural disasters further exacerbate financial strain, particularly in rural areas.

Revenue and cost drivers play a pivotal role in the financial sustainability equation. While rates remain the primary revenue source, challenges in rate capping and waste charge regulations constrain revenue streams. Capital and operating grants, though significant, face uncertainties, necessitating prudent financial management. Meanwhile, escalating expenses, particularly in infrastructure asset renewal, employee costs and insurances, require diligent cost management strategies.

Strategic initiatives to optimise revenue and manage costs are outlined, including supplementary rates, waste charge recovery, and grant optimisation efforts and strategies to reduce costs through effective leave management, contract management, and service reviews are recommended.

Service planning and reviews are fundamental to addressing financial challenges effectively. Ongoing service planning initiatives and recent improvements in data quality provide a foundation for informed decision-making and resource allocation.

While Central Goldfields Shire Council faces significant financial sustainability challenges, proactive strategies, and prudent financial management offer avenues for improvement. By addressing revenue constraints, managing costs effectively, and prioritising service planning we will navigate the current landscape and enhance our long-term financial viability.

2. Financial Sustainability

2.1. Financial Sustainability Meaning

Financial sustainability in local government can be defined as the ability of a council to cover the service provision requirements and other financial obligations without compromising their capacity to meet future commitments.

Financial sustainability can be measured by cash solvency (i.e. the capacity to generate cash to fulfil short-term obligations), budgetary solvency (i.e. the ability to generate adequate revenue for the services delivered and to cover financial obligations which arise during a given budgetary year), service-level solvency (to maintain the quality and quantity which ensure meeting the needs of the community at present and in the future) and long-term solvency (the ability to pay long-term financial obligations in a timely manner).

2.2. Financial sustainability measures

Financial sustainability key performance measures have been developed as part of the Local Government Performance Reporting Framework. Using the definition of financial sustainability above cash solvency is measured by the liquidity KPIs, budgetary and long-term solvency are measured by the obligation KPIs and stability KPIs . Service level solvency can be measured by the operating position KPI. These KPIs over the last four years are in Table 1.










VAGO developed a risk framework for assessing low, medium and high financial risk against these KPIs which we have used to monitor our financial sustainability risk (see Appendix 2). The KPI that is in the high-risk category for Central Goldfields Shire is the underlying result. That is, the net operating profit / loss excluding capital grants. A KPI less than zero is considered high risk. Our adjusted underlying result has been less than zero for the last couple of years, impacted by rate capping, increasing costs and reduced revenue from COVID impacts.

Offsetting this risk has been the increase in capital and operating grants received over this period. These grants have enabled Council to undertake a range of strategic planning work and capital renewal and upgrades which we could not have achieved without financial support.

As a result of our success with attracting grants, other key financial indicators such as liquidity, indebtedness and capital renewal have remained low risk. This is unlikely to continue in the current economic climate with high inflation and rate capping continuing to put pressure on our operating result.

This report outlines the issues and opportunities to improve the financial sustainability of Council.

Table 1 Central Goldfields Shire Council LGPRF financial measures 2020-2023.

Dimension/indicator/measure	Results				Trend	VAGO Risk Rating
	2020	2021	2022	2023		
Liquidity						
Working capital						
<i>Current assets compared to current liabilities</i>	160.79%	135.38%	131.42%	125.00%		Low
Unrestricted cash						
<i>Unrestricted cash compared to current liabilities</i>	-1.12%	-46.30%	43.28%	46.62%		
Obligations						
Loans and borrowings						
<i>Loans and borrowings compared to rates</i>	21.88%	17.54%	12.92%	12.56%		Low
<i>Loans and borrowings repayments compared to rates</i>	4.16%	3.84%	4.29%	0.48%		Low
Dimension/indicator/measure	2020	2021	2022	2023		
<i>Non-current liabilities compared to own source revenue</i>	3.10%	13.40%	9.87%	14.66%		
Asset renewal and upgrade						
<i>Asset renewal and upgrade compared to depreciation</i>	97.12%	87.95%	103.66%	148.39%		Low
Operating position						
Adjusted underlying result						
<i>Adjusted underlying surplus (or deficit)</i>	-3.63%	-11.70%	-7.05%	-9.51%		High
Stability						
Rates concentration						
<i>Rates compared to adjusted underlying revenue</i>	54.86%	55.37%	53.40%	49.43%		
Rates effort						
<i>Rates compared to property values</i>	0.72%	0.59%	0.63%	0.47%		

3. Council's 10 year Financial Plan

In accordance with the Local Government Act 2020, Council prepared and adopted a 10 year financial plan in 2021. The plan included the following financial sustainability principles which are relevant to this financial sustainability strategy:

Financial Sustainability

Maintain key financial indicators within the low to medium range of financial sustainability risk indicators.

Service Provision and Planning

Continue the Service Planning process via a strategic service planning framework incorporating annual budget, departmental operational plans, capital works evaluation and long term financial plan leading to a determination of the appropriate range and levels of service for the community.

Consults with the community to determine how service levels will be reached including a combination of improved revenue raising, review of existing service levels, asset disposal and composition of the asset portfolio.

Capital Works Program

Increase capital works commitment at levels that aspire to meet or exceed the targets established in this LTFP and reviews its 10-year capital works program as Asset Management Plans are updated.

Focuses capital works on maintaining a critical renewal level based on maintaining a minimum service level with the next priority on renewal, upgrade and expansion.

Asset Management

Establish critical renewal investment levels, completes detailed Asset Management Plans (focused on renewal demand) for all classes of Council assets incorporating service level assessments.

Annual allocation of funds to meet 100 per cent of the community's infrastructure renewal needs before it elects to upgrade or construct new assets

Long Term Borrowing Strategies

That based on Better Practice Prudential Guidelines, Council borrows funds for capital expansion projects that provide intergenerational equity.

Retain its debt servicing and redemption costs at or below 5 cents in the rate revenue dollar, towards interest and principal, over the life of this LTFP.

Restricted Assets

Provide for at least \$2.0 million to \$3.0 million in working capital to meet day to day needs
That to ensure sufficient funds are available to meet operational needs, Central Goldfields Shire Council retains a cash position of at least \$2.0 million to \$3.0 million after deducting restricted assets

Rating and other revenue strategies

Considers future increases waste charges based on EPA, regulatory and safety requirements and the need to sustain the Council's long-term waste operations strategy;

Pursues recurrent grant funding and strategic capital funding aligned with Council Plan objectives.

4. Issues, Trends and Inquiries

There is a growing concern by the Victorian local government peak bodies, State and Federal Governments about the long-term financial sustainability of local government. This section outlines some of the key findings of recent surveys and audits, and recently announced inquiries into the financial sustainability of the sector.

4.1. Fin Pro Survey

In a recent survey undertaken by FinPro, the Victorian peak body for Local Government Financial Professionals, the following issues were raised by councils who completed the survey:

- Financial Sustainability : Many councils are grappling with financial challenges and developing strategies to improve long-term financial sustainability. •
- Financial Pressure and Deficits: Many councils face significant financial pressure, with underlying deficits in their Long-Term Financial Plans (LTFP). The rate cap, often below inflation, contributes to these challenges.
- Service Provision Challenges: The ability to maintain current service levels is difficult due to the gap between revenue and escalating costs. Councils are considering how to reduce services or levels of service, which will ultimately have impacts on the community.
- Rate Cap Impact: The rate cap is insufficient to cover increasing costs in various areas, including labor costs, construction, insurance, and service delivery. This puts pressure on councils to limit capital expenditure, defer projects, and reduce services.
- Population Growth Challenges: Growing councils face the challenge of providing infrastructure and services for rapidly increasing populations. This requires careful planning and poses additional financial strain.
- Cost Escalations: Councils across the board are experiencing rising costs.
- Revenue and Funding Issues: Dependence on rates and waste charges for revenue, coupled with limitations on discretionary income sources, creates financial instability. External funding doesn't always match increasing costs, adding to the strain.
- Impact of External Factors: External factors like natural disasters, legislative changes, and global events such as COVID-19 contribute to financial stress, affecting cash flow, operational expenses, and service delivery.
- Workforce and Employment Pressures: Employment-related costs, including Enterprise Agreement pressures and staffing challenges, contribute to financial strain. Some councils report difficulties in securing resources.
- Infrastructure and Asset Renewal Challenges: Councils are grappling with the need for extensive capital works programs, renewal targets, and new asset demands. The ability to fund these projects is impacted by the rate cap and other financial constraints.
- Climate Change and Environmental Impact: Costs associated with mitigating climate change, environmental impacts, and extreme weather events contribute to financial pressure.
- Legislative Changes and Cost Shifting: Legislative changes, cost shifting from higher levels of government, and evolving reporting obligations add complexity to financial management.
- Digital Transformation: Initiatives like digital transformation projects are being pursued, but economic returns are projected to be minimal, highlighting the challenge of balancing innovation with financial sustainability.
- Infrastructure Gaps: Some councils face gaps in service delivery and costings, particularly in growth areas, due to discrepancies in scheme planning and ongoing reliance on grant funding.

- Ongoing Challenges and Uncertainties: Councils express ongoing challenges, uncertainties, and the need for constant adaptation to new circumstances, impacting their ability to make real cost savings and sustain services.

4.2. VAGO 2022/23 Local Government Sector Results

VAGO concluded in its annual report on the Local Government Sector 2022/23 financial results that:

Councils' balance sheets remain strong and over the short term their financial health is fine. They face longer-term challenges that require sound financial planning and management to maintain this financial health. These challenges include:

- *continued variability in government funding*
- *constraints on their ability to grow own-source revenue*
- *persistent inflation, increasing costs of materials and services*
- *population growth, which increases demand for services*
- *delivery of large capital works programs to maintain, renew and develop intergenerational assets*

VAGO reported that in 2022–23 councils' total expenses grew by 9.3 per cent which was mainly due to increase in materials and services costs because of persistent inflation, reliance on contractors to fill vacant staff roles and costs related to flood recovery.

The report also shows that the number of councils reporting a negative underlying result has increased from 23 in 2018/19 to 36 in 2022/23, an increase of 56%.

VAGO also noted that the underlying surplus includes the advance financial assistance grant payments from the Australian government, and had the total financial assistance grants not remained at the same percentage as the previous year, more councils would be reporting an adjusted underlying deficit.

4.3. Federal Government Inquiry

The House of Representatives Standing Committee on Regional Development, Infrastructure and Transport will inquire into and report on local government matters, with a particular focus on:

- The financial sustainability and funding of local government
- The changing infrastructure and service delivery obligations of local government
- Any structural impediments to security for local government workers and infrastructure and service delivery
- Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices
- The role of the Australian Government in addressing issues raised in relation to the above
- Other relevant issues.

Key Dates: Written submissions are being invited now until 3 May 2024

4.4. Victorian Legislative Council Economy and Infrastructure Committee Inquiry

In May 2023 the Committee agreed to investigate local government funding and service delivery in Victoria, including:

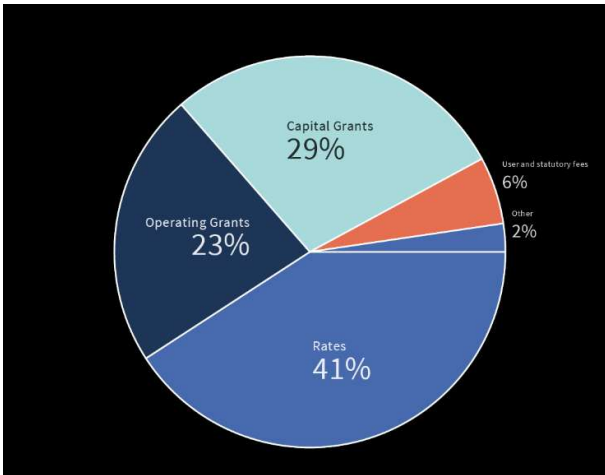
- cost shifting from state and federal governments to local council;
- ability of local governments to meet core service delivery objectives;
- local government's revenue structure, as well as whether these structures are sustainable and appropriate; and
- whether there are alternative models of funding to consider.

Key Dates: Not currently taking submissions

5. Revenue and cost drivers

5.1. Revenue

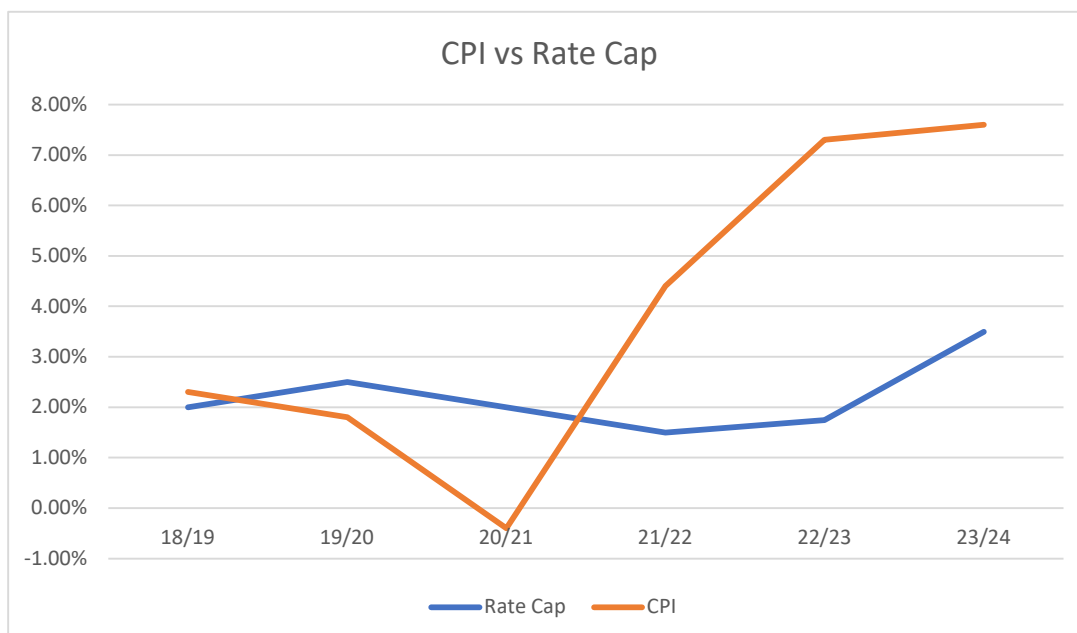
Council's three main sources of revenue are rates and charges, capital grants and operating grants.



Rates Revenue

Rates and charges accounted for 41% of our revenue in 2023/24. It is our most significant source of revenue. The State Government introduced a rate capping mechanism in 2015 which is set by the Minister for Local Government on advice from the Essential Services Commission. The rate cap is based on the Department of Treasury and Finance's forecast CPI, which in recent years has been well below actual inflation. This has resulted in a 10.4% difference, or \$1.2 Million in lost revenue which is now impacting our financial sustainability.

Graph 2 CPI vs Rate Cap



The Essential Services Commission reported in their 2023 annual report that over the six years of rate capping, annual real growth in revenue from rates on a per property basis was negative – 0.4% per year on average in inflation-adjusted terms or a decrease of \$7 per year.

The report also noted that “In the six years of rate capping, the sector's total revenue grew by 2 per cent per year on average. This was lower than the 3.2 per cent annual growth rate in the three years before the introduction of rate capping.⁹ The lower growth is largely attributable to a decline in 2019–20, when the sector’s total revenue contracted due to the impacts of the coronavirus pandemic.

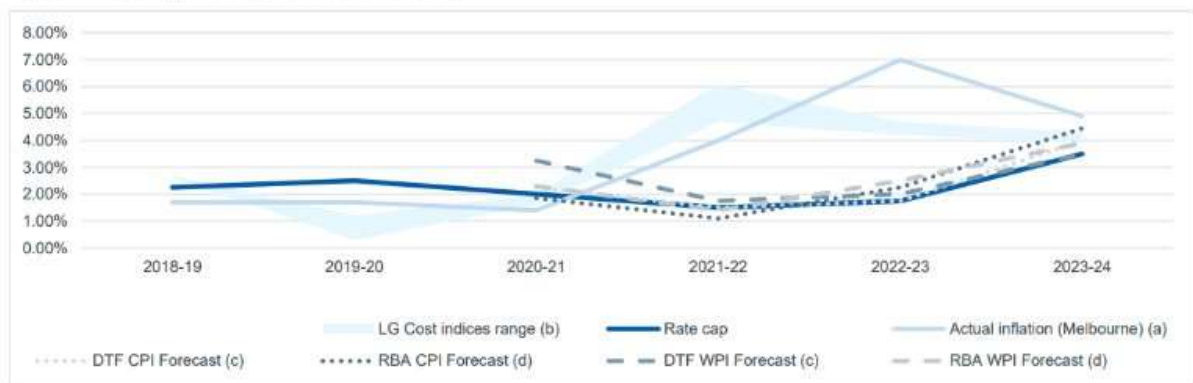
Rural Council’s Victoria partnered with AEC Group to prepare a discussion paper on the financial sustainability of councils. The following table and graph from this discussion paper highlight the discrepancies between CPI forecasts, cost indices for local government and the rate cap.

Measure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Rate Cap	2.25	2.5	2.0	1.5	1.75	3.5	2.75 ^f	TBD
CPI Melbourne (a)	1.7	1.7	1.4	4.0	7.0	4.9	-	-
Cost Indices (b)	2.6 to 2.7	0.3 to 1.2	1.6 to 2.0	4.7 to 6.1	4.2 to 4.7	3.9 to 4.3	-	-
DTF CPI Forecast (c)			2.25	1.5	1.75	4.0	2.75	2.5
RBA CPI Forecast (d)			1.85	1.1	2.25	4.45	3.4	2.9
DTF WPI Forecast (c)			3.25	1.75	2.0	3.5	3.5	3.25
RBA WPI Forecast (d)			2.3	1.4	2.5	3.9	3.7	2.9

Source: Essential Services Commission – The Outcomes of Rate Capping

- (a) ABS as of September 2023
- (b) Recalculated Local Government cost indices from New South Wales, South Australia and Tasmania
- (c) Melbourne CPI and WPI Victoria sourced from Department of Treasury and Finance Budget Update
- (d) Australia CPI and WPI sources from RBA Forecast Tables – Statement on Monetary Policy
- (e) Rate Cap for 2024-25 has been determined at 2.75 inline with the DTF CPI forecast without adjustment
- (f) In the ESC report, the 2024-25 was “TBD” – now that the Minister has approved the rate cap for 2024-25 AEC has updated this in the table.

Figure 2.1. Rate Cap, CPI, Cost Indices and Forecasts



Source: Essential Services Commission – The Outcomes of Rate Capping

- (a) ABS as at September 2023
- (b) Recalculated Local Government cost indices from New South Wales, South Australia and Tasmania
- (c) Melbourne CPI and WPI Victoria sourced from Department of Treasury and Finance Budget Update
- (d) Australia CPI and WPI sources from RBA Forecast Tables – Statement on Monetary Policy

Waste charges

Waste charges are not capped and are able to be fully recovered through fees and charges. The State Government have recently issued guidelines on the costs that can be recovered through these waste charges. Some general waste costs such as street cleaning, collection of public bins and the operation of transfer stations will no longer be able to be recovered through the waste charge.

As there is no mechanism in the Local Government Act 2020 to make an amendment for the excluded waste costs, this will result in a reduction of income for council's equivalent to the excluded costs. For Central Goldfields Shire, this is estimated at \$1.9 Million. To resolve this issue, Council will need to apply to the Essential Services Commission for a rate cap variation. The next opportunity to do this is in 2025 for the 2025/26 budget.

Operating grants for programs and projects

Operating grants provided 23% of our revenue in 2023/24. Our largest operating grant is the Financial Assistance Grant provided by the Federal Government through the Victorian Grants Commission. This is an untied grant and is calculated based on a number of factors including population density, level of disadvantage, length of roads to maintain.

Our current FAG is approximately \$4.5 Million. In 2014/15 there was an indexation freeze on the FAG grants that lasted for three years. This resulted in a reduction in grant revenue of \$200M across the sector. There is ongoing advocacy by peak bodies to restore FAG grants to 1% of the Commonwealth Government tax take (currently at 0.53%)

The FAG grant is currently 100% prepaid. In future we may see FAGs return to the normal payment schedule which will impact Council's cash balance and working capital ratio.

Operating grants are either for special purposes or through contested rounds. These include grants we have received to complete strategic land use projects and other strategies and plans. A summary of these grants can be found in Appendix 3.

Services provided on behalf of State Government

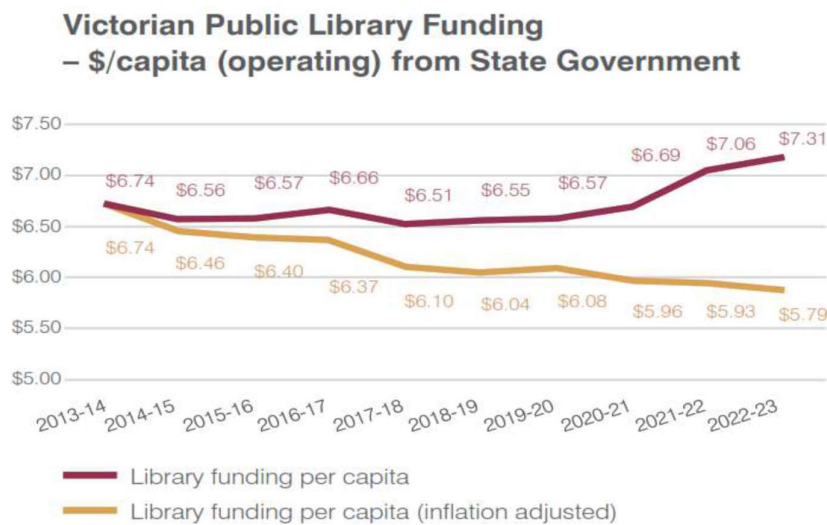
Council is funded to provide a number of services on behalf of State Government. The funding from the State has eroded over time with Council contributing more ratepayer funds to provide the service. The following table shows a comparison of the % of total costs funded for some of these services between 2019/20 and 2023/24.

Table 3: State Government Services erosion in funding

Service	2019/20 Grant / Total Cost % of total	2023/24 Grant / Total Cost % of total	Change
School Crossings	\$37k/\$107k/34%	\$37k/\$158k/23%	↓ 11%
Immunisations	\$19k/\$56k/34%	\$34k/\$124k/27%	↓ 7%
MCH	\$354k/\$477k/74%	\$420k/\$636k/66%	↓ 8%
Library	\$162k/\$470k/34%	\$169k/\$576k/29%	↓ 5%

A submission from Public Libraries Victoria to the Victorian State Government outlined the growing gap in library funding for the sector over the last 10 years.

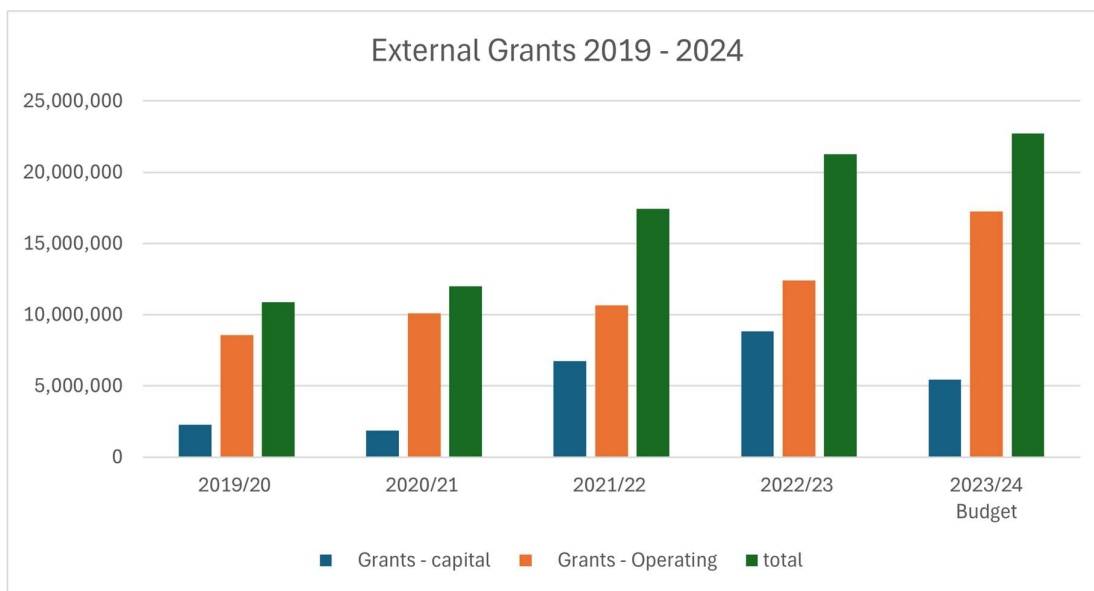
Graph 3 Trends in Victorian Public Library Funding



Capital Grants

Council has been successful in attracting a high level of capital grants over the last five years. This has been a result of targeted campaigns through our Priority Projects plans and successful grant applications supported by the strategic planning work noted above. A summary of grants received can be found in Appendix 3.

Graph 4 External Grants Received since 2019



External grants have assisted Council to renew a range of infrastructure assets including roads, swimming pools, recreation, and cultural facilities, and to develop new assets such as a skate park and visitor centre.

A number of these grant programs were state and federal government responses to the pandemic to stimulate the economy. With a tightening fiscal environment, particularly in Victoria, it is expected that there will be less grant funding available for local government projects.

Other sources of revenue

Council also earns a small proportion of its revenue from fees and charges for delivering services such as childcare, agency services for Vic Roads, community services (discontinued 1 March 2024), statutory planning and building fees, and rents and charges from leases and licences.

Rural Councils Victoria undertook a review of opportunities for rural councils to increase revenue from other sources. The review concluded that “While rural Councils have the opportunity to pursue a range of new or ‘boutique’ revenue sources, none of these are likely to generate income flows of sufficient magnitude to materially improve local government finances” and “Importantly, despite extensive investigation, no ‘quick-win’ or cover-all solutions to local government financial security were discovered.”

5.2. Strategy to optimise revenue from all sources

To improve the financial sustainability, actions have been identified that will seek to maximise revenue where appropriate from all sources and to increase cash reserves through a reduction in rates outstanding.

The actions address the four key sources of revenue rates; waste charges; fees and charges; and grants.

1. Rates – Council receives 41 % of revenue from rates. We need to ensure that supplementary valuations are completed in a timely manner to maximise revenue above the rate cap, rate exemptions are minimised and outstanding rates are collected in a timely manner.	
Outcome	Action
<ul style="list-style-type: none"> ▪ Ensure all supplementary rates are captured 	Develop reporting utilising building permit data
<ul style="list-style-type: none"> ▪ Maximise PILOR revenue from renewables 	Review renewable projects in the Shire
<ul style="list-style-type: none"> ▪ Minimise rate exemptions 	Develop rates exemptions policy ensuring exemptions are clearly defined
<ul style="list-style-type: none"> ▪ Decrease % of outstanding rates 	Consider sale of properties where debts are greater than 3 years old.
<ul style="list-style-type: none"> ▪ Better utilisation of developer contributions 	Develop a policy for the use of developer contributions linking to recent strategies including Recreation and Open Space Strategy and Playspace Strategy

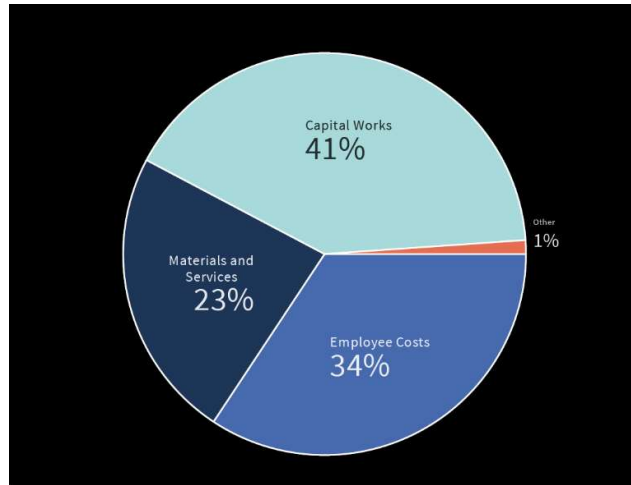
<p>2. Waste Charge – the waste charge is not part of the rate cap and is calculated on a cost recovery basis. New ministerial guidelines have been issued which will impact on recovery of some waste costs through a waste charge.</p>	
<ul style="list-style-type: none"> ▪ Ensure waste charge full cost recovery 	<p>Review waste charge allocation to ensure overheads are properly allocated</p> <p>Develop cost recovery policy for waste charges in accordance with new ministerial guidelines</p>
<ul style="list-style-type: none"> ▪ Consider rate cap variation application to address new guidelines on waste charges 	<p>Application to be developed for the 25/26 budget year to address funding gap from implementation of new guidelines</p>
<p>3. Fees and Charges</p>	
<ul style="list-style-type: none"> ▪ Ensure fees and charges maximise cost recovery where appropriate 	<p>Develop pricing model for all fees and charges noting fees that are full cost recovery and those that are subsidised</p>
<ul style="list-style-type: none"> ▪ Ensure equity and parity for user fees and charges for use of Council assets 	<p>Complete review of user fees and charges for all recreation reserves</p> <p>Review lease and licence fee charges</p>
<p>4. Grant optimisation</p>	
<ul style="list-style-type: none"> ▪ Ensure all costs allowed under the grant are recovered 	<p>Develop process for grant approvals and acquittals</p>
<ul style="list-style-type: none"> ▪ All grant applications to be approved by EMT to ensure they can be resourced and meet Council Plan objectives 	<p>Develop process for grant approvals and acquittals</p>
<ul style="list-style-type: none"> ▪ Identify grants to progress priority projects and programs 	<p>Introduce monthly reporting on grant activity and opportunities</p>
<p>Divestment of assets</p>	
<ul style="list-style-type: none"> ▪ Identify council owned properties that are surplus to needs for sale 	<p>Consider an external resource to complete this project</p>

5.3. Expenses

Key categories for Council expenses are Employee Costs, Materials and Services, Depreciation and other. Expenses have been actively managed however inflationary costs have exceeded both the rate cap and operating grant increases. Cost savings will need to be identified across all expense categories to ensure the financial sustainability of Council.

Employee costs

Employee costs constitute 34% of Council's expenditure. Increases in employee expenses are mainly due to negotiated Enterprise Agreement increments; Workcover premium increases with the State Government significantly increasing premiums for 2023/24 (20%) and ongoing superannuation increases (0.5% per annum up to 12% by 1 July 2025).



Volunteer services shown in the table below are a non-cash item and provide an estimate of our volunteer's valuable contribution to Council services.

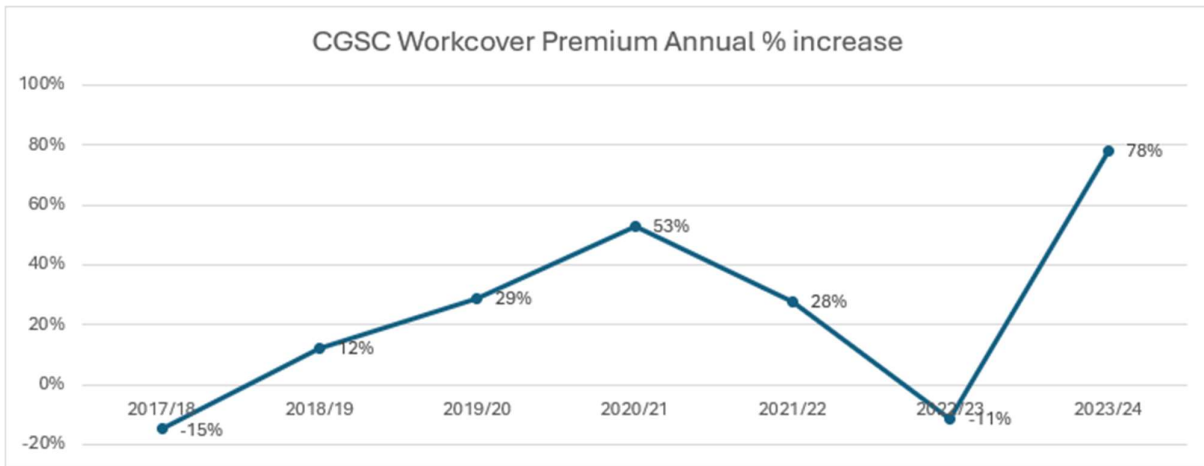
Some increases will also be due to the receipt of operating grants from other levels of government to undertake projects – in 2023/24 we received funding for a Flood Recovery Officer for 12 months.

Employee expenses will decrease overall in 2024/25 as we withdraw from aged care services.

Table 5 Employee expenses 2023/24 Budget

	Forecast Actual	Budget	Change	
	2022/23 \$'000	2023/24 \$'000	\$'000	%
Wages and salaries	12,274	12,783	509	4.15%
WorkCover	353	420	67	19.05%
Superannuation	1,425	1,605	180	12.62%
Long Service Leave	183	182	(1)	-0.57%
Volunteer Services	418	468	50	11.96%
Fringe Benefits Tax	65	70	5	8.11%
Total employee costs	14,719	15,529	810	5.50%

Graph 5 Workcover premium increases



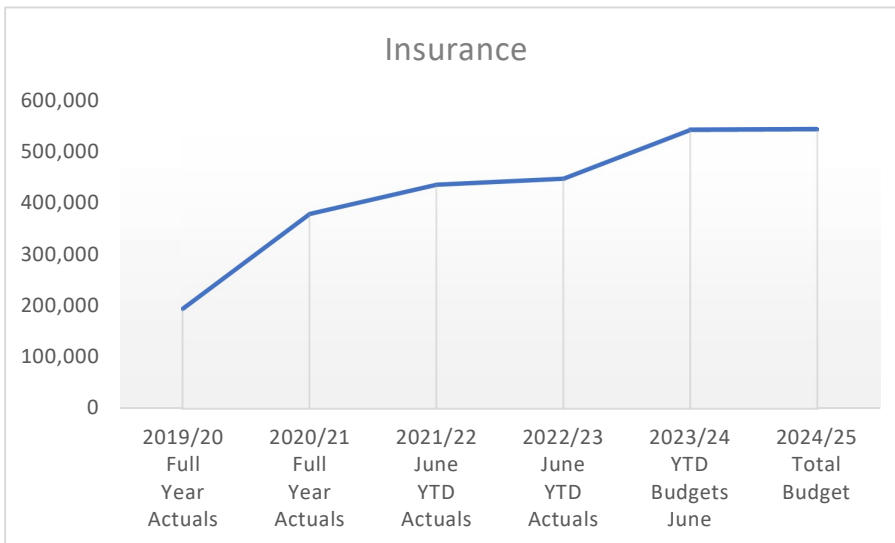
Materials and services

Materials and services comprise 23% of our costs. Comparative data is not a useful comparison, with significant variances between years a result of operating grant expenditure for one off projects and events.

CPI is not a good measure of the increase in costs of materials and services. There are other more appropriate measures that should be used in the local government sector. For example the producer price index for the construction industry which has risen by 28% over the last three years.

Some of the largest inflationary pressures in this expenditure category include increases in insurance and fuel costs. The increases in insurance are a result of an increase in natural disasters and new risks such as cyber security.

Graph 6 Insurance from 2019 to 2024



5.4. Strategies to manage and reduce costs

To improve the financial sustainability, actions have been identified that aim to manage and reduce costs that are within Council’s control ensuring the efficient operation of Council.

<p>1. Employee costs – we are a service delivery business, and employee costs make up 34% of our costs. Some cost increases are legislated (superannuation, workcover) and outside of our control. There are a range of strategies we can adopt to manage employee costs while ensuring that our employees are remunerated fairly and we are able to attract and retain staff.</p>	
<p>Leave management – increases in leave balances can cause an increase in cost of services. The increased costs can include staff backfill, contractor backfill, and the impact of annual EBA increases on leave provisions.</p>	
<p>Actively manage leave balances and set targets to achieve by June and Dec 2024</p>	<p>Leave reduction plans to be implemented and monitored.</p>
<p>Workcover – workcover premiums have increased significantly over the past 3 years. Some of this is attributed to historic claims history, the largest increase has come from State Government increase in contributions.</p>	
<p>Continue to improve management of claims and return to work processes</p>	<p>Return to work co-ordinator in-house to improve staff support – recruitment complete</p>
<p>Advocacy through peak bodies to reduce premiums</p>	<p>Continue to advocate alongside peak bodies.</p>
<p>Overtime – should be kept to a minimum and only used to facilitate works or events out of normal working hours that is planned and budgeted for, and in emergencies</p>	
<p>Overtime costs reduced by 15%</p>	<p>Undertake data analysis to identify key areas of overtime that can be reduced</p>
<p>Staff vacancies</p>	
<p>Manage staff vacancies to achieve attrition and efficiencies</p>	<p>Review roles when vacancies occur</p>
<p>Ensure budget reflects current flexible arrangements (ie 48/52, part time etc)</p>	<p>Review all roles in budget process to ensure correct classification including purchased leave</p>
<p>Reduce costs associated with backfilling roles with contractors</p>	<p>Investigate alternative options for backfilling vacant roles such as</p>

	secondments, acting arrangements and panel contracts
FBT – FBT is paid on employee benefits, mainly full private use of vehicles	
Minimise FBT costs through targeted management	Undertake a review of FBT payments and opportunities to reduce cost Review vehicle policy re cost apportionment of FBT Utilise fleet management software to allow log book methodology
Ensure reasonable allocation of costs between employer and employee for private use of vehicles	Review vehicle policy to ensure cost of vehicle is appropriately allocated between private and work use
Review fleet usage and rationalise if required	Review utilisation rates of all vehicles and consider reducing pool vehicles if private use vehicles are under utilised during work hours

2. Contract management – Council outsources a large number of activities. When contracts are due for renewal, a full assessment of cost / benefit and service levels is to be undertaken to identify opportunities for cost savings, efficiencies or changes in levels of service

<ul style="list-style-type: none"> ▪ Ensure outsourced services are being delivered efficiently and best value is being received. 	<p>Large, outsourced service contracts include:</p> <ul style="list-style-type: none"> ▪ Transfer stations ▪ Kerbside collection ▪ Swimming pool management
<ul style="list-style-type: none"> ▪ Review opportunities to outsource functions, particularly where Council has limited expertise and can be delivered more efficiently by specialists 	<p>EOI recently undertaken for payroll services</p> <p>Some ICT services outsourced.</p>
Investigate shared services	Continue to explore opportunities with other councils for shared services. Recent examples include GIS, Risk Management and IT projects

6. Service planning and reviews

The purpose of using the Service Planning approach to resolve financial sustainability issues is:

- To ensure Council's investment in services is achieving desired outcomes
- To better understand each service to allow comparative choice decisions to be made when undertaking resource adjustments across the organisation
- To ensure the community expectations are understood and the cost of meeting those expectations is able to be estimated at the service level
- Cost efficiencies and revenue generation opportunities are identified and implemented
- Priority is given to statutory responsibilities over discretionary expenditure
- Investment decisions and / or service level changes are evidence based.

In 2019/ 2020 we undertook the first step toward service planning completing service profiles for 44 services.

The information gathered during this project provides an extensive resource base which will allow Council to undertake a focused review of each service and the development of a strategy to respond to the impacts of its challenging financial position.

A number of recommendations from this review were implemented with a focus on improving the quality of asset and financial data. Specifically, the following work has been completed since the reviews were undertaken as required also by the Local Government Act 2020:

- Rating and revenue plan
- Long term financial plan
- Asset management plan
- Workforce plan

The 44 services were broken down into external and internal services. External services were defined as those which have a direct interface with Council's customers and the broader community. Internal services are defined as those which provide support to the external services.

Of the 44 services listed, 31 were designated external services and 13 were designated as internal services.

This project did not progress to detailed service reviews for a number of reasons including:

- 1) COVID-19 shifting the focus of the organisation to Business Continuity rather than Business as Usual,
- 2) organisation focus on transitioning from Administration to elected Councillors, and
- 3) the variable quality of both the financial and non-financial information (ie KPIs and service standards) resulting in lack of confidence in the reported findings from this first stage.

Improvements to the data since the project was completed include:

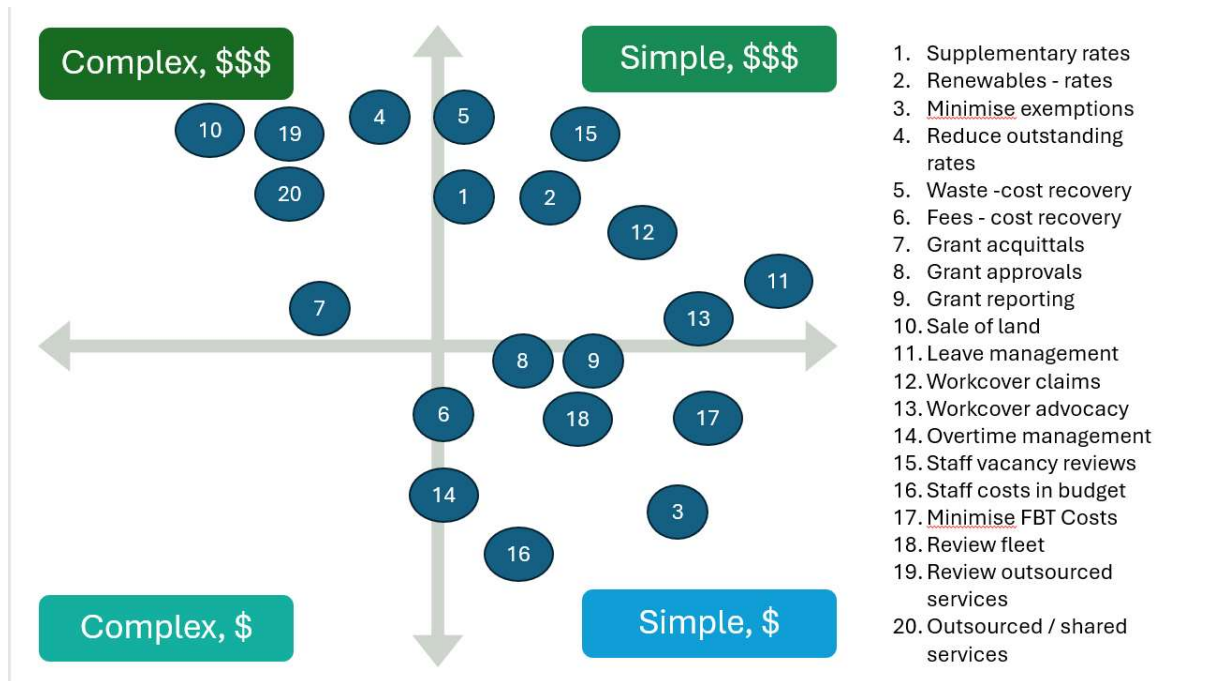
- 1) Implementation of magiq performance – a financial reporting tool that can be used to update the financial information in the service profiles
- 2) Increased capacity and capability in finance team to support financial analysis and review
- 3) Condition reporting across the whole road network and other infrastructure assets
- 4) Improvements in understanding and reporting of LGPRF data and data sources

A number of service reviews have been undertaken over the last three years including:

- Library services – expansion of service provision
- Immunisation services – expansion of service provision
- Home and Community Care services – withdrawal from provision of service
- Building services – reduction in permit services, increase in compliance work
- Payroll services – service to be outsourced
- GIS services – shared service with Brimbank Council

Service plans will be updated as part of the 2024/2025 budget process and a schedule of service reviews developed to be undertaken over a three year period.

Appendix 1 Action Plan Implementation Matrix



Appendix 2 VAGO Financial Sustainability Risk Indicators

Financial sustainability risk indicators—risk assessment criteria

Risk	Net result	Adjusted underlying result	Liquidity	Internal financing	Indebtedness	Capital replacement	Renewal gap
High	<p>Less than negative 10%</p> <p>Insufficient revenue is being generated to fund operations and asset renewal.</p>	<p>Less than 0%</p> <p>Insufficient surplus being generated to fund operations</p>	<p>Less than 0.75</p> <p>Immediate sustainability issues with insufficient current assets to cover liabilities.</p>	<p>Less than 75%</p> <p>Limited cash generated from operations to fund new assets and asset renewal.</p>	<p>More than 60%</p> <p>Potentially long-term concern over ability to repay debt levels from own-source revenue.</p>	<p>Less than 1.0</p> <p>Spending on capital works has not kept pace with consumption of assets.</p>	<p>Less than 0.5</p> <p>Spending on existing assets has not kept pace with consumption of these assets.</p>
Medium	<p>Negative 10%–0%</p> <p>A risk of long-term run down to cash reserves and inability to fund asset renewals.</p>	<p>0%–5%</p> <p>Surplus being generated to fund operations</p>	<p>0.75–1.0</p> <p>Need for caution with cashflow, as issues could arise with meeting obligations as they fall due.</p>	<p>75–100%</p> <p>May not be generating sufficient cash from operations to fund new assets.</p>	<p>40–60%</p> <p>Some concern over the ability to repay debt from own-source revenue.</p>	<p>1.0–1.5</p> <p>May indicate spending on asset renewal is insufficient.</p>	<p>0.5–1.0</p> <p>May indicate insufficient spending on renewal of existing assets.</p>
Low	<p>More than 0%</p> <p>Generating surpluses consistently.</p>	<p>More than 5%</p> <p>Generating strong surpluses to fund operations</p>	<p>More than 1.0</p> <p>No immediate issues with repaying short-term liabilities as they fall due.</p>	<p>More than 100%</p> <p>Generating enough cash from operations to fund new assets.</p>	<p>40% or less</p> <p>No concern over the ability to repay debt from own source revenue.</p>	<p>More than 1.5</p> <p>Low risk of insufficient spending on asset renewal.</p>	<p>More than 1.0</p> <p>Low risk of insufficient spending on asset base.</p>

Source: VAGO.

Appendix 3– Operating and Capital Grants Received

Table 6 Grants received for strategic planning projects and programs 2019 - 2024

Projects	Funding source	Grant
Community Plans	Building Better Regions Fund (Federal)	\$120k
Maryborough Railway Station Activation	Stronger Regional Communities Program	\$50k
Energy Breakthrough Business Plan	Stronger Regional Communities Program	\$50k
Economic Development and Tourism Strategy	Stronger Regional Communities Program	\$200k
Open Space Strategy	Community Sport Infrastructure Fund	\$30k
Central Goldfields Flood Mapping	??	\$150k
Talbot futures project	Local Jobs and Infrastructure Fund	\$650k
Urban Residential Land Opportunities Study	Victorian Planning Authority	\$180k
Land Use Framework Plan	Streamlining for Growth Program	\$150k
Heritage Overlay review	Directly managed by Regional Hub	\$150k
Go Goldfields Backbone	RDV 2019-2021	\$1.4M
	RDV 2021-2023	\$1.0M
Castlemaine Maryborough Rail Trail	Regional Development Infrastructure Planning	\$120k
Bristol Hill Bike Park	Tourism planning	\$30k
Playspace strategy	SRV	\$30k
Total planning and strategy grants		\$4.310M

Table 7: Capital grants received / confirmed 2019-2024

Projects	Funding source	Grant
Carisbrook Recreation Reserve	Community Sports Infrastructure Fund	\$4.0 M
Maryborough Sports and Leisure Centre Upgrade	Community Sports Infrastructure Fund	\$430K
	Community Sports Infrastructure Fund (Federal)	\$110K
Maryborough Outdoor Pool	Living Heritage Grant	\$2.0 M
Central Goldfields Art Gallery	Regional Infrastructure Fund	\$2.0M
Central Goldfields Art Gallery – Indigenous Garden	Regional Tourism Infrastructure Projects	\$225k
Central Goldfields Art Gallery	Regional Access Collections Program	\$330k
Skate and Scooter Park	Community Sports Infrastructure Fund	\$250K
Dunolly Library	Living Libraries Fund	\$140k
Maryborough Library	Living Libraries Fund	\$145k
Maryborough Railway Station Activation	Stronger Regional Communities Program	\$2.0M
Energy Breakthrough	Crisis Committee of Cabinet - Infrastructure Stimulus Fund	\$1.5M
Carisbrook Levee	Federal Natural Disaster Fund (50/50 State and Federal)	\$1.2M
Maryborough Jubilee Oval Multiuse Courts	State Budget Commitment - Local Community Sport and Recreation Projects	\$400K
Deleido Netball Courts	Local Sports Infrastructure Fund	\$750K
Netball / tennis courts Princes Park	Election commitment	\$450k

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Female friendly changerooms Princes Park	Election commitment	\$550k
Finance and CRM	Rural Councils Transformation Project	\$500k
Phillips Gardens Irrigation System	Growing Victoria Grant	\$150k
Aerodrome works	Regional Airports Funding	\$100k
Community halls, local playgrounds and footpaths	Local Roads and Community Infrastructure Round 1	\$789k
Footpaths, Gillies St upgrade and community infrastructure	Local Roads and Community Infrastructure Round 2	\$873k
Swimming pools, Maryborough Town Hall	Local Roads and Community Infrastructure Round 3	\$1,579k
Road upgrades	Local Roads and Community Infrastructure Round 4	\$1,245k
Total Capital funding		\$21.71 M