Hepburn
SHIRE COUNCIL

HEPBURN SHIRE COUNCIL
10 YEAR FINANCIAL PLAN
2014-2024
INCORPORATING THE
STRATEGIC RESOURCE PLAN
2014-2018

Contents

Purpose

Council is required to complete a four-year Strategic Resource Plan as part of the development of the Council Plan, in accordance with Section 126 of the Local Government Act 1989. The Strategic Resource Plan is a document which essentially describes the resources which are required by Council, if it is to achieve the objectives which are specified in the Council Plan. In conjunction with this, Council has completed a 10 Year Financial Plan.

The Strategic Resource Plan and 10 Year Financial Plan details the Financial and Non-Financial resources which are required for the coming four year period.

The Hepburn Shire Council's 10 Year Financial Plan 2014-2024 has been developed as a means of ensuring Council's future financial sustainability. The financial model is a tool which analyses future financial trends over a ten year period based on a range of assumptions. It will allow Council to assess its financial requirements balanced with its strategic objectives.

Mayor's Introduction

The 10 Year Financial Plan 2014-2024, encompassing the Strategic Resource Plan, has been developed in conjunction with the Council Plan 2013-2017 and the Budget 2014-2015.

As part of this plan, Council has set the following goals:

- Ensure consistency in future increases in rates and charges;
- Maintain an annual cash budget surplus;
- Ensure the indebtedness ratio (non-current liabilities as a percentage of own sourced revenue) remains less than 40% (as recommended by the Victorian Auditor-General's Office (VAGO));
- Work towards a working capital ratio (current assets / current liabilities) of greater than 150% (as recommended by VAGO); and
- Improve the condition of Council's infrastructure assets.

In order to meet the strategic objectives set out in this Plan, rate rises have been budgeted at 4% for each of the ten years of this plan.

In the Council Plan there is an initiative to effectively manage and prepare a strategy to close the Infrastructure Asset Renewal Gap. In accordance with this, Council will put an additional $250,000 per annum into maintenance and renewal of infrastructure assets such as roads, bridges and buildings. While Council has been focused on this for a number of years, a considerable amount of work remains and Council needs to increase its renewal expenditure on assets to ensure that their condition does not decline further.

Mayors Introduction (continued)

To improve Council's working capital ratio, cash reserves will be increased each year for the life of the Plan by a minimum of $250,000. This strategy is in agreement with the Council Plan initiative of implementing sustainable financial practices. Currently Council relies heavily on prepaid grant funds and funds carried forward to complete unfinished capital works, in order to maintain its working capital ratio at an acceptable level. Increasing the percentage of capital works completed in the year they are budgeted will reduce cash on hand at balance date and increase pressure on Council's working capital.

Council needs to build its cash reserves not only to meet these cash commitments, but also to have funds in reserve to meet expenses associated with emergencies, such as fire and flood. This Plan recognises the need for Council to build a level of financial resilience.

The Plan also includes three significant community projects during the 10 years. $5 million for the Trentham Hub and Victoria Park Daylesford – Multipurpose Facility and $5 million for a yet to be identified significant community project in 2020-2021. Council contribution to each project will be $500,000, with the rest funded by Federal and State grants. The specifics of these projects are still to be determined and this will be an annual budget decision.

Overall, Council feels this Strategic Resource Plan and 10 Year Financial Plan provides Council with a robust and sustainable financial outlook for the next 10 years. Council's continued commitment to provide efficient services, build up cash reserves and to fund the renewal of its assets will result in positive long term viability for the community.

Cr Don Henderson

Mayor

Objectives and Goals of the 10 Year Financial Plan

1.1 Objectives

The key objective of the 10 Year Financial Plan is to ensure that Hepburn Shire Council remains financially sustainable in the long term.

This financial plan is also based on the following objectives:

- **To maintain consistency in future rises of rates and charges;**
- **To build a level of resilience into our financial position;**
- **To ensure that debt levels stay at an acceptable level in accordance with the VAGO indicator; and**
- **To maintain a responsible and sustainable asset management program.**

1.2 Goals

Specific financial goals have been established to support Council decision making, and to track progress against the above objectives.

These goals are:

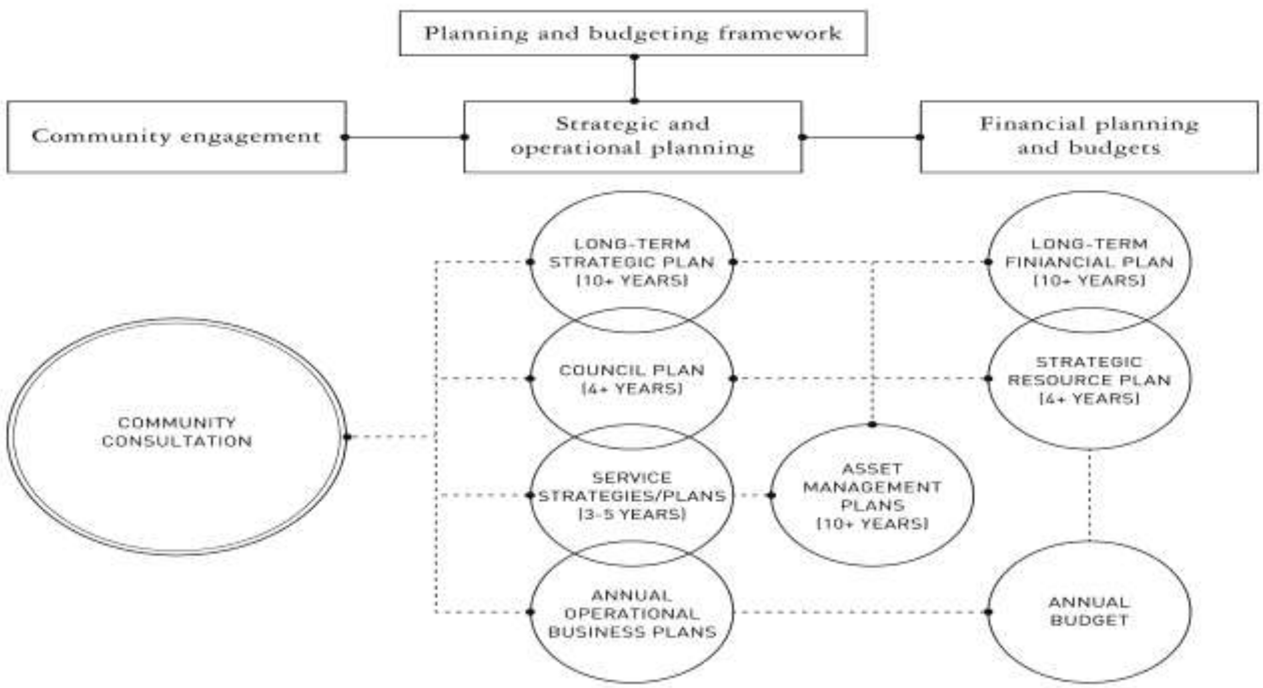
- **Maintain an annual 'cash' budget surplus;**
- **Ensure the indebtedness ratio (non-current liabilities as a percentage of own sourced revenue) remains less than 40% (as recommended by VAGO);**
- **Work towards a working capital ratio (adjusted current assets / current liabilities) of greater than 150% (as recommended by VAGO); and**
- **Increase spending on infrastructure asset renewal.**

Strategic overview

2.1 Strategic planning framework

The 10 Year Financial Plan summarises the financial impacts of Council's objectives and strategies and determines the sustainability of these objectives and strategies. The Annual Budget is then framed within this plan, taking into account the activities and initiatives included in the Annual Budget which contribute to achieving the strategic objectives specified in the Council Plan.

The diagram below depicts the strategic planning framework of Council.



The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The Council Plan, which is required to be completed by 30 June following a general election, has been developed in conjunction with this Plan.

2.2 Hepburn Shire Council purpose

Vision
A cutting edge Council making excellent decisions for future generations.

Mission
Hepburn Shire Council will maintain, promote, protect and enhance the district's unique social, cultural, environmental and heritage characteristics. This will be achieved through effective, caring management and responsible governance. We will strive to gain maximum advantage for our community by protecting and enhancing our natural and built environment.

Council has identified five strategic objectives to create a strong alignment with the needs of the Community and the Organisation Structure.

- Active and Engaged Communities (Community Services)
- Quality Community Infrastructure (Infrastructure)
- Sustainable Economy and Natural Environment (Sustainable Development)
- Sustainable Financial Management and Innovative Corporate Systems (Corporate Services)
- High Performing Organisation (CEO Unit)

Long Term Strategies

3.1 Financial Sustainability

Cash on hand at 30 June each year has tended to be impacted by prepaid grants and capital works programs that have not been completed as budgeted. In recent years, this has masked the true financial sustainability of the Hepburn Shire Council. Recent flood events in the Shire have highlighted that Council must build a level of resilience into its financial position so that it can react quickly and rebuild Council assets without having to wait for Federal or State Government funding to flow through or without having to borrow funds.

The VAGO liquidity indicator suggests that a working capital ratio of greater than 150% represents low risk as there will be "no issues with repaying short term liabilities as they fall due". Council receives grants in advance which are held on the balance sheet as part of current assets, and also holds cash to fund capital works projects carried forward. Council calculates its underlying liquidity ratio by removing both grants received in advance and cash held to complete capital works projects carried forward from current assets.

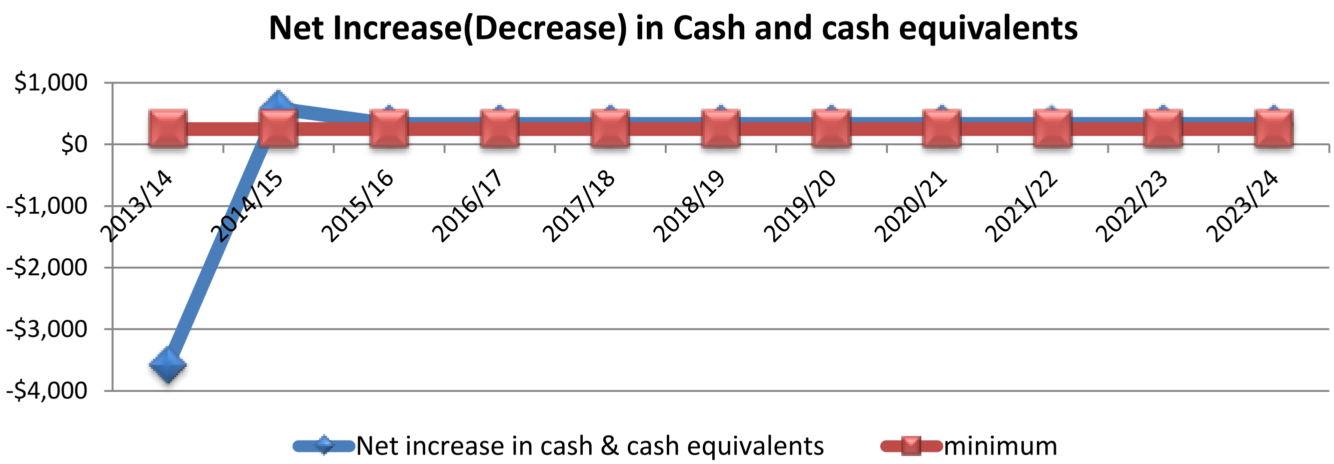
The forecast underlying liquidity ratio at 30 June 2014 is 113%, which by VAGO measures, suggests the Council is at medium risk. This ratio is defined as "a need for caution with cash flow, as issues could arise with meeting obligations as they fall due." The budgeted position for the end of 2014-2015 as per the Budget is an underlying working capital ratio of 115%.

To ensure financial sustainability will be achieved, Council has a goal to:

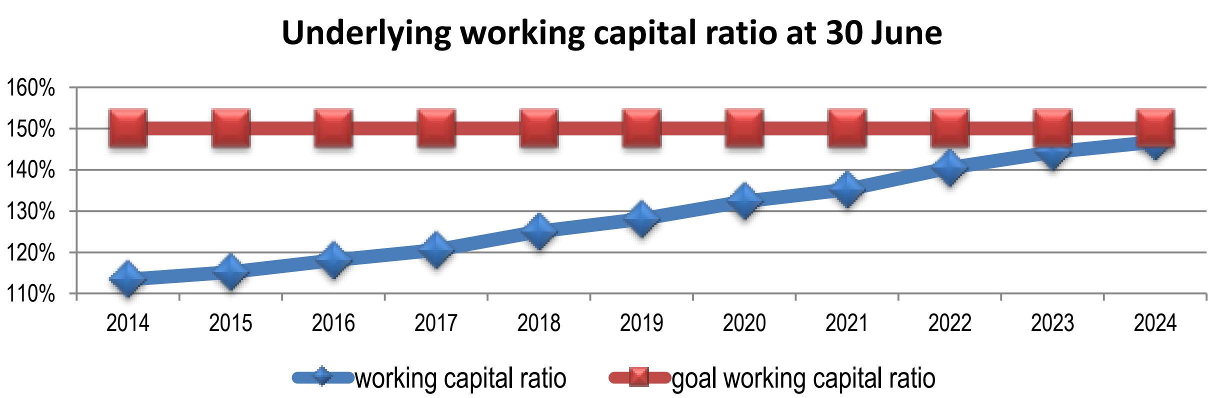
- "Work towards a working capital ratio (adjusted current assets / current liabilities) of greater than 150%"

This Plan addresses this requirement by putting aside a minimum of $250,000 per year to increase cash on hand. In 2014-2015 a non current financial asset currently valued at $250,000 will mature. These funds were originally put aside specifically to cover future pay outs of Long Service Leave, however, under the new Long Service Leave Regulations separate amounts are not required, and therefore this amount will come back into cash by 30 June 2015.

Cash and cash equivalents held are forecast to decrease by $3.583 million during 2013-2014 as a result of the spending of $2.467 million of flood recovery grants in advance held as cash on the balance sheet at 30 June 2013 and a reduction of carried forward capital works. The 2013-2014 budget contained a cash budget surplus of $73,000.



Council will increase its underlying working capital ratio from 113% at 30 June 2014 to 147% by 30 June 2024, achieving the target of 150% in year 11.



3.2 Infrastructure renewal

The value of Council's property, plant, equipment and infrastructure at 30 June 2013 was $201 million, and 76% of that value is Council's roads, bridges, drainage and buildings. For a number of reasons, as described below, the level of actual expenditure on infrastructure renewal versus the required expenditure each year has historically been far too low creating a "gap" between what needs to be spent and what is being spent:

- the low rate base of the Hepburn Shire in which to raise revenue;
- significant asset values and hence the level of funds required to maintain them;
- the diverse range of services provided by the Hepburn Shire Council; and
- the attractiveness of building new/upgrading assets instead of the renewal of existing assets, due to the nature of Federal and State grant funding available.

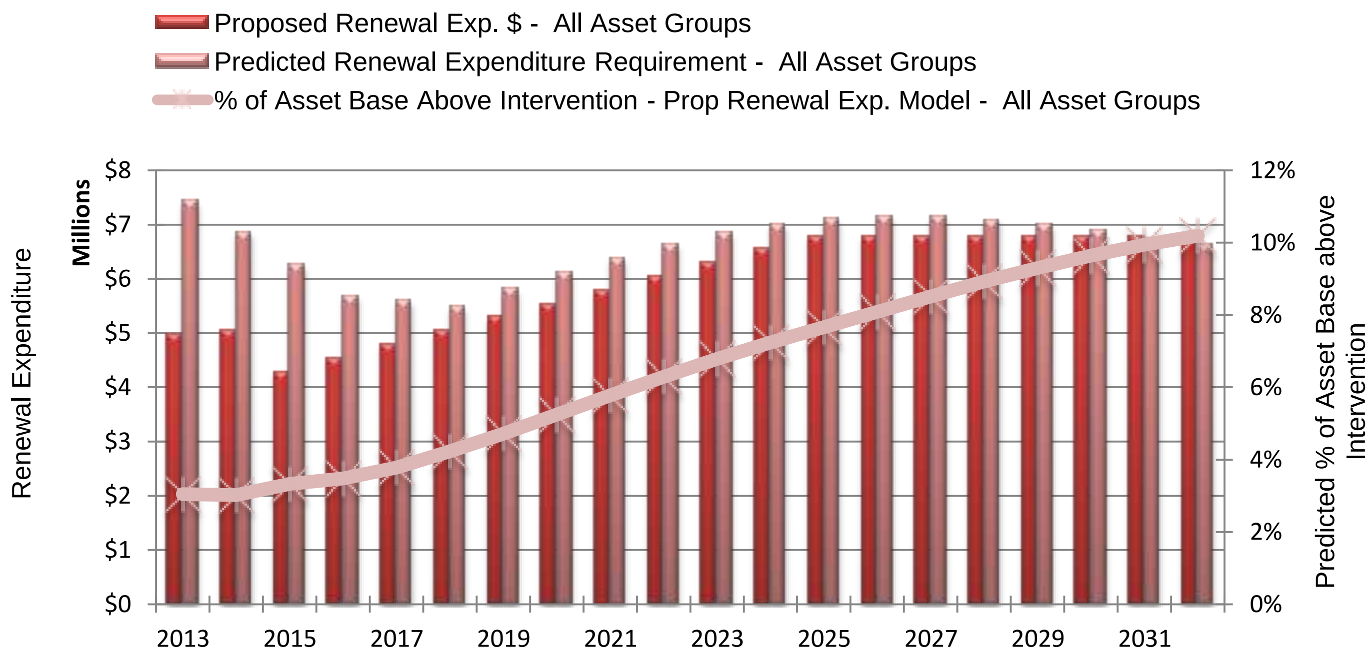
Capital renewal is described as expenditure allocated to an existing asset which returns the service potential or the life of the asset up to that which it had originally. Council has recognised over the last five years that if sufficient funds are not allocated to asset renewal then the service potential in those assets will reduce further, along with Council's capacity to maintain them for future generations.

Over the past five years, officers have been developing a series of Asset Management Plans, including condition reports that have been used as a key input to this 10 Year Financial Plan. The State Government Country Roads and Bridges funding of $4 million over the four years to 2015 and the funds received to repair flood damaged assets has been of significant benefit in reducing this gap.

To ensure community assets are appropriately maintained for future generations, Council will spend an additional $250,000 per year on the maintenance and renewal of assets for the next 10 years.

The following graph sets out Council's renewal spending for the life of this Plan and the following 10 years, versus the value of the renewal required. The difference between the "proposed renewal expenditure" and the "predicted renewal expenditure requirement" indicates the size of the infrastructure renewal gap.

The following graph needs to be replaced

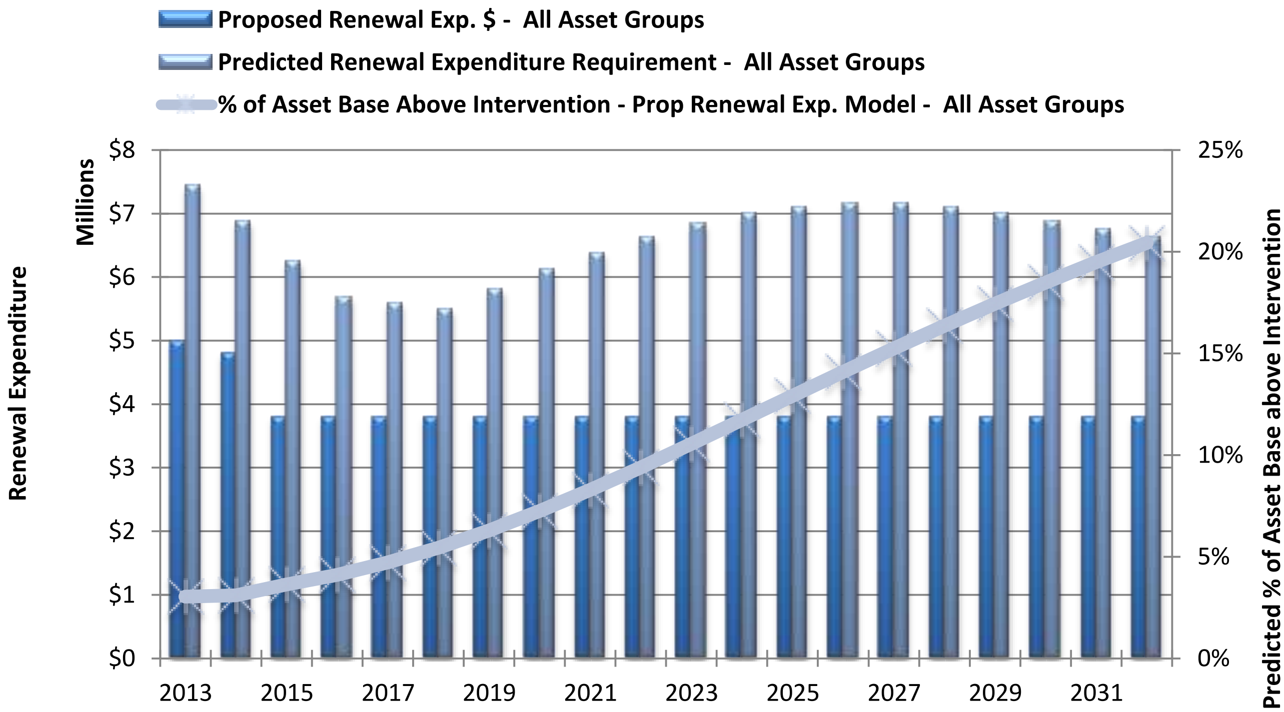


The graph above demonstrates the growing infrastructure renewal gap, as the "predicted % of the asset base above intervention level" grows from 3% to 7% over the 10 years of this plan. The % of the asset base above intervention is the proportion of assets that have deteriorated beyond the level that has been deemed acceptable in the Asset Management Plans.

While the strategy to increase infrastructure renewal spending by $250,000 per year will not eliminate the gap, it will ensure that at the end of the 10 years, the % of the asset base above intervention level is at a lower percentage than it would otherwise be.

The graph below demonstrates the scenario where no additional funding is put in each year. Again the gap is growing, as the "predicted % of the asset base above intervention level" grows from 3% to 11% over the 10 years. This differs to just 7% above intervention level with the additional $250,000 as explained above.

The following graph needs to be replaced



3.3 Borrowings

In developing this Plan, borrowings were identified as an important funding source for significant community capital projects and for future Defined Benefit Superannuation Fund deficits. In the past, Council has borrowed to finance large infrastructure projects, whilst there have also been periods where no loans were taken out resulting in phases of debt reduction.

Council has set an upper limit on the level of borrowing by setting the following objective:

- Ensure the indebtedness ratio (non-current liabilities as a percentage of own sourced revenue) remains less than 40%.

The VAGO indebtedness indicator suggests that a percentage of less than 40% represents low risk, which is defined as having "no concern over the ability to repay debt from own-sourced revenue". The higher the percentage, the less likely Council is able to cover non-current liabilities from the revenues it generates itself. This ratio has also been taken into consideration when setting future borrowings.

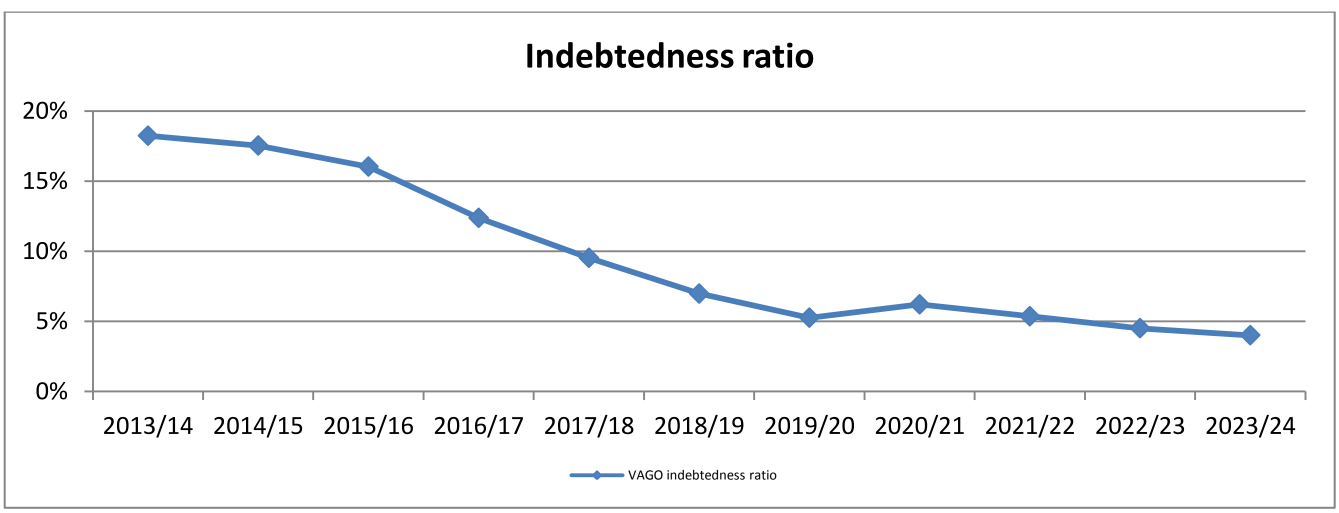
The following borrowings have been included in this plan:

Year	Purpose	Value $'000
2014-2015	Trentham Community Hub	250
2014-2015	Victoria Park Daylesford multipurpose facility	250
2015-2016	Trentham Community Hub	250
2015-2016	Victoria Park Daylesford multipurpose facility	250
2020-2021	Significant Community Project contribution	500
2020-2021	Defined Benefits Superannuation Fund Top Up Payment	400
	Total Planned Borrowings	**1,900**

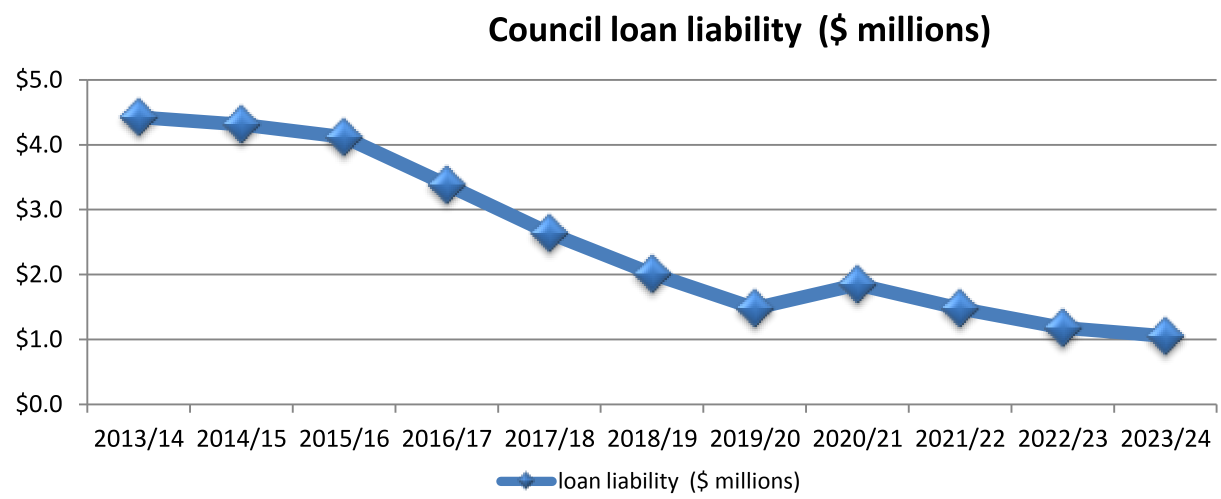
The Defined Benefits Superannuation Fund covers employees of Local Government bodies, certain water authorities and some other Government and Semi-Government authorities within Victoria. It has been closed to new members since 1 January 1994. Unlike many other superannuation plans, entitlements are not directly linked to the contributions paid to the Fund or investment returns, rather retirement benefits are based on a formula using a member's salary and length of service. Shortfalls can arise between the value of the assets in the fund and the value of benefits to be paid out. In these circumstances employers are required to make “top up payments”.

In the 2012-2013 financial year Hepburn Shire Council received a Defined Benefits Top Up Payment call of $1.423 million. This amount was borrowed and paid in July 2013. There exists the potential that further top up payments will be required in future years, therefore one payment has been included at an estimated figure of $500,000 and these funds will be borrowed.

Non-current liabilities as a percentage of own sourced revenue will peak at 18% in 2013-2014 which is in line with Council’s goal of not exceeding 40%.



Council's total loan liability will decrease over the 10 years of this plan, from $4.4 million at 1 July 2014 to $1.1 million at 30 June 2024. The reduction of debt servicing costs (principal and interest) over the life of this plan will free up funds to reinvest in key Council priorities including reducing the infrastructure renewal gap.



Financial Modeling

4.1 Assumptions

The financial model is based on the following assumptions. Amounts are based on average estimates for the 10 year period unless otherwise stated.

INCOME

- Rate base estimated growth 1%.
- Rate rises to be 4% per annum for the life of the plan.
- Statutory fees, fines and user fees to increase by 2.5% – no growth anticipated.
- Reimbursements to increase with materials at 3%.
- Other revenue including rental revenue to increase by 2.5%.
- Interest income to be calculated on average cash balance at year end at 4% for first two years and 6% for the remaining eight years.

EXPENDITURE

- Staff EBA increases 3.3% plus a banding increases of 0.7% – no growth in staff anticipated.
- Superannuation expense to increase in line with the superannuation guarantee percentage increases.
- Utilities to increase by 4% per annum.
- Materials, consumables and external services estimated to increase by average 3% per annum.
- Capital expenditure estimated to increase by average of 3.5% per annum.
- Insurance to increase at 10% per annum.
- Other expenses to be kept at a 2% increase per annum.
- Deprecation to be calculated on average property, plant and equipment balances at year end at 2.5%
- The Council's defined benefit superannuation fund has a history of requiring top up payments. Prior calls have been $1.423 million in 2014, $315,000 in 2011 and $435,000 in 2004. This plan anticipates a further top up payment of $400,000 during the next ten years. (See section 3.3 for further commentary).
- Interest rate for borrowings to be 6.5% for the first two years and 8% for the remaining eight years.
- All new loans are to be for a period of 10 years at a fixed interest rate, unless otherwise stated.

GRANTS

- Recurrent grants to increase by 2.5% per annum.
- The current round of the Federal Government Nation Building Program Roads to Recovery funding is for 2009-2010 to 2013-2014. Future funding is unknown at this stage, but this plan includes the assumption that this program will continue in its current form, given that this funding program has been in place for over a decade.
- The Country Roads and Bridges funding has provided Council with $4 million over four years ending 2014-2015. Further, the Local Government Infrastructure Fund has also provided $2 million over four year ending 2014-2015. As these were both new programs, to be conservative, an extension of these programs has not been included in the 10 Year Financial Plan.
- Capital grants to be based on 30% of capital works, unless a specific funding source or project/work is identified.

INFRASTRUCTURE

- In line with the Council Plan, an additional $250,000 will be added to the Capital Works budget each year in order to reduce the infrastructure asset renewal gap.
- No revaluations of Council assets have been factored into the plan as they have no effect on the cash budget.

SPECIAL CAPITAL PROJECTS

- There are three significant community project planned to occur during the term of the 10 Year Financial Plan. Therefore, two community projects with a total of $5 million has been included in 2015-2016 financial year and one community project for $5 million planned for 2020-2021. Council's contribution to each of the three project will be $500,000, with the balance being funded by Federal and State grants.
- Council has commenced reviewing its future office accommodation needs with a view to improving service delivery, environmental efficiency and universal access while progressing the rationalisation of redundant Council assets. In the 2013-2014 Budget $250,000 was included to undertake planning work for the Hepburn Shire Council Services and Community Hub, with $150,000 of this funded by grants. These funds were to conduct a service/facility assessment, community consultation, site identification and feasibility, concept plans and detailed design. This work will continue on into 2014-2015. No further funds have been allocated in this Plan. The progression of this concept will be considered as part of the 2015-2016 Annual Budget setting process, in conjunction with the update of the 10 Year Financial Plan.

4.2 Summary of Key Outcomes

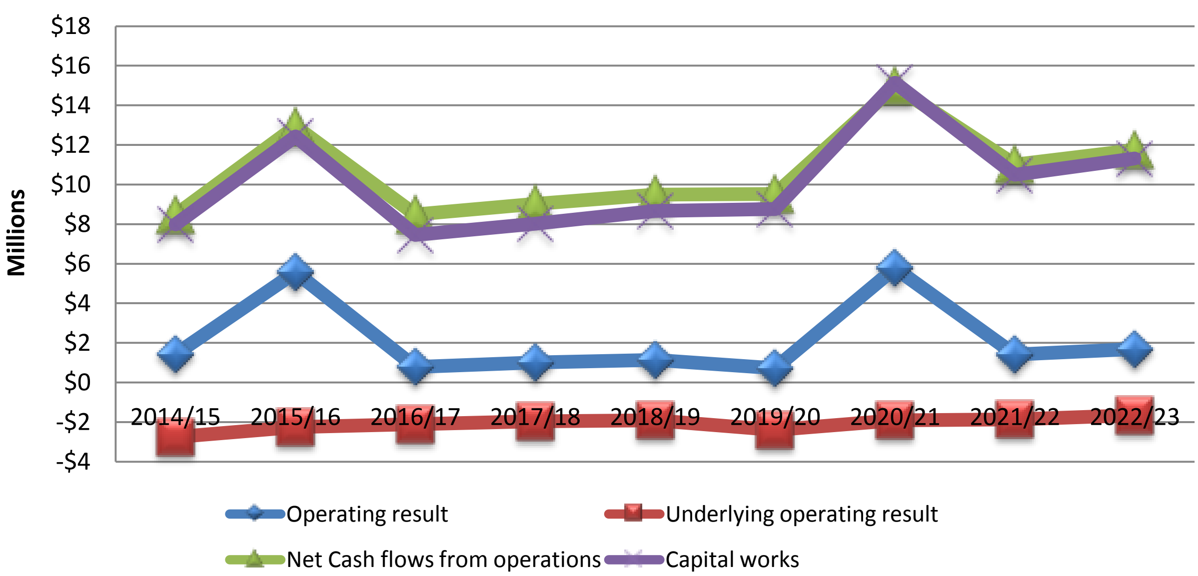
Full financial details of the 10 Year Financial Plan are contained in Appendix A. The following table shows the Summary of Key Outcomes over the next 10 years.

	Proposed Budget	10 Year Financial Plan Projections								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Financial Summary										
Operating result	1,428	5,571	788	1,002	1,133	715	5,778	1,407	1,688	1,984
Underlying operating result	-2,756	-2,257	-2,109	-1,966	-1,907	-2,399	-1,912	-1,861	-1,660	-1,446
Net Cash flows from operations	8,466	12,928	8,483	9,013	9,495	9,517	14,970	11,012	11,736	12,502
Capital works	7,985	12,426	7,453	8,023	8,671	8,755	15,147	10,487	11,312	12,275

Each year there is:

- an annual operating surplus
- an annual underlying operating deficit which declines over the life of the plan
- a positive cash flow from operations.

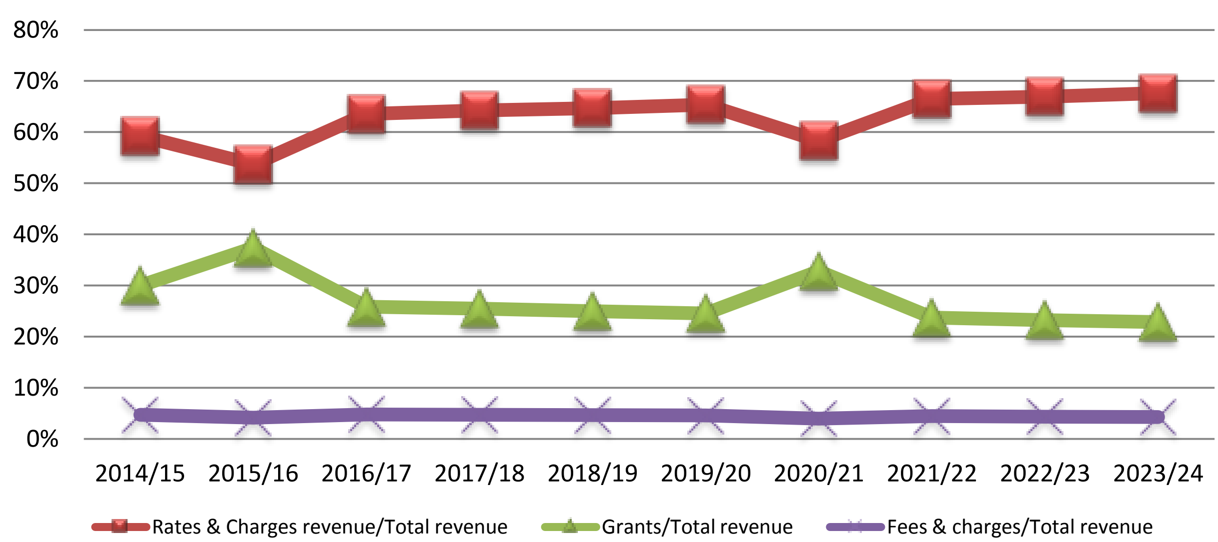
Operating result, net cash flow from operations and capital works will peak in 2015-2016 and 2020-21 due to the inclusion of significant $5 million community projects in each of these years. The underlying surplus excludes the $4.5 million grants anticipated to be received for these projects and therefore remains steady.



Summary of Key Outcomes (continued)

	Proposed Budget 2014/15	2015/16	2016/17	2017/18	Financial Plan Projections 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Financial Performance										
Rates & Charges revenue /Total revenue	59%	54%	64%	64%	65%	65%	58%	67%	67%	68%
Grants /Total revenue	30%	37%	26%	25%	25%	25%	33%	24%	23%	23%
Fees & charges /Total revenue	4.7%	4.2%	4.8%	4.7%	4.6%	4.6%	4.0%	4.4%	4.4%	4.3%
Operating Expenses /Assessments	$2,599	$2,529	$2,545	$2,611	$2,669	$2,749	$2,868	$2,917	$2,996	$3,077

- Grants will peak in 2015-2016 and 2020-2021 because of the inclusion of significant $5 million community projects in each of these years, whereby Council anticipates receiving funding of $4.5 million. In these years, rates as a % of total revenue will decrease as a result of this significant grant.
- No significant changes to service levels are predicted in this Plan, therefore operating expenses per assessment are expected to grow in line with inflation.
- Rates and charges as a percentage of total income will increase over the life of this plan, as a result of a variety of factors including cost shifting from State and Commonwealth governments.



Summary of Key Outcomes (continued)

	Proposed Budget 2014/15	Long Term Financial Plan Projections 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Financial Position										
Adjusted working capital ratio	113%	115%	118%	121%	125%	128%	132%	135%	140%	144%
Non current liabilities as a % own sourced income	18%	18%	16%	12%	10%	7%	5%	6%	5%	5%
Underlying result /Total assets	-1.2%	-0.9%	-0.9%	-0.8%	-0.8%	-1.0%	-0.8%	-0.7%	-0.6%	-0.5%
Total liabilities /Assessment	$1,182	$1,160	$1,089	$1,019	$962	$915	$949	$919	$896	$889

- The adjusted working capital ratio and underlying result as a proportion of total assets will improve over the 10 years. See section 3.1 for the financial sustainability strategy.
- Non current liabilities as a percentage of own sourced revenue will peak at 18%, but not exceed 40%. See section 3.3 for information on borrowings.
- Total liabilities per assessment is currently at its peak for the life of this plan and will decline over time.

	Proposed Budget 2014/15	Long Term Financial Plan Projections 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Works										
- Asset renewal	6,459	7,150	6,219	6,746	7,349	7,387	10,005	9,024	9,798	10,708
- New assets	923	3,423	610	631	653	676	3,200	723	748	774
- Asset expansion/upgrade	603	1,853	624	646	669	692	1,942	740	766	793
Capital works /Rates & Charges revenue	47%	69%	40%	41%	42%	40%	66%	44%	45%	46%
Asset renewal /Total depreciation	96%	102%	84%	87%	90%	86%	112%	96%	99%	103%

- The increase in asset renewal expenditure is as a result of the infrastructure strategy as discussed in section 3.2. Asset renewal as a % of total depreciation needs to be greater than 100% to ensure Council is renewing assets at the same rate they are deteriorating over their useful life.

4.3 Income Statement Projections – 4 Year Strategic Resource Plan

The following table shows the budgeted income statement result for 2014-2018. Explanations on the major components of the statement follow.

	Proposed Budget	Strategic Resource Plan Projections		
	2014/15	**2015/16**	**2016/17**	**2017/18**
	$'000	**$'000**	**$'000**	**$'000**
Revenues from ordinary activities				
Rates and charges	17,088	17,949	18,854	19,804
Statutory fees and fines	444	455	466	478
User fees	910	933	956	980
Contributions - cash	185	85	85	85
Grants - operating	4,657	4,756	4,858	4,962
Grants - capital	3,999	7,743	2,812	2,883
Net gain on disposal of assets	52	53	54	55
Interest	280	300	324	350
Rent	944	918	941	965
Other revenue	296	251	321	260
Total revenues	**28,855**	**33,443**	**29,671**	**30,822**
Expenses from ordinary activities				
Employee benefits	11,192	11,389	11,682	12,108
Materials and services	6,808	7,161	7,518	7,745
Special projects	888	417	397	319
Bad and doubtful debts	105	107	109	111
Depreciation and amortisation	6,695	7,030	7,382	7,751
Utilities	517	538	560	582
Finance costs	290	279	265	215
Other expenses	932	951	970	989
Total expenses	**27,427**	**27,872**	**28,883**	**29,820**
Surplus for the year	**1,428**	**5,571**	**788**	**1,002**

Income Statement Projections – 4 Year Strategic Resource Plan (continued)

- Each year there is an annual surplus which meets one of the goals identified in section 1.2 above.

- All items of revenue are anticipated to increase with the exception of non recurrent grants and reimbursements (other revenue).
    - Non recurrent grants are estimated to be a percentage of capital works and therefore will vary year on year according to the capital works program and any significant community projects.
    - The Council is required to revalue all properties within the municipality every two years. The last general revaluation was carried out as at 1 January 2014. The State Revenue Office utilise this revaluation information and hence provides a reimbursement each year. It is approximately 50% of the valuer's costs in a revaluation year and 38% in a non-revaluation year.

- All items of expenditure are anticipated to increase with inflation, with the exception of special projects and finance costs.
    - Finance costs (interest on borrowings) will fluctuate according to the loan repayment schedule.
    - Special projects/new initiatives will fluctuate given other Council priorities and therefore the remaining funds available for such projects will be dependant on these priorities.
    - While it is not evident, the cost of revaluations which is captured in materials and services will fluctuate each year as noted above. A cost of approximately $170,000 is included for revaluation years and $50,000 in non revaluation years.

4.4 Balance Sheet projections

The following table shows the budgeted balance sheet result for 2014-2018. Explanations on the major components of the statements follow.

	Proposed Budget	Strategic Resource Plan Projections		
	2014/15	**2015/16**	**2016/17**	**2017/18**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Cash and cash equivalents	13,282	13,612	13,942	14,272
Trade and other receivables	2,816	2,943	3,075	3,213
Other assets	120	122	124	126
Total current assets	**16,218**	**16,677**	**17,141**	**17,611**
Non-current assets				
Intangible Assets	864	848	832	816
Property, infrastructure, plant and equipment	209,470	214,726	214,865	215,005
Total non-current assets	210,334	215,574	215,697	215,821
Total assets	**226,552**	**232,251**	**232,838**	**233,432**
Current liabilities				
Trade and other payables	2,812	2,896	2,983	3,072
Trust funds and deposits	1,068	1,063	1,063	1,063
Interest-bearing loans and borrowings	665	693	735	633
Provisions and other liabilities	3,783	3,802	3,821	3,840
Total current liabilities	**8,328**	**8,454**	**8,602**	**8,608**
Non-current liabilities				
Interest-bearing loans and borrowings	3,647	3,426	2,649	2,006
Provisions and other liabilities	713	696	676	657
Total non-current liabilities	**4,360**	**4,122**	**3,325**	**2,663**
Total liabilities	**12,688**	**12,576**	**11,927**	**11,271**
Net assets	**213,864**	**219,675**	**220,911**	**222,161**
Equity				
Accumulated surplus	135,714	141,285	142,073	143,075
Asset revaluation reserve	76,903	77,063	77,431	77,599
Other reserves	1,247	1,327	1,407	1,487
Total equity	**213,864**	**219,675**	**220,911**	**222,161**

Balance Sheet Projections – 4 Year Strategic Resource Plan (continued)

- Council will grow its cash balance, net current assets and property plant and equipment over the period. The movement in property plant and equipment is a combination of the capital works program, asset sales and depreciation.

- With the exception of inflation, the level of creditors and debtors are to remain fairly constant, with debtor collectability to be consistent and general payment terms of creditors to remain the same.

- Provisions are to remain fairly consistent. Non-current provisions and other liabilities will reduce each year as an amount of prepaid rent will be recognised over the term of the lease.

- Refer to section 3.3 for discussion surrounding Interest-bearing loans and borrowings.

4.5 Cash flow statement projections

The following table shows the budgeted cash flow statement for 2014-2018. Explanations on the major components of the statements follow.

	Budget	Strategic Resource Plan Projections		
	2014/15	**2015/16**	**2016/17**	**2017/18**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows from operating activities				
Receipts				
Rates and charges	17,088	17,949	18,854	19,804
Grants - operating	4,657	4,756	4,858	4,962
Grants - capital	3,999	7,828	2,897	2,968
Interest	280	300	324	350
User fees and fines	1,354	1,388	1,422	1,458
Other revenue	1,425	1,169	1,262	1,225
	28,803	33,390	29,617	30,767
Payments				
Employee costs	-11,192	-11,389	-11,682	-12,108
Materials and consumables	-8,213	-8,121	-8,482	-8,656
Other expenses	-932	-952	-970	-990
	-20,337	-20,462	-21,134	-21,754
Net cash provided by operating activities	**8,466**	**12,928**	**8,483**	**9,013**

	2014/15	**2015/16**	**2016/17**	**2017/18**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows from investing activities				
Proceeds from property, plant and equipment	254	300	300	300
Payments for property, plant and equipment	-7,985	-12,426	-7,453	-8,023
Net cash used in investing activities	**-7,731**	**-12,126**	**-7,153**	**-7,723**
Cash flows from financing activities				
Proceeds from borrowings	500	500	0	0
Proceeds from sale of financial asset	250	0	0	0
Finance costs	-290	-279	-265	-215
Repayment of borrowings	-615	-693	-735	-745
Net cash used in financing activities	**-155**	**-472**	**-1,000**	**-960**
Net increase in cash & cash equivalents	**580**	**330**	**330**	**330**
Cash & cash equivalents at beginning of year	12,702	13,282	13,612	13,942
Cash & cash equivalents at end of year	**13,282**	**13,612**	**13,942**	**14,272**

Cash Flow Statement Projections – 4 Year Strategic Resource Plan (continued)

- Each year Council will have an increase in cash and cash equivalents in accordance with the Financial Sustainability Strategy, refer to section 3.1.
- Refer to section 3.3 for discussion surrounding Interest-bearing loans and borrowings.
- Other movements are fairly consistent with movements in the income statement, refer section 4.3.

4.6 Capital works program projections

The following table shows the budgeted capital works statement for 2014-2018. Explanations on the major components of the statements follow.

	Proposed Budget	Strategic Resource Plan Projections		
	2014/15	2015/16	2016/17	2017/18
	$'000	$'000	$'000	$'000
Capital works areas				
Roads and bridges	5,294	4,721	4,797	5,025
Recreation	122	59	61	63
Property	1,516	6,556	1,467	1,768
Plant and equipment	1,053	1,090	1,128	1,167
Total capital works	**7,985**	**12,426**	**7,453**	**8,023**
Represented by:				
Asset renewal	6,459	7,150	6,219	6,746
New assets	923	3,423	610	631
Asset expansion/upgrade	603	1,853	624	646
Total capital works	**7,985**	**12,426**	**7,453**	**8,023**

- Underlying expenditure on infrastructure renewal will increase annually by an additional $250,000 on top of the underlying increase in renewal expenditure.
- Included are three major community projects at $5 million for two in 2015/2016 and $5 million for one project in 2020/2021. Refer section 4.1 assumptions on the split between renewal, new and upgrade.

4.7 Non Financial Resources

In addition to the financial resources to be consumed over the 10 year period, Council will also consume non-financial resources, in particular human resources.

	Proposed Budget	Long Term Financial Plan Projections								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee costs	11,192	11,389	11,682	12,108	12,529	13,364	13,415	13,881	14,364	14,864
Employee numbers (EFTs)	133.3	133.3	133.3	133.3	133.3	133.3	133.3	133.3	133.3	133.3

As noted in section 4.1, no growth has been anticipated in the level of permanent and casual staff.

Appendix

This appendix presents the standard statements for 2014-2024.

- Income Statement projections
- Balance Sheet projections
- Cash Flow Statement projections
- Capital Works Program projections