



HEPBURN SHIRE COUNCIL
PROPOSED
10 YEAR FINANCIAL PLAN
2013 – 2024
INCORPORATING
THE STRATEGIC RESOURCE PLAN
2013-2017

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Purpose

Council is required to complete a 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 Long Term Financial Plan 2013-24 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.

Mayors Introduction

The 10 Year Financial Plan 2013-2024, encompassing the Strategic Resource Plan, has been developed in conjunction with the Council Plan 2013-2017 and the Proposed Budget 2013-14.

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

- Ensure consistency in future increases in rates and charges;
- Maintain an annual cash positive budget, including an annual 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 (current assets / current liabilities) of greater than 150% (as recommended by VAGO);
- Improve the condition of Council's infrastructure assets.

In order to meet the strategic objectives set out in this Plan, the increase in revenue raised from rates will be an average of 4% each year.

In the Draft Council Plan there is an initiative to effectively manage and prepare a strategy to close the Asset Renewal Gap. In accordance with this, Council will put an additional \$250,000 per annum into maintenance and renewal of 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 funding to ensure the condition of our assets does not reduce 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 Draft Council Plan initiative of implementing sustainable financial practices. Without the prepaid grant funds and flood reimbursements received over the last three years, Council's current financial position would not allow it to meet current cash commitments as they fall due. Council needs to build its cash reserves not only to meet these cash commitments, but also to have funds on 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 two significant community projects during the 10 years. A \$5 million Community Project has been included in 2014-15 and another in 2019-20. Council contribution will be \$500,000 to each, the rest will be funded via 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 Proposed Strategic Resource Plan and Long Term 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.

We look forward to your feedback during the submission period.

Cr Bill McClenaghan

Mayor

Objectives and Goals of the 10 Year Financial Plan

1.1 Objectives

The key objective of the 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;**
- **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 a balanced, or cash positive, annual 'cash' budget, including an annual 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 (current assets / current liabilities) of greater than 150% (as recommended by VAGO);**
- **Increase spend on infrastructure asset renewal.**

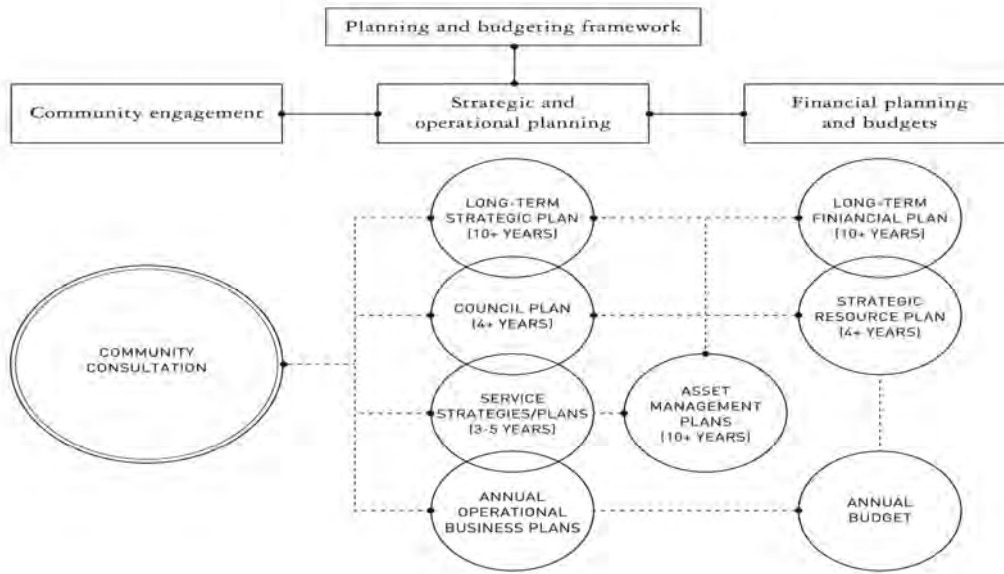
Strategic overview

2.1 Strategic planning framework

The Long Term 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.

Strategic Planning Framework (continued)

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 districts 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)

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. 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.

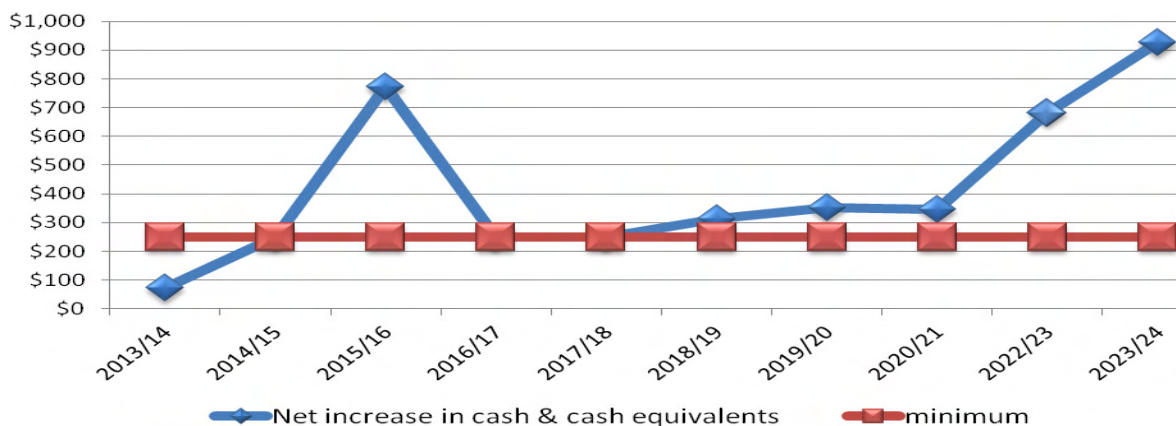
The Victorian Auditor General's Office (VAGO) liquidity indicator suggests that a working capital ratio of greater than 150% represents low risk as there will be “no issues with repaying short term liabilities as they fall due”.

The forecasted ratio at 30 June 2013 is 79%, which by VAGO measures, suggests the Council is at high risk. This ratio suggests “immediate sustainability issues with insufficient current assets to cover current liabilities”. The forecasted ratio for 30 June 2013 is below 90% due to Council's contribution to the Defined Benefits Superannuation Fund short-fall of \$1.4 million being due, however Council will not borrow the funds to pay for this until July 2013. The budgeted position for the end of 2013-14 per the Proposed Budget is a working capital ratio of 94%.

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

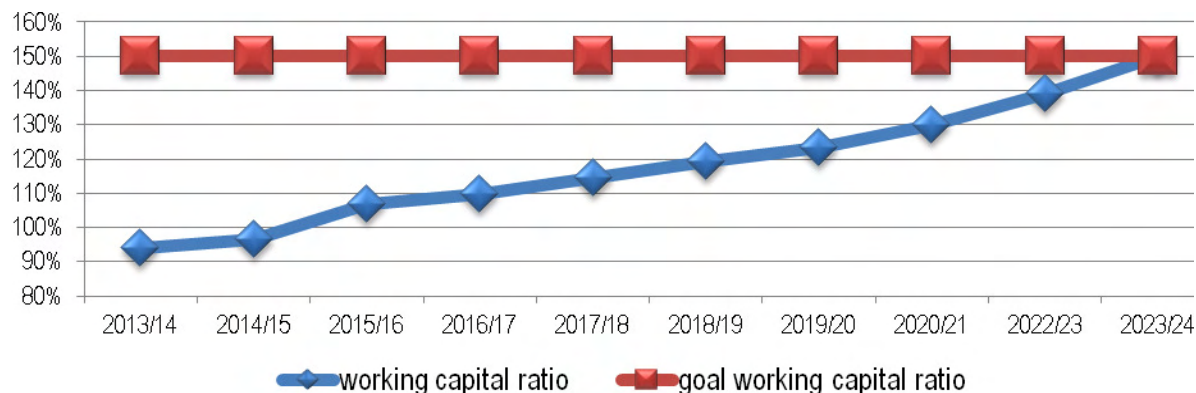
- “Work towards a working capital ratio (current assets / current liabilities) of greater than 150%”

This Plan addresses this requirement by putting aside a minimum of \$250,000 per year to increase cash on hand. In the last two years more than \$650,000 will need to be put aside. In 2015/16 the non current financial asset currently valued at \$521,000 will mature. These funds were put aside specifically to cover future pay outs of Long Service Leave, however, under the new regulations separate amounts are not required, and therefore this amount will come back into cash by 30 June 2016.



Financial Sustainability (continued)

Council will increase its working capital ratio from 79% to 153% by 2023-24, achieving the target of 150% in year 10.



3.2 Infrastructure renewal

The value of Council's property, plant, equipment and infrastructure at 30 June 2012 was \$188 million, 81% 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 value and funds required to maintain them;
- the diverse range of services provided by the Hepburn Shire Council;
- the attractiveness of building new/upgrading assets versus renewal of existing assets due to Federal and State grant funding available.

Council has recognised over the last four years that if sufficient funds are not allocated to asset renewal then Council's investment in those assets will reduce, along with Council's capacity to maintain them for future generations. 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.

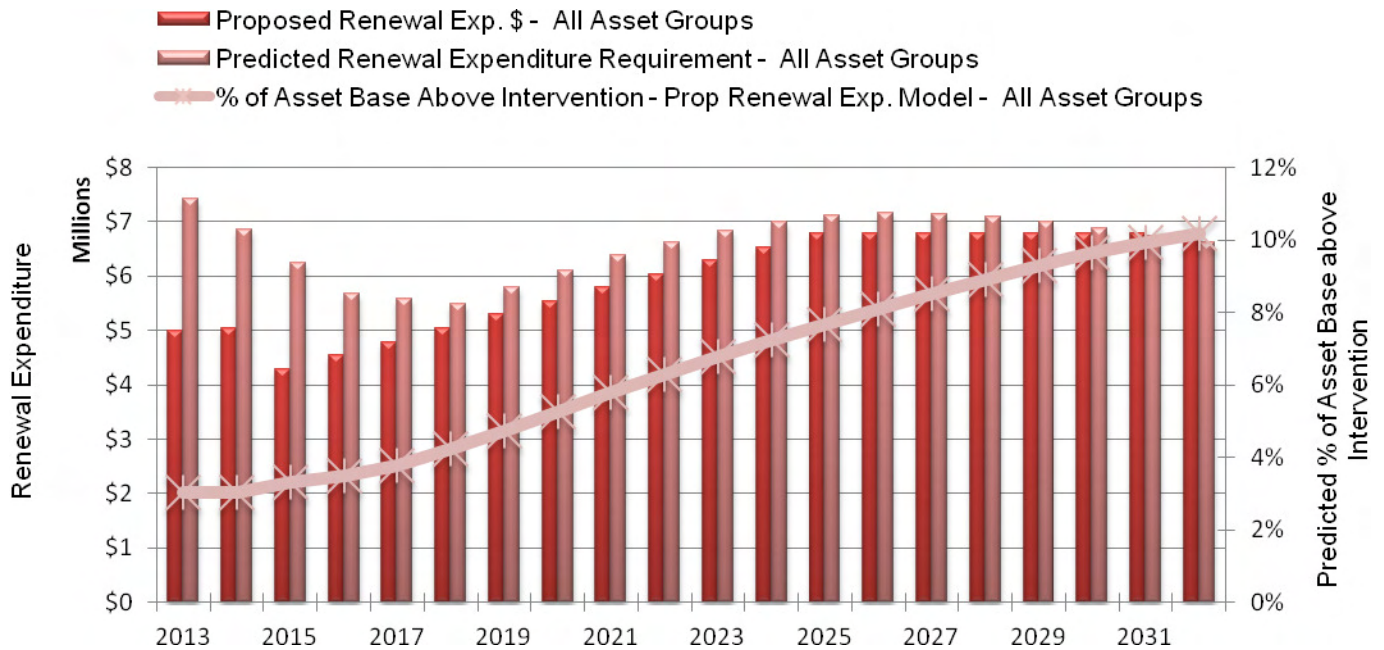
Over the past four years, officers have been developing a series of Asset Management Plans, including condition reports that have been used as a key input to this Long Term Financial Plan.

The State Government Country Roads and Bridges funding of \$4 million over 4 years and the funds received to repair flood damaged assets has been of significant benefit in reducing this gap.

Infrastructure renewal (continued)

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 graph below sets out Council's renewal spends for the life of this Plan and the following 10 years, versus the value of the renewal required. The difference in 'proposed renewal expenditure' and the 'predicted renewal expenditure requirement' is what has caused the gap in the past and will contribute to increasing the gap in the future.

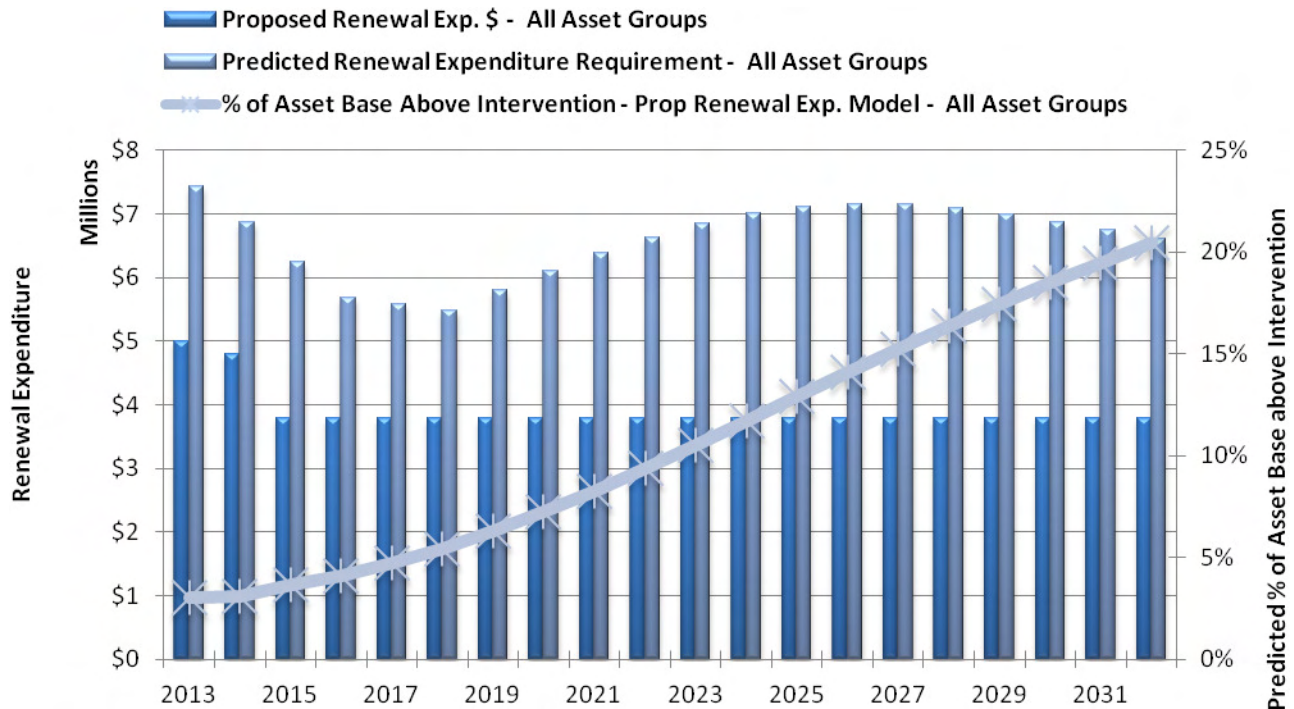


The graph above demonstrates the gap growing, as the 'predicted % of the asset base above intervention level' grows from 3% to 7% over the 10 years. The % of the asset base above intervention is the proportion of assets that have deteriorated beyond the level that has been deemed acceptable in the Asset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

While the strategy to increase spend 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.

Infrastructure renewal (continued)



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, 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 Victorian Auditor General's Office (VAGO) indebtedness indicator suggests that a percentage of less than 40% represents low risk, “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.

Borrowings (continued)

The followings borrowing have been included in this plan:

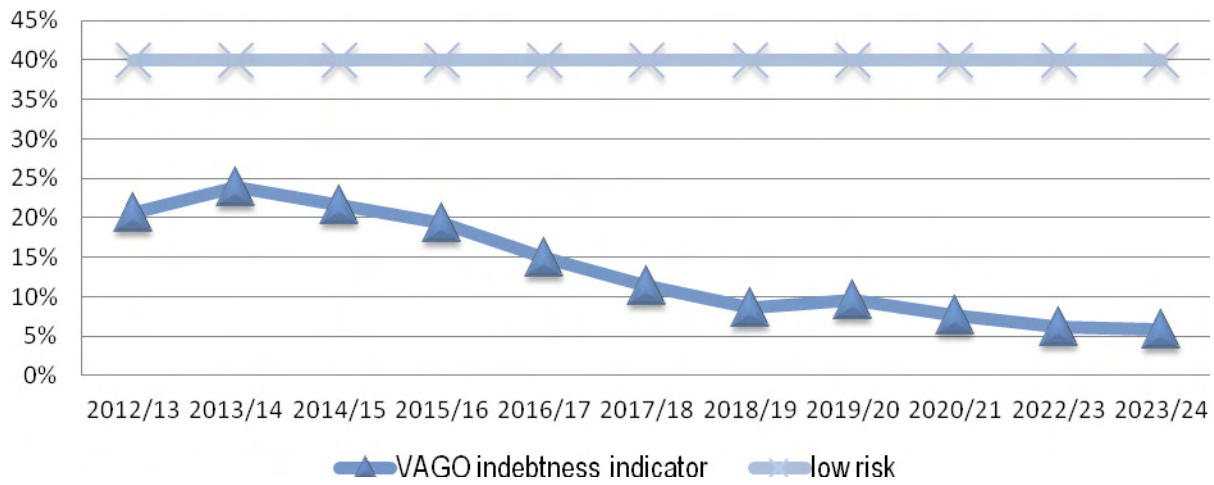
Year	Purpose	Value \$'000
2013-14	Defined Benefits Superannuation Fund Top-up payment	1,423
2014-15	Significant Community Project contribution	500
2015-16	Defined Benefits Superannuation Fund Top-up payment	500
2019-20	Significant Community Project contribution	500
	Defined Benefits Superannuation Fund Top-up payment	400
	Total	900
Total borrowings planned		3,323

The Defined Benefits Superannuation Fund covers employees of Local Government bodies, certain water authorities and certain 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. 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".

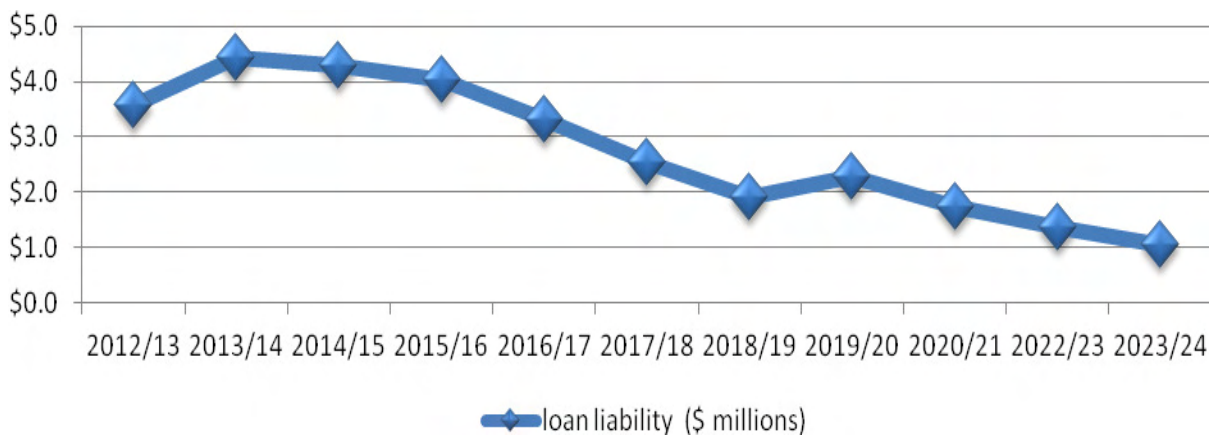
In the 2012-13 financial year, Hepburn Shire was given an actual figure to be paid of \$1.423 million. This amount will be borrowed and paid in July 2013. It has been indicated that further top up payments will be required over the next 10 years, therefore two other payments have been included at an estimated figure of \$500,000 and \$400,000 and these funds will be borrowed.

Non-current liabilities as a percentage of own sourced revenue will peak at 24% in 2013-14 which is in line with Council's goal of not exceeding 40%.

Borrowings (continued)



The loan liability will decrease over the 10 years, from \$3.5 million at 1 July 2012 to \$1.06 million at 30 June 2024.



Financial Modeling

4.1 Assumptions

The 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%.
- 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% – no new rental streams anticipated.
- 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 2.5% + increase within Band 1% – no growth anticipated.
- Superannuation expenditure 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.
- Depreciation to be calculated on average property, plant and equipment balances at year end at 2.5%
- The Council's defined benefit superannuation fund requires a top up of \$1.4 million, payable July 2013. Prior calls have been \$315,000 in 2011 and \$435,000 in 2004. Therefore this plan estimates two further calls, one \$500,000 and another of \$400,000. See Section 3.3 above.
- 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.

Assumptions (continued)

GRANTS

- Recurrent grants to increase by 2.5% per annum, excluding growth on Roads to Recovery funds.
- The Federal Government Nation Building Program Current Roads to Recovery funding is for 2009-10 to 2013-14. Future funding is unknown at this stage, therefore a conservative approach has been taken whereby this \$691 thousand will be included after 2013-14, but not indexed.
- The Country Roads & Bridges funding will provide Council with \$4 million over four years, ending 2014-15. Further the Local Government Infrastructure funding will provide \$2 million over four ends, ending 2014-15. As this was a four year program, 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 thousand will be added to fund the infrastructure gap.
- No revaluation of Council assets has been factored into the plan as it has a non cash effect.

SPECIAL CAPITAL PROJECTS

- A significant community project is anticipated to occur every 5 years. Therefore a \$5 million Community Project has been included in 2014/15 and 2019/20. Council contribution will be \$500,000, the rest will be funded via Federal and State grants.
- Council proposes to review its Councils 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 Proposed 2013-14 Budget (Year 1 of this Plan), \$250,000 is included to undertake planning work for the Hepburn Shire Council Services & Community Hub. \$150,000 of this will be funded by grants. These funds are to conduct a service/facility assessment, community consultation, site identification and feasibility, concept plans and detailed design. No further funds have been put in this Plan for the purchase and/or construction. Further progression of this concept will be considered as part of the 2014-15 Annual Budget setting process in conjunction with the update of the 10 Year Financial Plan.

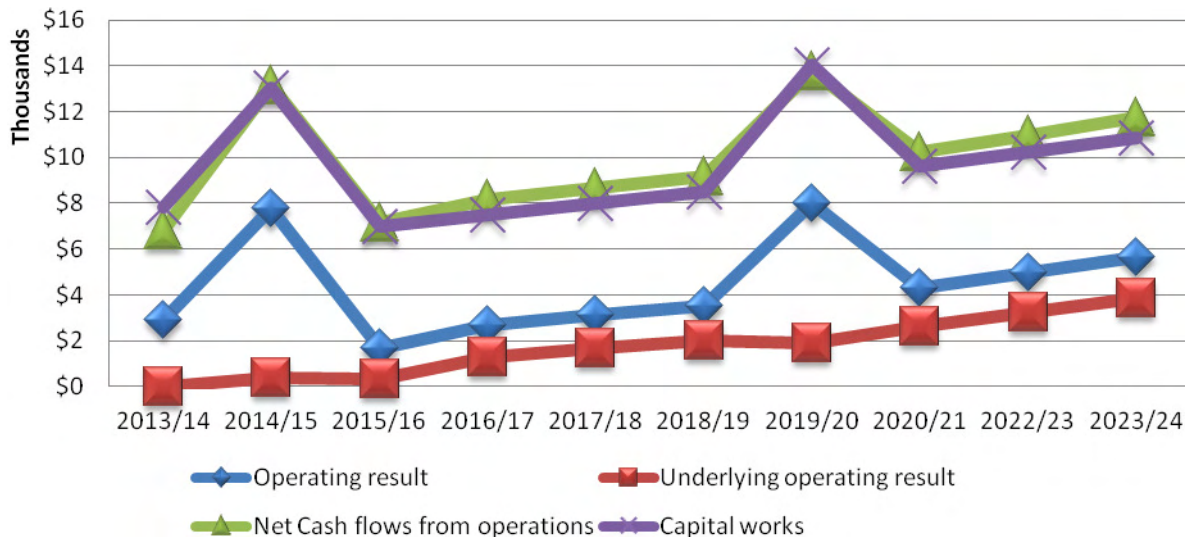
4.2 Summary of Key Outcomes

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

	Proposed Budget	Long Term Financial Plan Projections								
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
Financial Summary										
Operating result	2,893	7,788	1,693	2,658	3,131	3,544	8,011	4,323	4,996	5,671
Underlying operating result	5	393	325	1,259	1,659	1,978	1,889	2,631	3,240	3,847
Net Cash flows from operations	6,827	13,162	7,169	8,171	8,695	9,172	13,765	10,227	10,990	11,770
Capital works	7,841	13,061	6,989	7,484	7,995	8,525	14,074	9,641	10,229	10,837

Each year there is:

- an annual surplus, and
 - an annual underlying surplus; and
 - a positive cash flow from operations.
- Operating result, net cash flow from operations and capital works will peak in 2014-15 and 2019-20 because of the inclusion a \$5 million significant community project in each of these years. The underlying surplus excludes the \$4.5 million grants anticipated to be received for these projects and hence remains steady.



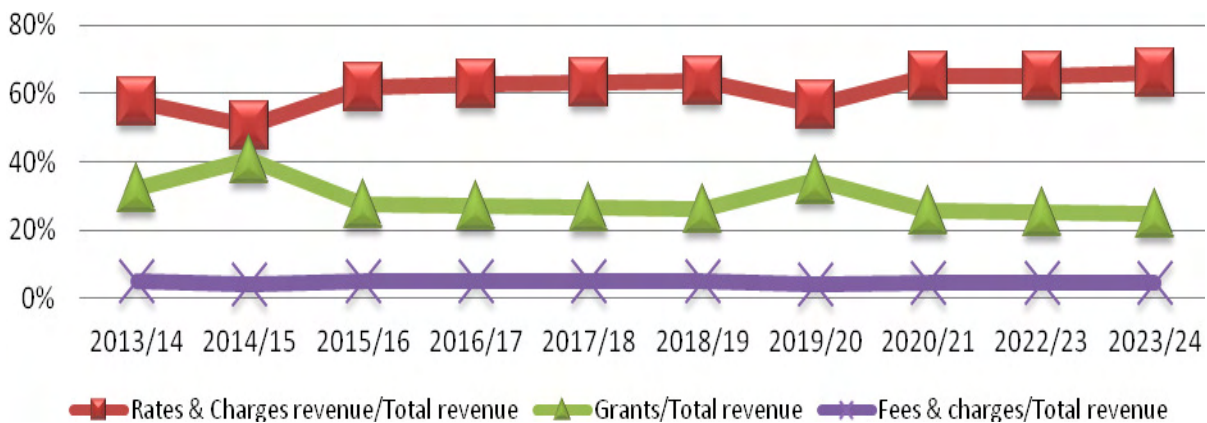
Summary of Key Outcomes (continued)

	Proposed Budget	Long Term Financial Plan Projections								
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Financial Performance

Rates & Charges revenue/Total revenue	58%	51%	62%	63%	63%	64%	57%	65%	65%	66%
Grants/Total revenue	32%	41%	27%	27%	27%	26%	35%	26%	25%	25%
Fees & charges/Total revenue	5.06%	4.33%	5.18%	5.12%	5.03%	4.96%	4.30%	4.80%	4.71%	4.64%
Operating expenses/Assessment (\$'000)	2.38	2.42	2.51	2.50	2.55	2.60	2.70	2.72	2.77	2.81

- To be conservative, in accordance with the principles of this Plan, Council anticipates that reliance on the mix of rates and charges, grants and user fees will remain fairly consistent over the 10 year period.
- Grants will peak in 2014-15 and 2019-20 because of the inclusion of a \$5 million significant community project 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 the 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.



Summary of Key Outcomes (continued)

	Proposed Budget	Long Term Financial Plan Projections								
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
Financial Position										
Working capital ratio	94%	97%	107%	110%	114%	119%	123%	130%	139%	150%
Non current liabilities as a % own sourced income	24%	22%	19%	15%	11%	9%	10%	8%	6%	5%
Underlying result/Total assets	0.01%	0.18%	0.15%	0.55%	0.72%	0.85%	0.78%	1.07%	1.29%	1.50%
Total liabilities/Assessment (\$'000)	1.10	1.08	1.05	0.98	0.92	0.86	0.89	0.85	0.82	0.79

- The working capital ratio and underlying result as a portion of total assets will improve over the 10 years. See section 3.1 for the financial sustainability strategy.
- Non current liabilities as a % of own sourced revenue will peak at 24%, but not exceed 40%. See section 3.3 for information on borrowings.
- Total liabilities per assessment will peak as a result of the borrowings, however, will not exceed \$1,100 per assessment.

	Proposed Budget	Long Term Financial Plan Projections								
	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2022/23 \$'000	2023/24 \$'000
Capital Works										
- Asset renewal	6,573	8,043	5,869	6,325	6,796	7,284	9,041	8,313	8,854	9,414
- New assets	1,220	3,720	1,070	1,107	1,146	1,186	3,728	1,269	1,314	1,360
- Asset expansion & upgrade	48	1,298	50	51	53	55	1,305	59	61	63
Capital works/Rates & Charges revenue	48%	77%	39%	40%	40%	41%	65%	42%	43%	43%
Asset renewal/Total depreciation	126%	150%	107%	115%	122%	129%	157%	141%	148%	154%

- The increase in asset renewal 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 life.

4.3 Income Statement Projections – 4 Year Strategic Resource Plan

- In 2014-15 and 2019-20 there is the inclusion of a \$5 million significant community project in each of these years. This Plan assumes these projects will be 50% new, 25% renewal and 25% upgrade.
- On average, 48% of rate revenue is spent on capital works.

The following table shows the income statement result for 2013-2017. Explanations on the major components of the statement are included below.

	Strategic Resource Plan Projections			
	2013/14	2014/15	2015/16	2016/17
	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities				
Rates & charges	16,226	17,044	17,903	18,805
Statutory fees and fines	645	661	678	695
User fees	780	800	819	840
Grants - Recurrent	6,274	6,414	6,557	6,703
Grants - Non recurrent	2,876	7,383	1,356	1,388
Contributions	12	12	12	12
Interest	280	235	293	280
Rent	807	918	941	965
Other revenue	285	251	321	260
Total revenues	28,185	33,718	28,880	29,948
Expenses from ordinary activities				
Employee benefits	11,238	11,437	11,713	12,160
Defined benefits superannuation top-up	-	-	500	-
Materials and services	6,545	6,890	7,239	7,458
Special projects	538	417	397	319
Bad and doubtful debts	5	5	5	5
Depreciation and amortisation	5,200	5,375	5,480	5,520
Utilities	495	515	535	557
Finance costs	320	321	311	262
Other expenses	951	970	989	1,009
Total expenses	25,292	25,930	27,187	27,290
Surplus (deficit) for the year	2,893	7,788	1,693	2,658

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 hence 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 2012. 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 thousand is included for revaluation years and \$50 thousand in non revaluation years.

4.4 Balance Sheet projections

The following table shows the balance sheet result for 2013-2017. Explanations on the major components of the statements are included below.

	Proposed Budget	Strategic Resource Plan		
		Projections		
	2013/14	2014/15	2015/16	2016/17
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	4,325	4,575	5,346	5,596
Trade and other receivables	2,260	2,350	2,444	2,542
Other assets	80	80	80	80
Total current assets	6,665	7,005	7,870	8,218
Non-current assets				
Financial assets	521	521	-	-
Investments in associates	40	-	-	-
Property, infrastructure, plant and equipment	211,322	218,708	219,917	221,581
Total non-current assets	211,883	219,229	219,917	221,581
Total assets	218,548	226,234	227,787	229,799
Current liabilities				
Trade and other payables	3,397	3,462	3,574	3,683
Interest-bearing loans and borrowings	651	732	739	750
Trust funds and deposits	1,061	1,061	1,061	1,061
Other liabilities	86	86	86	86
Provisions	1,909	1,909	1,909	1,909
Total current liabilities	7,104	7,250	7,369	7,489
Non-current liabilities				
Interest-bearing loans and borrowings	3,776	3,544	3,305	2,555
Other liabilities	188	171	154	137
Provisions	580	580	580	580
Total non-current liabilities	4,544	4,295	4,039	3,272
Total liabilities	11,648	11,544	11,407	10,761
Net assets	206,900	214,688	216,381	219,039

Balance Sheet projections (continued)

	Proposed Budget	Strategic Resource Plan		
		Projections		
	2013/14	2014/15	2015/16	2016/17
	\$'000	\$'000	\$'000	\$'000
Equity				
Accumulated surplus	131,817	139,605	141,298	143,956
Asset revaluation reserve	74,091	74,091	74,091	74,091
Other reserves	992	992	992	992
Total equity	206,900	214,688	216,381	219,039

- 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. Noncurrent provisions and other liabilities will reduce each year as an amount of prepaid rent will be recognised over the term of the lease.
- The investment in associates relates to the remainder of funds after the wind up of the Central Highlands Regional Library, of which the Hepburn Shire was a part. In accordance with the agreement, this will decrease as the City of Ballarat pays out these funds over the next two years.
- The financial asset will mature in 2015/16 and the funds will be relocated to cash.
- Refer to section 3.3 for discussion surrounding Interest-bearing loans and borrowings.

4.5 Cash flow statement projections

The following table shows the cash flow statement for 2013-2017. Explanations on the major components of the statements are included below.

	Proposed Budget	Strategic Resource Plan Projections		
	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
Cash flows from operating activities				
<i>Receipts</i>				
General rates	16,226	17,044	17,903	18,805
Recurrent grants	6,274	6,414	6,557	6,703
Capital grants and contributions	2,984	7,395	1,368	1,400
Interest	280	235	293	280
Statutory fees & user charges	1,425	1,461	1,497	1,535
Other revenue	1,075	1,169	1,262	1,225
	<u>28,264</u>	<u>33,718</u>	<u>28,880</u>	<u>29,948</u>
<i>Payments</i>				
Employee costs	(12,835)	(11,617)	(12,418)	(12,352)
Materials and consumables	(7,538)	(7,823)	(8,172)	(8,335)
Interest	(287)	(321)	(311)	(262)
Other expenses	(777)	(794)	(808)	(826)
	<u>(21,437)</u>	<u>(20,555)</u>	<u>(21,708)</u>	<u>(21,774)</u>
Net cash provided by operating activities	<u>6,827</u>	<u>13,163</u>	<u>7,172</u>	<u>8,173</u>
Cash flows from investing activities				
Proceeds from property, plant and equipment	296	300	300	300
Payments for property, plant and equipment	(7,841)	(13,061)	(6,989)	(7,484)
Net cash used in investing activities	<u>(7,545)</u>	<u>(12,761)</u>	<u>(6,689)</u>	<u>(7,184)</u>

	Proposed Budget	Strategic Resource Plan Projections		
	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
Cash flows from financing activities				
Proceeds from borrowings	1,423	500	500	0
Proceeds from sale of financial asset	0	0	521	0
Repayment of borrowings	(632)	(651)	(732)	(739)
Net cash provided by (used in) financing activities	791	(151)	289	(739)
Net increase/(decrease) in cash & cash equivalents	73	250	771	250
Cash & cash equivalents at beginning of year	4,252	4,325	4,575	5,346
Cash & cash equivalents at end of year	4,325	4,575	5,346	5,596

- 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 capital works statement for 2013-2017. Explanations on the major components of the statements are included below.

	Proposed Budget	Strategic Resource Plan Projections		
	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
Capital works areas				
Roads and bridges	5,441	5,592	4,629	4,791
Recreation	107	109	61	63
Land and Buildings	643	5,652	532	800
Plant, equipment & other	1,650	1,708	1,768	1,829
Total capital works	7,841	13,061	6,990	7,483
Represented by:				
Asset renewal	6,573	8,043	5,870	6,324
New assets	1,220	3,720	1,070	1,107
Asset expansion/upgrade	48	1,298	50	51
Total capital works	7,841	13,061	6,990	7,483

- Spending on infrastructure renewal annually will increase \$250,000 from 2015/16. In 2014/15 an additional \$250,000 will be spent on building maintenance which is non capital and reflect in materials in the income statement.
- Included are the two major community projects at \$5 million, included in 2014/15 and 2019/20. 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.

* Note the EFTs below do not include current or future funded positions.

	Proposed Budget		Long Term Financial Plan Projections							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
Employee costs	11,238	11,437	12,231	12,160	12,582	13,019	13,872	13,940	14,425	14,927
Employee numbers (EFTs)	130.6	129.1	127.7	127.7	127.7	127.7	127.7	127.7	127.7	127.7

- As noted in section 4.1, no growth has been anticipated in the level of permanent and casual staff.
- There are a number of new initiatives included in the Proposed Budget 2013/14 that will involve employing officers for a fixed term only.

Appendix

This appendix presents the standard statements for 2013-2024.

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

Budgeted Standard Income Statement

For the ten years ending 30 June 2024

	Proposed Budget	Strategic Resource Plan								
		Projections			Financial Plan Projections					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities										
Rates and charges *	16,226	17,044	17,903	18,805	19,753	20,748	21,794	22,893	24,046	25,258
Statutory fees and fines	645	661	678	695	712	730	748	767	786	806
User fees	780	800	819	840	861	882	905	927	950	974
Grants - Recurrent	6,274	6,414	6,557	6,703	6,854	7,008	7,166	7,327	7,493	7,663
Grants - Non recurrent	2,876	7,383	1,356	1,388	1,460	1,553	6,110	1,680	1,744	1,812
Contributions	12	12	12	12	12	12	12	12	12	12
Other revenue	1,372	1,404	1,555	1,505	1,610	1,585	1,695	1,677	1,793	1,792
Total revenues	28,185	33,718	28,880	29,948	31,262	32,519	38,429	35,283	36,825	38,317
Expenses from ordinary activities										
Employee costs	11,238	11,437	12,231	12,160	12,582	13,019	13,872	13,940	14,425	14,927
Materials and services	7,578	7,822	8,171	8,334	8,743	9,113	9,526	9,866	10,206	10,421
Bad and doubtful debts	5	5	5	5	5	5	5	5	5	5
Depreciation and amortisation	5,200	5,375	5,480	5,520	5,560	5,625	5,750	5,900	5,990	6,095
Finance costs	320	321	311	262	212	163	195	156	89	62
Other expenses	951	970	989	1,009	1,029	1,050	1,071	1,092	1,114	1,137
Total expenses	25,292	25,930	27,187	27,290	28,131	28,975	30,418	30,960	31,829	32,646
Comprehensive result	2,893	7,788	1,693	2,658	3,131	3,544	8,011	4,323	4,996	5,671

Budgeted Standard Balance Sheet

For the ten years ending 30 June 2024

	Proposed Budget 2013/14 \$'000	Strategic Resource Plan								
		Projections			Financial Plan Projections					
		2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2022/23 \$'000	2023/24 \$'000
Current assets										
Cash and cash equivalents	4,325	4,575	5,346	5,596	5,846	6,160	6,513	6,860	7,542	8,467
Trade and other receivables	2,260	2,350	2,444	2,542	2,644	2,750	2,860	2,974	3,093	3,217
Other assets	80	80	80	80	80	80	80	80	80	80
Total current assets	6,665	7,005	7,870	8,218	8,570	8,990	9,453	9,914	10,715	11,764
Non-current assets										
Financial assets	521	521	-	-	-	-	-	-	-	-
Investments in associates	40	-	-	-	-	-	-	-	-	-
Property, infrastructure, plant and equipment	211,322	218,708	219,917	221,581	223,716	226,317	234,341	237,783	241,721	246,164
Total non-current assets	211,883	219,229	219,917	221,581	223,716	226,317	234,341	237,783	241,721	246,164
Total assets	218,548	226,234	227,787	229,799	232,286	235,307	243,793	247,696	252,436	257,928
Current liabilities										
Trade and other payables	3,397	3,462	3,574	3,683	3,805	3,933	4,062	4,198	4,338	4,484
Interest-bearing loans and borrowings	651	732	739	750	632	538	539	379	307	307
Trust funds and deposits	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061
Other liabilities	86	86	86	86	86	86	86	86	86	86
Provisions	1,909	1,909	1,909	1,909	1,909	1,909	1,909	1,909	1,909	1,909
Total current liabilities	7,104	7,250	7,369	7,489	7,493	7,527	7,657	7,633	7,701	7,847

Budgeted Standard Balance Sheet (continued)

For the ten years ending 30 June 2024

	Proposed Budget 2013/14 \$'000	Strategic Resource Plan Projections			Financial Plan Projections					
		2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2022/23 \$'000	2023/24 \$'000
Non-current liabilities										
Interest-bearing loans and borrowings	3,776	3,544	3,305	2,555	1,922	1,384	1,745	1,367	1,059	752
Other liabilities	188	171	154	137	120	103	86	69	52	35
Provisions	580	580	580	580	580	580	580	580	580	580
Total non-current liabilities	<u>4,544</u>	<u>4,295</u>	<u>4,039</u>	<u>3,272</u>	<u>2,622</u>	<u>2,067</u>	<u>2,411</u>	<u>2,016</u>	<u>1,691</u>	<u>1,367</u>
Total liabilities	<u>11,648</u>	<u>11,544</u>	<u>11,407</u>	<u>10,761</u>	<u>10,116</u>	<u>9,594</u>	<u>10,068</u>	<u>9,648</u>	<u>9,392</u>	<u>9,214</u>
Net assets	<u>206,900</u>	<u>214,688</u>	<u>216,381</u>	<u>219,039</u>	<u>222,170</u>	<u>225,713</u>	<u>233,724</u>	<u>238,047</u>	<u>243,043</u>	<u>248,713</u>
Equity										
Accumulated surplus	131,817	139,605	141,298	143,956	147,087	150,631	158,641	162,965	167,960	173,631
Asset revaluation reserve	74,091	74,091	74,091	74,091	74,091	74,091	74,091	74,091	74,091	74,091
Other reserves	992	992	992	992	992	992	992	992	992	992
Total equity	<u>206,900</u>	<u>214,688</u>	<u>216,381</u>	<u>219,039</u>	<u>222,170</u>	<u>225,713</u>	<u>233,724</u>	<u>238,047</u>	<u>243,043</u>	<u>248,713</u>

Budgeted Standard Cash Flow Statement

For the ten years ending 30 June 2024

	Proposed Budget 2013/14 \$'000	Strategic Resource Plan Projections			Financial Plan Projections					
		2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2022/23 \$'000	2023/24 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Rates and charges *	16,226	17,044	17,903	18,805	19,753	20,748	21,794	22,893	24,046	25,258
Recurrent grants	6,274	6,414	6,557	6,703	6,854	7,008	7,166	7,327	7,493	7,663
Non recurrent grants and contributions	2,984	7,395	1,368	1,400	1,472	1,565	6,122	1,692	1,756	1,824
Interest	280	235	293	280	292	305	319	335	354	388
User charges	780	661	678	695	861	882	905	927	950	974
Statutory fees	645	800	819	840	712	730	748	767	786	806
Other revenue	1,075	1,169	1,262	1,225	1,318	1,281	1,376	1,342	1,439	1,404
	28,264	33,718	28,880	29,948	31,262	32,519	38,429	35,283	36,825	38,317
<i>Payments</i>										
Employee costs	(12,661)	(11,617)	(12,418)	(12,352)	(12,582)	(13,019)	(13,872)	(13,940)	(14,425)	(14,927)
Materials and consumables	(7,538)	(7,823)	(8,172)	(8,335)	(8,743)	(9,113)	(9,526)	(9,866)	(10,206)	(10,421)
Interest	(287)	(321)	(311)	(262)	(212)	(163)	(195)	(156)	(89)	(62)
Other expenses	(951)	(794)	(808)	(826)	(1,030)	(1,051)	(1,072)	(1,093)	(1,115)	(1,138)
	(21,437)	(20,555)	(21,709)	(21,775)	(22,567)	(23,347)	(24,664)	(25,056)	(25,835)	(26,548)
Net cash provided by operating activities	6,827	13,163	7,171	8,173	8,695	9,172	13,765	10,227	10,990	11,770

Budgeted Standard Cash Flow Statement (continued)

For the ten years ending 30 June 2024

	Proposed Budget 2013/14 \$'000	Strategic Resource Plan Projections			Financial Plan Projections					
		2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2022/23 \$'000	2023/24 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from investing activities										
Proceeds from property, plant and equipment	296	300	300	300	300	300	300	300	300	300
Payments for property, plant and equipment	(7,841)	(13,061)	(6,989)	(7,484)	(7,996)	(8,525)	(14,074)	(9,641)	(10,229)	(10,837)
Net cash used in investing activities	(7,545)	(12,761)	(6,689)	(7,184)	(7,696)	(8,225)	(13,774)	(9,341)	(9,929)	(10,537)
Cash flows from financing activities										
Proceeds from borrowings	1,423	500	500	-	-	-	900	-	-	-
Proceeds from sale of financial asset	-	-	521	-						
Repayment of borrowings	(632)	(651)	(732)	(739)	(750)	(632)	(538)	(539)	(379)	(307)
Net cash provided by (used in) financing activities	791	(151)	289	(739)	(750)	(632)	362	(539)	(379)	(307)
Net increase/(decrease) in cash & cash equivalents	73	250	771	250	250	314	352	347	682	926
Cash & cash equivalents at beginning of year	4,252	4,325	4,575	5,346	5,596	5,846	6,160	6,513	6,860	7,542
Cash & cash equivalents at end of year	4,325	4,575	5,346	5,596	5,846	6,160	6,513	6,860	7,542	8,467

Budgeted Standard Capital Works Statement

For the ten years ending 30 June 2024

	Proposed Budget 2013/14 \$'000	Strategic Resource Plan								
		Projections				Financial Plan Projections				
		2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2022/23 \$'000	2023/24 \$'000
Capital works areas										
Roads and bridges	5,441	5,592	4,629	4,791	5,208	5,641	6,088	6,551	7,031	7,527
Recreation	107	109	61	63	65	68	70	73	75	78
Land & Buildings	643	5,652	532	800	828	857	5,887	918	951	984
Plant, equipment and other	1,650	1,708	1,768	1,829	1,893	1,960	2,028	2,099	2,173	2,249
Total capital works	7,841	13,061	6,990	7,483	7,996	8,525	14,074	9,641	10,229	10,837
Represented by:										
Asset renewal	6,574	8,043	5,870	6,324	6,796	7,284	9,041	8,313	8,854	9,414
New assets	1,220	3,720	1,070	1,107	1,146	1,186	3,728	1,269	1,314	1,360
Asset expansion/upgrade	48	1,298	50	51	53	55	1,305	59	61	63
Total capital works	7,841	13,061	6,990	7,483	7,995	8,525	14,074	9,641	10,229	10,837