



Greater Hume Shire

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Greater Hume
Long Term Financial Plan (LTFP)
2014/15 - 2023/24

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PREFACE

The Path To Financial Sustainability

In June 2012 Council adopted a Financial Strategy to provide direction and context for decision making in the allocation, management and use of Council's financial resources. The Strategy set the parameters within which Council would operate to ensure that Council remained financially stable. The strategy seeks to ensure that Council lives within its means while stating the need to develop actions in consultation with its community to move towards sufficient infrastructure works (maintenance and renewal) to ensure that service levels do not diminish and intergenerational equity is maintained. The strategy also seeks to ensure that Council has sufficient cash flows to remain financially sustainable over the life of the Long Term Financial Plan.

Council's Projected Financial Position

In April 2013, the NSW Treasury Corporation ('T-Corp') has assessed Council's Financial Sustainability Rating as being "moderate" with a "negative" Outlook.

T-Corp summarised Council's financial position as follows:

- *The Council has been managed in a satisfactory manner over the review period based on the following observations:*
 - *Council's Unrestricted Current Ratio has been above benchmark in each of the past four years indicating Council had sufficient liquidity*
 - *Over the review period, Council had a moderate level of borrowings (borrowings being 0.7% of Net Assets in 2012) and had therefore flexibility in regard to carrying more long term debt*
- *Areas of concern are that:*
 - *Council's underlying operating results (measured using EBITDA) have declined marginally over the past four years due to the negative effect of the flood events in the recent years.*
 - *Approximately 37.0% of Council's revenue base is derived from own sourced revenue (annual charges, and user charges and fees) compared to a benchmark of 60.0%. The LGA is heavily dependent on external sources of funding.*

The key to long term financial viability, however, is the operational performance of an organisation. Based on current funding levels Council's operating forecast (net of capital grants and contributions) continues to be of concern. Furthermore there is a significant underinvestment in asset renewals leading to an increasing asset backlog– a clearly unsustainable position.

The longer term outlooks shows little sign of improvement. Whilst Council continues with its attempts to increase funds available for capital works, the consumption of assets (depreciation) continues to outstrip the funding available for renewal.

TCorp considers these issues to be significant and could impact the long term financial sustainability of Council. Further ongoing cost controls or securing new or additional revenue in future years is recommended by TCorp to address these issues.

The Division of Local Government (DLG) who has an oversight and monitoring responsibility for local government performance in New South Wales, has also indicated that Council needs to more strongly demonstrate how it intends to achieve financial sustainability over the longer term through its

Resourcing Strategy. Council's existing Resource Strategy recognises the asset dilemma faced and that the challenge will require us to either increase our revenue, or make concessions on our services or levels of service.

That being the case, Council has commissioned industry specialists, Jeff Roorda and Associates, to assist Council in revaluing its roads, bridges and ancillary assets by 30 June 2015 as required by the Office of Local Government (OLG).

In addition, in 2014/2015 Special Schedule 7 which forms part of Council's Annual Financial Statements will be subject to audit for the first time. This schedule outlines the written down value, asset condition, required annual maintenance, actual annual maintenance and most importantly from a 'Fit for Future' perspective the estimated cost to bring to a satisfactory condition.

Currently the figures disclosed with Greater Hume's Schedule 7 is the cost to bring to current engineering standards (for example if a local road was reconstructed it would be constructed with a 7 metre seal and 9 metres pavement). Whereas the cost to bring to a satisfactory standard should be based on the existing level of service (for example fixing the road like for like, not improving the standard to a 7 metre wide seal).

The key objectives of the project are as follows:

1. Special Schedule 7 - review supporting evidence and methodology against peers and principles in OLG guidelines, Australian Infrastructure Financial Management Guide and International Infrastructure Management Manual.
2. Note 13A – review against evidence base as described above.
3. Note 9a – Review against asset register parameters against evidence base as described above with particular attention to:
 - a. Unit costs
 - b. Asset useful life
 - c. Application of residual values.
4. Provide mentoring and capacity building services and resources to enable Council to complete a revaluation of civil infrastructure.
5. Update the resourcing strategy including Asset Management Plans and Strategy with updated information from asset register, service levels and risk levels.
6. Develop a supporting strategy and documentation to enable effective community engagement to balance revenues, affordable service levels and manage risk.

This project presents an opportunity for Council to implement 'best practice' asset management into Council's operations.

How we begin to tackle this issue

Council's adopted Delivery Plan identifies a deliverable to:

'Ensure Greater Hume Shire Council is financially sustainable.' (DP 7.6).

Guidelines set by the Independent Pricing and Regulatory Tribunal (IPART) indicate that Councils need to have the conversation with their community about any rates increases in the context of its Delivery Program, Resourcing Strategy and Operational Plans.

Community involvement is required in determining the service levels that are appropriate for the community's needs, and the community's capacity and willingness to pay increased rates.

This revised document reflects an approach and options to address Council's Financial Sustainability. The program includes actions which see a continuation of efficiency gains, improving revenue streams where feasible and consideration of services and service levels. Rates increases are part of the picture and are one measure amongst a range of other actions to improve the long term viability of the Council.

Current and proposed additional actions include:

- service and operational reviews and adjustments – such reviews would consider service levels, pricing and productivity measures,
- internal budget harvesting, centrally controlling some expenditure and setting revised revenue and expenditure parameters,
 - staff structures, establishment levels and delivery methods,
 - continued redistribution of capital funds into renewal rather than creation of new assets,
 - fees for services,
 - asset rationalisation,
 - review of subsidisation, grants and donations,
 - entrepreneurial and shared service options,
 - preparation for potential rate increase application.

How we involve the community

It is far better that these actions happen now to curb the trend toward longer term decline, and to minimise any impact on services to the community. It is important the community are informed of the longer term financial position of the Council, and that they are involved in decisions made about actions to manage it.

Council will continue to review its Delivery Program, Resourcing Strategy and Operational Plan (including Budget) to factor in a financially sustainable target for the organisation and to ensure our operating budget is in balance yet work towards addressing the asset backlog. Strategies to achieve this must be affirmed with the community, and the conversation has started and will need to commence again almost immediately.

CONSULTATION AND COMMUNICATION

A financial sustainability target has been set as part of Council's Integrated Planning and Reporting documents and further consultation around financial sustainability will feed into community engagement processes for the Delivery Program, Resourcing Strategy and Operational Plan.

Engagement will need to result in a position from the community on how Council is to achieve long term financial sustainability. The conversation with the community is likely to focus on the community's views on current services and willingness and capacity to pay or seek alternatives to funding priorities. Council has resolved to present a proposal for a Special Rate Variation to the community as resolved at its November 2013 and December 2013 meetings and further ratified at the November 2014 Council Meeting.

THE FIRST PHASE OF OUR PATH TO FINANCIAL SUSTAINABILITY

The Process

The formation of Council's annual budget continually shows how difficult it is for Council to adequately fund the ongoing maintenance and replacement of Council's infrastructure assets such as roads, bridges and drainage.

In response to this challenge, Council considered the concept of a Special Rate Variation during the development of the 2011/2012 budget and since that time Council has been carefully considering a number of options for a Special Rate Variation at various workshops and meetings over the past two to three years. Council's deliberations culminated with a report being considered at the November 2013 Council Meeting whereby it was formally resolved that Council apply for a Special Rate Variation. In response to the above resolution, Council has adopted a rate model based on a common theme of a cumulative increase in rate yield of \$317,250 per annum above rate pegging commencing from the 2015/2016 financial year (average of approximately \$50 per rate assessment based on total assessments as at July 2013). The Special Rate Variation would apply for a period of three years being 2015/2016, 2016/2017 and 2017/2018 financial years.

Key elements of the Special Rate Variation are as follows:

- Additional revenue of \$317,250 (\$50 x 6,345 rateable assessments) distributed evenly across all rating categories
- Percentage of total yield within each rating category derived from base rates to remain consistent with rating structure adopted for the 2013/2014 year
- Properties with the average valuation within each rating category will pay an additional amount of approximately \$50 above rate pegging in Year 1.

As stated, the central aim of the Special Rate Variation is to provide Council with additional resources to commit to the ongoing maintenance and renewal of Council's assets, with the key area being the local road network.

That being the case, it is proposed that all additional rate income derived from the Special Rate Variation will be committed to increasing expenditure on sealed road resealing (50% of SRV income) and unsealed rural road gravel resheeting (50% of SRV income). The result of this process will see an additional \$951,750 per annum being allocated to these two key areas of Council's road maintenance program from the 2017/2018 financial year.

This review of Council's infrastructure spending requirements is part of the Integrated Planning and Reporting (IP&R) requirements of the NSW Government and has required Councillors to take a detailed look at the organisation and to ensure that it is heading in the direction that residents, identified in the development of the IP&R (community direction) documents.

The work undertaken in the review of the assets, budgets and the IP&R documents has highlighted that Council due to rate pegging over many years has fallen behind in what it can afford. Without a Special Rate Variation (SRV) we will continue to fall further behind and our roads and other service areas will continue to deteriorate and become potentially unusable.

Council has undertaken consultation with the community about introducing a Special Rate Variation (SRV) and has discussed the acceptable level the community can afford and the expected level of service they require Council to meet into the future.

Council had discussed and determined that it would present to the community the basis of a SRV and to allow the community the opportunity to provide feedback on the level of service that they believe is acceptable.

Council has also undertaken an independent review of the SRV to determine if the community can afford the SRVs proposed and to identify groups that may be disadvantaged by such an increase.

Based on the IP&R process and the independent review undertaken by the Western Research Institute, the following permanent SRV options were presented to the community;

Option 1 - IMPROVED SERVICE LEVELS - Additional revenue of \$317,250 (an average of approximately \$50 x 6,345 rateable assessments) distributed evenly across all rating categories. This additional revenue will accumulate over the three years of the Special Rating Variation culminating in additional revenue of \$951,750 retained permanently in Council's rate base from the 2017/2018 financial year. Properties with the average valuation within each rating category will pay an additional amount of approximately \$50 above rate pegging in Year 1.

Option 2 – MAINTAIN ONLY OR DECLINE/REDUCE SERVICES - Infrastructure and services maintain at best and most likely to decline in the longer term. Gradual deterioration of rural sealed and unsealed road network to poor condition

The community was provided with an overview of the Special Rate Variations and Council's reasoning for consideration of the need for these. A comprehensive information booklet was provided to all community members and the community was encouraged to ask questions on the SRV.

Council has also provided information on its website and Facebook account and has included the commentary on the SRV in the community newsletter posted to all ratepayers. The SRV has also been reported in the local media to enhance community consultation in assessing the proposed rate increase. Further, Council placed a rates calculator on its website to assist ratepayers to assess its impact. Finally, Council commissioned IRIS Research to undertake a comprehensive telephone based survey of residents during November 2014.

Where the funds will be spent

It is proposed that all additional rate income derived from the Special Rate Variation will be committed to increasing expenditure on urban and rural sealed road resealing (50% of SRV income) and unsealed rural road gravel resheeting (50% of SRV income) – refer table below. The result of this process will see an additional \$951,750 per annum being allocated to these two key areas of Council's road maintenance program from the 2017/2018 financial year. The cumulative effect of the increase will result in an additional \$8,565,750 being spent on Council's road network over the ten year period 2015/2016 to 2025/2026.

	Proposed Additional Special Variation Income and Expenditure										
	Year 1 2015/16	Year 2 2016/17	Year 3 2017/18	Year 4 2018/19	Year 5 2019/20	Year 6 2020/21	Year 7 2021/22	Year 8 2022/23	Year 9 2023/24	Year 10 2024/25	Sum of 10 years
CAPITAL EXPENDITURE											
Gravel Road Resheeting	158,625	317,250	475,875	490,151	504,856	520,001	535,602	551,670	568,220	585,267	4,707,517
Urban Road Resealing	20,000	40,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	540,000
Rural Road Resealing	138,835	285,318	441,524	456,570	472,067	488,030	504,470	521,404	538,846	556,810	4,403,874
Annual TOTAL	317,460	642,568	977,399	1,006,721	1,036,923	1,068,031	1,100,072	1,133,074	1,167,066	1,202,077	9,651,391
CUMULATIVE TOTALS BY YEAR	317,460	960,028	1,937,427	2,944,148	3,981,071	5,049,102	6,149,174	7,282,248	8,449,314	9,651,391	

Impact on Rating

The proposed SRV will result in an increase in total rate revenue of 7.21%, 7.46% and 7.15% respectively for a period of three financial years commencing 2015/2016.

The following table summarises the impact across Residential, Business and Farmland rating categories. It should be noted that the increases shown in the below table include an assumed rate peg increase of 3% each year.

	2013/2014	2014/2015	2015/2016 SRV Year 1	2016/2017 SRV Year 2	2017/2018 SRV Year 3
Aggregated Residential					
Total assessments	3533	3560	3560	3560	3560
Total revenue	\$1,984,378.51	\$2,046,812.22	\$ 2,272,937.69	\$ 2,517,081.96	\$ 2,768,534.38
Average	\$561.67	\$574.95	\$638.47	\$707.05	\$777.68
Average Increase \$		\$13.28	\$63.52	\$68.58	\$70.63
Average Increase %		2.36%	11.0%	10.7%	10.0%
Business					
Total assessments	490	500	500	500	500
Total revenue	\$288,310.66	\$301,496.23	\$333,591.97	\$368,312.67	\$404,072.72
Average	\$588.39	\$602.99	\$667.18	\$736.63	\$808.15
Average Increase		\$14.60	\$64.19	\$69.44	\$71.52
Average Increase %		2.48%	10.6%	10.4%	9.7%
Aggregated Farmland					
Total assessments	2322	2325	2325	2325	2325
Total revenue	\$4,160,939.30	\$4,251,697.18	\$ 4,469,336.12	\$ 4,718,331.38	\$ 4,974,785.93
Average	\$1,791.96	\$1,828.69	\$1,922.30	\$2,029.39	\$2,139.69
Average Increase		\$36.72	\$93.61	\$107.09	\$110.30
Average Increase %		2.05%	5.1%	5.6%	5.4%
Overall Increase					
Total assessments	6345	6385	6385	6385	6385
Total revenue	\$6,433,628.47	\$6,600,005.63	\$7,075,865.78	\$7,603,726.00	\$8,147,393.03
Average	\$1,013.97	\$1,033.67	\$1,108.20	\$1,190.87	\$1,276.02
Average Increase			\$74.53	\$82.67	\$85.15
Average Increase %			7.21%	7.46%	7.15%
Overall Increase in Yield			7.21%	7.46%	7.15%

The table below illustrates the compounded effect of the variation. As can be seen, the SRV proposal adds approximately an additional 29.01% (38.37% - 8.63%) over three years to what would have been paid by an average ratepayer in the Residential category under a rate peg only scenario. For an average ratepayer in the Residential Villages category the additional increase is 34.58% and for an average Farmland ratepayer the additional increase is 8.00%.

	Rates Payable 2014/2015	Rates Payable 2017/2018	Cumulative Increase	
Residential Property with average valuation of \$41,288	\$527.83	\$726.49	\$198.66	37.64%
Residential Villages Property with average valuation of \$62,530	\$442.81	\$634.13	\$191.32	43.21%
Rural Residential Property with average valuation of \$137,184	\$839.16	\$1,064.70	\$225.54	26.88%
Business Property with average valuation of \$51,140	\$602.99	\$808.15	\$205.16	34.02%
Farmland Property with average valuation of \$590,669	\$1,914.65	\$2,233.07	\$318.42	16.63%
Farmland Forestry Property with average valuation of \$208,688	\$1,053.20	\$1,297.23	\$244.03	23.17%

CONCLUSION

Financial Sustainability is a key focus for local government reform. Council has recognised the need to address our long term financial outlook through implementing a number of measures in the past. Actions in addition to our savings program are needed to achieve long term financial sustainability, to ensure that the standard of Councils public assets are fit for purpose over the medium to long term.

Council has sought to address this challenge in the short term with an approach that balances community affordability with financial sustainability for service delivery and maintenance of community assets. There is no doubt that pursuing a rate increase is challenging. Council is faced with the unenviable task of addressing an increasing gap between revenue and expenditure. However, with no flexibility in the current standardised rate peg system, the only option available is to pursue a special rate increase.

Clearly, should any other alternative be available, no council and its community would choose this path. Unfortunately however, there is no alternative to achieving a lasting, secure and meaningful increase in revenue.

1. INTRODUCTION

1.1 Objectives

The Long Term Financial Plan (LTFP) is a requirement under the Integrated Planning and Reporting framework for NSW Local Government. Council's long term financial plan provides a framework to assess its revenue building capacity to meet the activities and level of services outlined in its Community Strategic Plan.

Greater Hume Shire Council's LTFP seeks to:

- establish greater transparency and accountability of Council to the community;
- provide an opportunity for early identification of financial issues and any likely impacts in the longer term;
- provide a mechanism to:
 - solve financial problems as a whole
 - see how various plans fit together
 - understand the impact of some decisions on other plans or strategies;
- provide a means of measuring Council's success in implementing strategies; and,
- confirm that Council can remain financially sustainable in the longer term.

1.2 Timeframe

The Office of Local Government has set the minimum timeframe at ten years. The Greater Hume Shire Council LTFP covers the time period from 2014/2015 to 2024/2025.

1.3 Structure

The LTFP is structured into seven main sections.

- Section 1: Section 1 provides a brief introduction to the plan and the objectives it aims to meet.
- Section 2: Planning Assumptions. This section details the financial assumptions made in developing the LTFP.
- Section 3: Revenue Forecasts. Section 3 details the Council's major sources of revenue and the assumptions used in the forecast figures.
- Section 4: Expenditure Forecasts. This section details the Council's major areas of expenditure and the assumptions used in the forecast figures including asset management.
- Section 5: Sensitivity Analysis and Financial Modelling. Section 5 details the impact of various scenarios on Council's plans and looks at other variables affecting the LTFP.
- Section 6: Performance Monitoring. This section provides a number of key performance indicators to monitor Council's performance against the plan.
- Section 7: Appendices. (Detailed budget forecasts).

2. PLANNING ASSUMPTIONS

A long term financial plan is dependent on a number of planning assumptions. In preparing the LTFP Council considered a range of matters and made appropriate assumptions. These assumptions were used to model and formulate the plan, test a range of scenarios and have ultimately formed the basis of the agreed plan.

As part of the planning process Council modelled two different scenarios in the LTFP. The scenarios tested as part of the modelling process are:

- Improved Services Model. - The 'Improved Services Model' will result in an increase in total rate revenue of 7.21%, 7.46% and 7.15% respectively for a period of three financial years commencing 2015/2016
- Maintained or Reduced Services Model - The purpose of the 'Maintained or Reduced Services Model' is to model the impact on Council's financial position if Council was not to include any new special variation over the life of LTFP.

2.1 Summary of Key Assumptions and Indices

Some of the key variables reviewed as part of the setup of Council's Delivery Plan budget and the LTFP include:

- Consumer Price Index (CPI): See table below.
- Salaries and Employee Costs: See table below.
- Investment Income: See table below.
- Rate Pegging: See table below.
- Sewer Rates: See table below
- Waste Charges: See table below
- Fees and Charges: See table below.
- Population Growth: Given the uncertainty in population growth in regional NSW it was concluded that growth in rate revenue or in additional revenue from fees and charges given the projected size of the market was negligible. Also, any increase in revenue maybe offset against any increase in costs servicing a greater population base. As a result the LTFP has been prepared on the assumption of a constant population and rate assessment base.
- Economic Growth: As per above, due to uncertainties in economic growth rates in regional NSW the LTFP has been prepared on the assumption of a constant economic growth rate.

Assumption/Variable	Calculation Basis	LTFP %
Consumer Price Index (CPI)	NSW Treasury Corporation Forecasts	2.50%
Salaries and Employee Oncosts	Estimated Award increases and salary system progression increases	3.25%
Interest Rate Income	90 day BBSW + 0.5%	3.75% - 5.25%
Rate Pegging (General Rates Income)	Independent Pricing and Regulatory Tribunal (IPART) and Dept. Local Government Figures	2.4% - 15/16 3.00% - (Years 2-10)
Water and Sewer Rates Income	NSW Public Works	3.00% -
Waste Charges Income	Based on reasonable cost estimates	\$15 increase each year 15/16, 16/17 and 17/18. No increase thereafter
Fees and Charges Income	As per CPI above	2.50%

3. REVENUE FORECASTS

The major sources of revenue for councils are:

1. Rates and Annual Charges
2. User Charges and Fees
3. Grants & Contributions
4. Investment Revenue
5. Borrowings
6. Other Revenues

3.1 Rates and Annual Charges

The major component of a Councils' income is produced via the levying of rates. Greater Hume Shire Council is proactive and determined to produce a fair balance between rates levied on the shire population and the level of services that can be provided. The amount that is required to be raised from rating is determined after considering Councils' proposed capital works program whilst ensuring the long-term financial viability of the funds.

An additional consideration is the limitation on rates income that is set by the Minister for Local Government. This limitation is known as Rate Pegging and involves a percentage cap on the income raised from ordinary and special rates from one year to another.

Section 492 of the Local Government Act 1993 provides two types of rates: Ordinary rates and Special rates.

3.1.1 Ordinary Rates

By virtue of Section 494 of the Act, Council is required to make and levy an ordinary rate for

each year on all rateable land in its area. This is a mandatory requirement. Land is rated based upon the use of that land or the zoned use of that land. There are four main rating categories, within which Council can create additional sub-categories. The four broad categories provided by Section 493 of the Act are:

- Farmland
- Residential
- Business
- Mining

All rateable land is classed within one of the four categories unless it is deemed non-rateable, such as a church or school or similar institution.

3.1.2 Special Rates

Council has discretion to levy special rates. Special rates must be made pursuant to Section 495 of the Local Government Act 1993 but may be levied under either Section 495 or the provisions of Division 2 of Part 5 of Chapter 15 of the Act. In the former instance, the special rates may be levied for works or services provided or proposed to be provided by Council (e.g. town improvement works benefiting a specific locality, tourism promotion benefiting a particular ratepayer sector) or for other specific purposes. It is important to note that these rates will usually apply to specific rating categories or specific rating areas. Special rates are also capable of application across all ratepayers. For example, all ratepayers in a Council area could be made subject to a special rate, intended to finance a project that will benefit the whole of the Council area. Special rates can also be raised to fund sewer, water supply and waste management projects.

3.1.3 Rate Pegging

Rate pegging is a term that is commonly associated with Section 506 and 509 of the Local Government Act 1993. This term refers to the practice of limiting the amount of revenue a Council can raise from ordinary and special rates by setting a limit on the increase of these rates from previous years. It is important to note that this limit (in the form of a percentage cap) does not apply to an individual's rate levy but rather the total rate levies raised from ordinary and special rates. The Independent Pricing and Regulatory Tribunal (IPART) advise Councils of the allowable rate pegging limit in November/December each year.

3.1.4 Special Rate Variation

Greater Hume Shire Council has modelled its 10 year LTFP to include a special rate variation under section 508A of the Local Government Act 1993. The SRV will result in an increase in total rate revenue of 7.21%, 7.46% and 7.15% respectively for a period of three financial years commencing 2015/2016. This increase is inclusive of the rate pegging limit set by IPART and will require community support and a separate application to be completed.

In addressing the significant gap in Council's rapidly aging infrastructure, the special variation funding will be utilised to address infrastructure backlogs and to fund infrastructure maintenance/renewal programs across Council's road network.

The table below shows the additional rate revenue Council will receive each year as a result of the special rate variation assuming a permanent increase (ongoing) to Councils rate base as per section 508A of the Local Government Act 1993.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Sum of 10 years
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
SRV income (\$) above the rate peg	317,460	642,568	977,399	1,006,721	1,036,923	1,068,031	1,100,072	1,133,074	1,167,066	1,202,078	9,651,391

3.2 User Charges & Fees

In accordance with Sections 496, 501 and 502 of the Local Government Act 1993, Council is able to charge for the provision of water, sewerage and domestic waste services.

3.2.1 Water and Sewerage Charges

The NSW Best-Practice Management of Water Supply and Sewerage Framework requires Council to prepare and implement a sound 20 to 30 year strategic business plan and financial plan in accordance with the NSW Water and Sewerage Strategic Business Planning Guidelines

In September 2012, Council adopted the Strategic Business Plan for Water Supply and Sewerage Services (SBP).

Best Practice requires the SBP be reviewed every four-five years, and provides guidance for the future management of sewerage business.

Based on the above business plan, Council has set charges to provide sufficient funds to operate and maintain water and sewerage services and to generate additional reserves to provide capital works and upgrades in the future.

- For Residential Properties.
 - A sewerage charge will be applied to all residential customers in accordance with the Department of Environment, Climate Change and Water Best Practice sewer pricing guidelines.
 - A water charge based on two components being an Access Charge and a Usage Charge will be applied to all residential customers in accordance with the Department of Environment, Climate Change and Water Best Practice sewer pricing guidelines
- For Non-Residential Properties.
 - A two-part sewerage tariff, being a connection charge and a usage charge will be applied. Non-residential properties include multiple occupancies, such as non-strata flats and units, and those properties which are categorised as “business” for rating purposes. The connection charge is determined by multiplying the access charge applicable to the water service connection size, by the sewerage discharge factor (SDF). The usage charge is determined by multiplying the number of kilolitres of water consumed, by the SDF, and then by the appropriate usage charge as adopted. The SDF is a customer’s estimated volume discharged into the sewerage system to the customers total water consumption. For non-residential properties the SDF varies based on the usage requirements of a customer’s enterprise.
 - A water charge based on two components being an Access Charge and a Usage Charge will be applied to all non-residential customers. Access charges are determined by the size of the applicable water meter connected to the property.

Details of applicable charges are outlined in Councils revenue policy.

3.2.2 Waste Management Charges

The Local Government Act 1993 requires that Domestic Waste Management Charges must reflect the actual cost of providing those services. The service includes a weekly garbage collection service and a fortnightly recycling collection service to eligible properties.

3.2.3 Statutory Charges

Council has no discretion to determine the amount of a fee for service when the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and planning certificates. The majority of statutory charges do not increase annually in line with CPI, however for the purposes of financial modelling these fees are assumed to increase in line with CPI over the long term.

3.2.4 Other Fees

User fees and charges include office fees (photocopying, binding etc.), fees for use of Council facilities and other statutory and regulatory fees.

No significant new user charge or fee opportunities have been identified as part of the development of the CSP.

3.3 Grants & Contributions

In reviewing grants and contributions it is considered prudent not to forecast an increase, other than for CPI, over the period of the plan. It is unlikely that there will be any increase in grants, or provision of new grants, for current services. Any reduction or discontinuance of grants will be offset by a corresponding reduction in expenditure.

One of the measures announced in the 2014 Federal Budget relates to the pausing of indexation of the Local Government Financial Assistance Grants program for three years commencing 1 July 2014. This decision effectively freezes the amount Council will receive in Financial Assistance Grants for the 2014/2015, 2015/2016 and 2016/2017 financial years to the same level as was received in the 2013/2014 year i.e. a General Purposes Component of \$3,000,319 and a Local Roads Component of \$1,886,717 (total \$4,887,036). Indexation of 2% will be applied for the years 2017/2018 to 2024/2025.

The Section 94A Developer Contribution Plan aims to generate contributions that will support the maintenance of levels of service for new community infrastructure to the present standard of facilities per head of existing population.

3.4 Investments Revenue

Council's Investment Strategy is to undertake investment of surplus funds, maximising earnings from authorised investments, whilst ensuring the security of Council funds.

Council also aims to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.

Forecast returns on Council's investment portfolio are based on the forecast 90 Day Bank Bill Swap Rate plus a small margin of 0.5% to reflect strategic investments in longer term investment

products where appropriate.

3.5 Borrowings

Loans are borrowed for major projects for a term commensurate with the life of the asset (usually not greater than 30 years). Where grants are available and may allow construction of an asset sooner, then loans are used to attract or match that grant.

Loans allow Council to spread the cost of the asset over the length of the loan period, ensuring that both current and future generations contribute to paying for the asset. This is in accordance with inter-generational equity principle. Council avoids borrowing for the annual recurring costs of asset renewals.

All loans are financed from an approved financial institution that offers the most competitive interest rate.

The following new loan borrowings are proposed for the 2014/2015 year:

Purchase of heavy plant – Waste Management	\$200,000
Local Government Infrastructure Renewal Scheme Loan	\$1,500,000
Upgrade of Young Street Holbrook	\$536,565

Loans approved in previous years but not yet drawn down will be also utilised during the 2014/2015 financial year. Those loans are:

Holbrook Depot	\$400,000
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3.6 Other Revenue

The majority of other revenues are generated by rental income on Council properties and various other sources. Rentals will vary according to supply and demand, however forecast fluctuations in supply and demand over ten year period, if available, are not considered reliable. Therefore assuming rents will increase in line with CPI over the long term is considered a reasonable approach. Given that 'other revenues' represent less than 3% of total revenues the potential margin of error of this assumption, and resultant impact on financial position, is considered immaterial.

4. EXPENDITURE FORECASTS

4.1 Salaries, Wages and Employee On-costs

Council's long term forecast relating to staffing is contained in detail within the Workforce Strategy. The Workforce Strategy also identifies the human resources Greater Hume Shire Council requires to continue its strategic direction and deliver services in an efficient and effective manner.

For the purpose of projecting future salary, wage and ELE costs to Council a percentage increase of 3.25% has been applied (see Planning Assumptions). This is to account for future Award increases and staff competency/performance increases.

Employee on-costs are assigned to labour hours to recover fixed employment costs such as workers compensation and superannuation premiums, and provision of tools and equipment. Further, the attribution of other organisation support costs, such as human resource or IT support, may be distributed based on number of staff or labour hours.

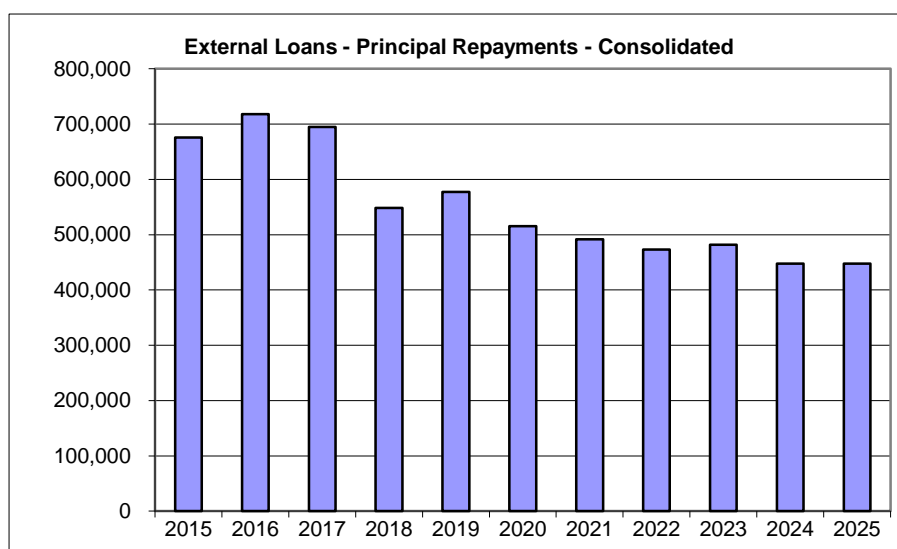
Other employee on-costs e.g. training, protective clothing and travel costs are separately allocated against functions.

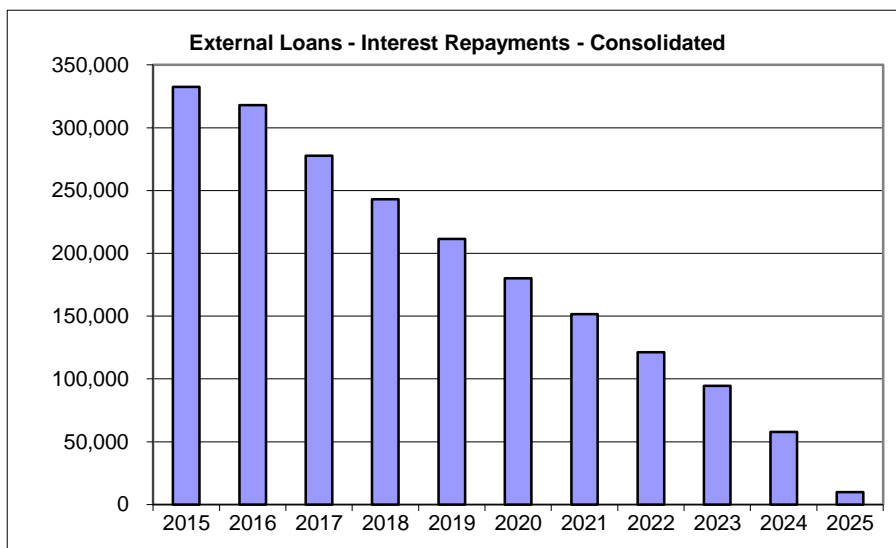
Further details about Council's staff costs are included in the Workforce Plan.

4.2 Loans / Debt Service Costs

In the financial modelling scenarios detailed below, the strategy to address identified funding gaps includes the raising of loans to fund, or part fund, some of the capital projects included in the capital works program. The amount of proposed borrowings under each scenario is detailed in the Revenue Forecasts section of this plan.

The following tables show projected loan repayments (consolidated for each fund) over the LTFP:





Section 6.1.3 shows that Council aims to maintain a debt service ratio below 10%. During the course of the LTFP Council achieves this target.

Where possible the term of the loan will be matched against the future economic benefit of the asset. This means that the asset/borrowing will be paid for by residents who will consume the services provided by the asset over its useful life.

4.3 Materials, Contracts and Other Operating Costs

Expenditure on materials, contracts and other operating cost has been generally based on CPI. The exceptions to this are expenditures that are either i) not recurrent every year, ii) have been identified as increasing by an amount different to CPI or iii) a result of increased services or service levels. Examples of these expenditures include:

- Council elections and associated cost estimated to be \$70,000 in 2016/17 and \$70,000 in 2020/21.
- Increased waste contractor fees in excess of CPI each year reflecting known increases in the NSW Department of Environment, Climate Change and Water waste levy on waste disposed as landfill.

4.4 Asset Management

Infrastructure (assets) expenditure will progressively be mapped against maintenance and renewal programs recommended by respective asset management plans. In accordance with Council's asset management review, asset maintenance has been increased by CPI with a strong focus on asset renewals as opposed to construction of new assets.

Subject to a successful special rate variation, assets should be maintained and renewed in accordance with the respective asset management plans and agreed condition intervention levels.

5. SENSITIVITY ANALYSIS AND FINANCIAL MODELLING

The LTFP is based on a number of underlying assumptions. Sensitivity analysis identifies the impact on Council's financial position of changes in these assumptions and highlights the factors most likely to affect the outcomes of the plan.

Sensitivity analysis looks at "what if" scenarios. For example, what happens to Council's financial position if salary and wages increases are 1% higher than forecast; growth is half that forecast, or investment returns are 1% less than forecast in plan.

The major underlying assumptions underpinning the LTFP have been subject to sensitivity analysis which has identified the following impacts:

Employee Costs

Employee costs make up 28% of projected 2014/2015 operating expenditure. This is reflective of the service based nature of a significant proportion of council activities as well as the construction and maintenance of the considerable infrastructure owned by Council. As it makes up such a large proportion of the operating expenditure budget, and movements in rates of pay are determined through industry wide Award negotiations and market forces, the council is sensitive to unplanned changes in employee costs. The LTFP assumes annual increases of 3.25% to employee costs.

Due to the above factors an impact of a 1% increase in employee costs each year was modelled. The analysis indicated that the cash and investment balance would be reduced by an estimated \$2.6m in year 2023/2024 of the LTFP.

Rates and Annual Charges Revenue

Council's "Own Source Revenue" from Rates and Annual Charges revenue makes up 52% of the projected 2014/2015 operating revenue. The Council cannot set the rate of increase but can only accept the rate pegging imposed on it without a Special Variation application. The LTFP includes a permanent (S.508A) 3 year special rate variation across all categories in years 2015/2016 – 2017/18. If these increases are not achieved, Council will need to adjust expenditure or revenue appropriately. The LTFP has been prepared on the assumption of a constant population base.

The LTFP modelling has been devised with scenarios that include the Special Variation; however progress in addressing the Council asset renewal and maintenance challenges is contingent on the success of any applications to increase rates through a Special Variation. The LTFP has been projected on the premise that current rating income collection patterns are maintained. Any financial shocks or changed economic conditions have the ability to impact rate payer capacity to pay and in so doing will affect the Council cash flow from rating. Annual Charges, particularly domestic waste charges, are susceptible to significant cost increases as a result of legislative change in this area of operation (due to Federal and State climate change policies and other regulations).

Due to Council's reliance on rate revenue, an impact of a 1% reduction in rates revenue each year was modelled assuming that any special variation would also be reduced by 1%. The analysis indicated that the cash and investment balance would be reduced by an estimated \$2.9m in year 2023/2024 of the LTFP.

Inflation

Given the considerable number of assets held, constructed and maintained by Council, variations in underlying inflation have the potential to have a significant impact on the LTFP. Council has considerable pressure from rising raw material costs including fuel and other construction materials.

Any major unplanned increases in these costs above assumed CPI will impact the LTFP.

Investment Returns

Council's current approach is that interest earnings from investments are used to fund the operational budget. This source of revenue however, is impacted by the various fluctuations of the investment market and is not necessarily a reliable source of revenue. The potential use of interest income as a source of revenue to balance the operational budget may in turn be impacted.

The impact of a reduction in investment interest rates of 1% was modelled. It was concluded that any impact on Councils operating result was deemed to be immaterial.

Grants

Council relies heavily on income from the Federal Government Financial Assistance and the Roads to Recovery grant programs.

The Financial Assistance Grant is calculated using a formula that takes into account the population of the Local Government areas, road lengths and a number of other demographics. Given the complexity of the formula it is difficult to calculate any potential impacts to Council if any of the inputs were to change; therefore Council has ignored this in the creation of the long term financial plan.

Money provided under the Roads to Recovery Program is not intended to replace council spending on roads but to assist councils in their local road construction or maintenance. The Roads to Recovery Program is scheduled to conclude in 2019. However due to the heavy reliance of this program throughout NSW and indeed Australia there has been much lobbying for the continuation of this program. The LTFP has been prepared with the assumption that the Roads to Recovery Program will continue indefinitely.

6. PERFORMANCE MEASURES

6.1 Financial Analysis

A number of key indicators have been developed to monitor performance against the LTFP to assess Council's long term sustainability. These key performance indicators will provide clear targets against which the council can report its progress to the community.

6.1.1 Cash / Liquidity Position

Cash and cash management is vital for the short and long term survival and of any business. The ability to convert an asset to cash quickly to meet current obligations/liabilities is an important part of managing Councils' day to day business needs.

Unrestricted Current Ratio

Definition: $\frac{\text{Unrestricted Current Assets}}{\text{Unrestricted Current Liabilities}}$

Description:

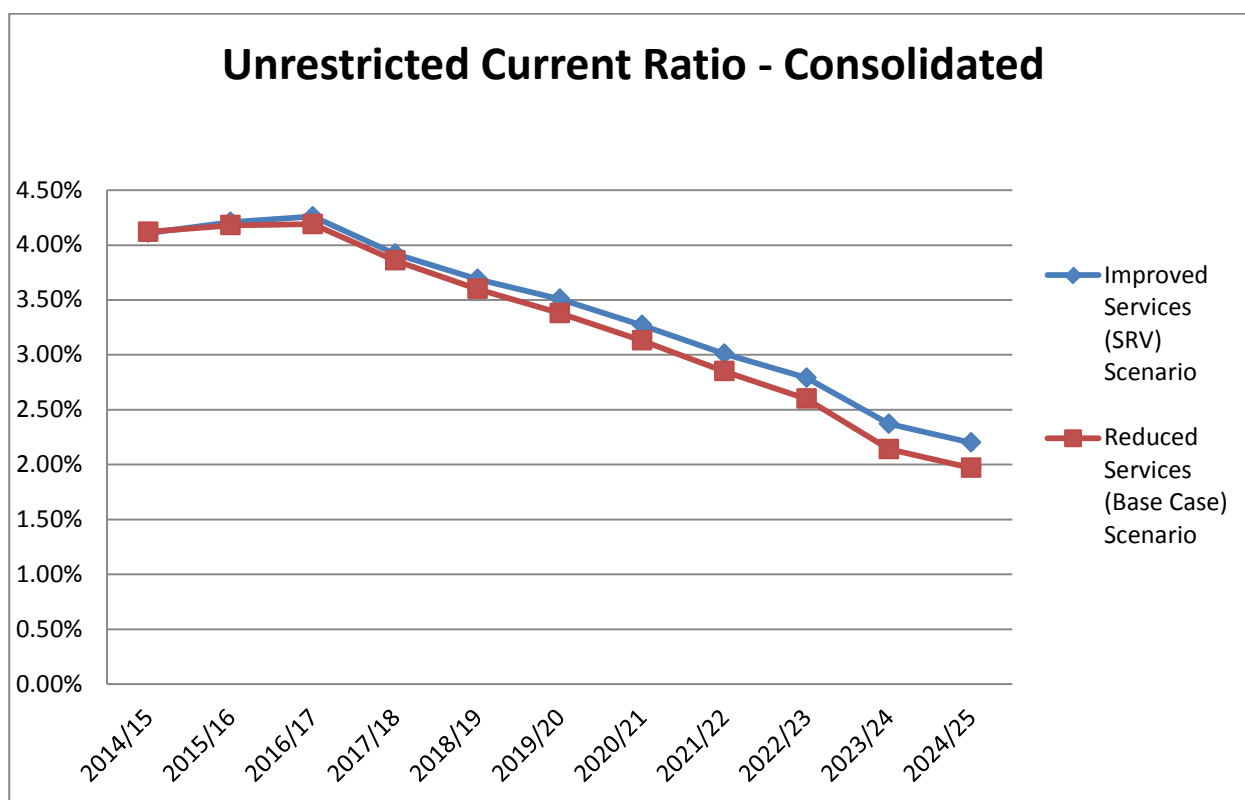
Measures the ability of council to pay its debts as and when they fall due.

Target:

Council aims to maintain a ratio above 2.0 at all times.

Projection:

That the ratio remains above 2.0 for the duration of the LTFP.



6.1.2 Operating Result (Before Capital Grants and Contributions)

Operating Result (Before Capital Grants and Contributions)

Definition:

Result or surplus/deficit from operations after considering all income and expenditure.

Description:

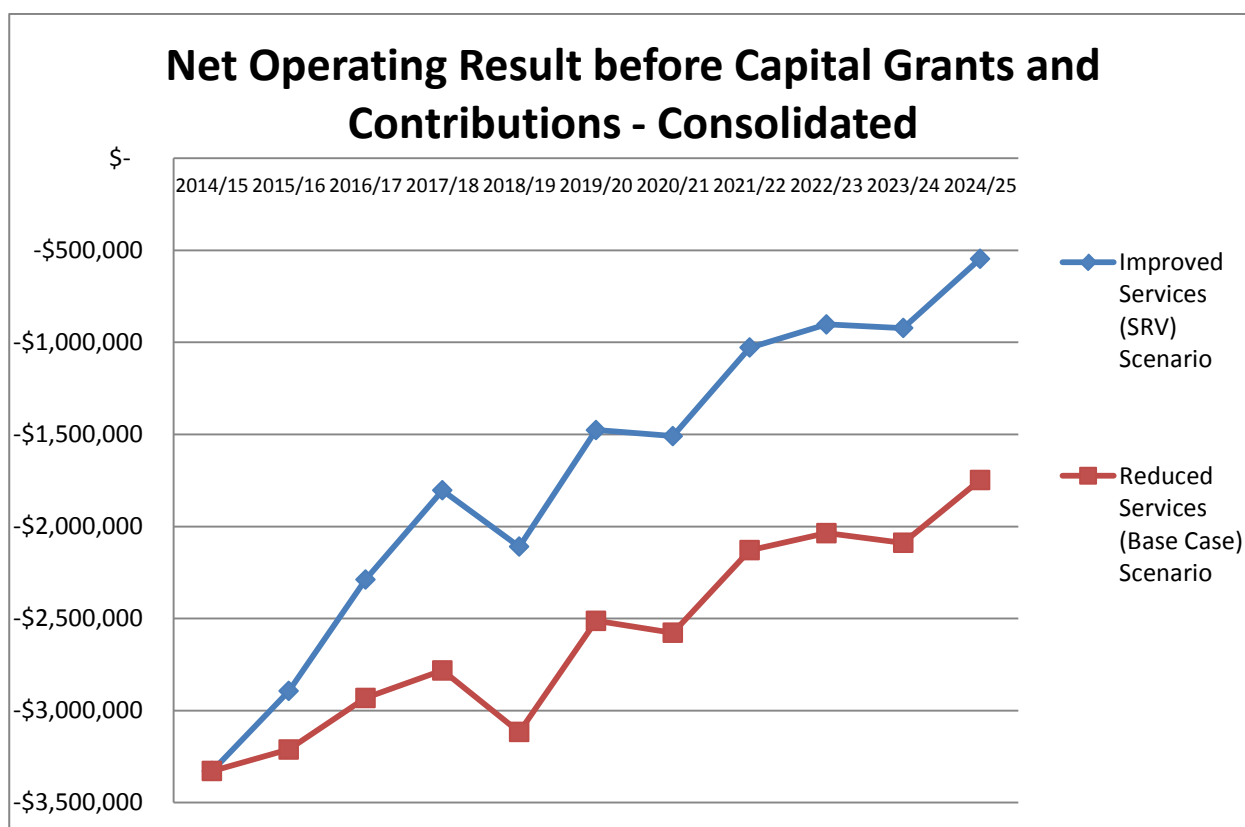
Councils operating result is normally regarded as an important criterion in measuring performance. The issue for Councils is whether the operating results can be maintained and in particular if those operating results can sustain the current level of services into the future.

Target:

To achieve an operating surplus by year 10 of the LTFP.

Projection:

The following graph projects the estimated result for each year of the LTFP.



6.1.3 Operating Performance

Operating Performance Ratio

Definition:

Measure of Council's achievement of containing operating expenditure within operating revenue.

Description:

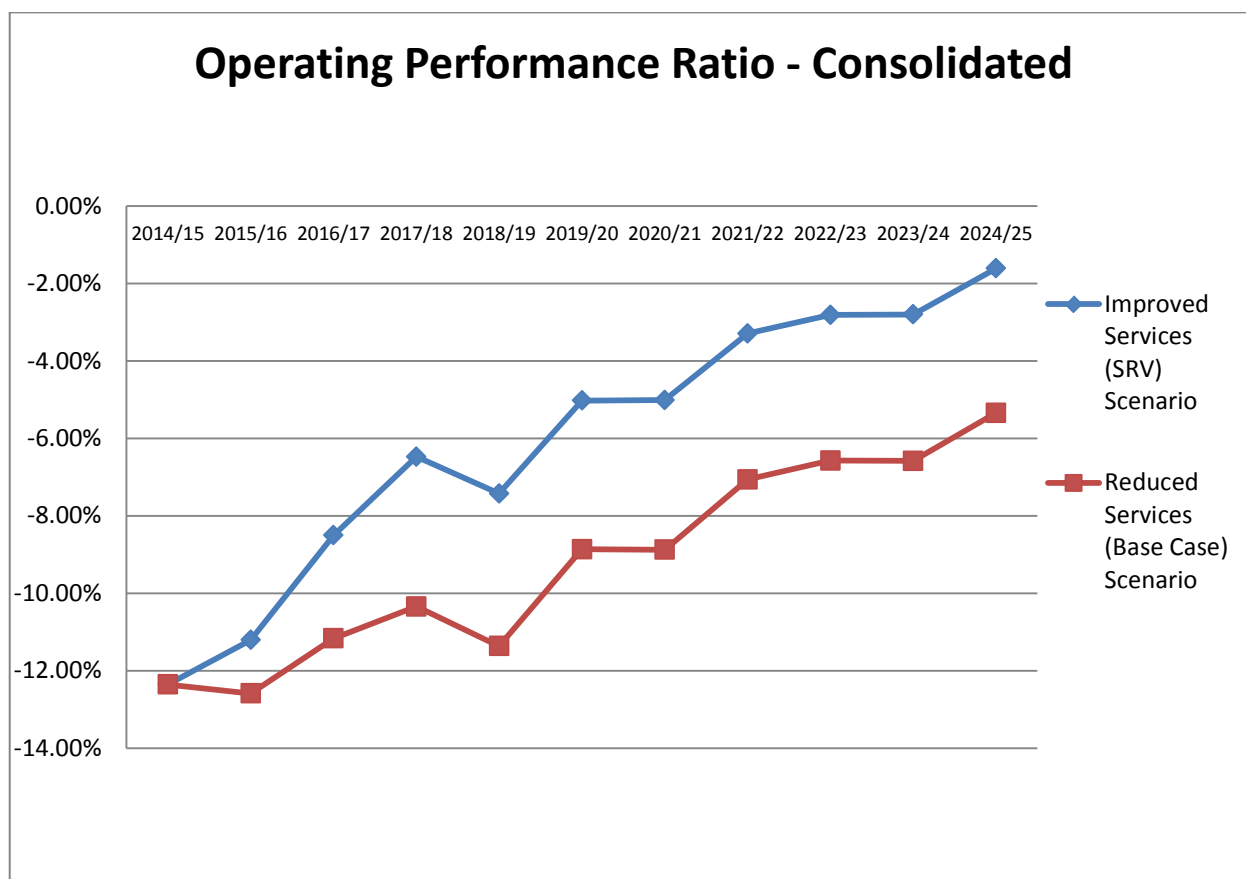
Councils operating result is normally regarded as an important criterion in measuring performance. The issue for Councils is whether the operating results can be maintained and in particular if those operating results can sustain the current level of services into the future.

Target:

To achieve an Operating Performance Ratio of a minimum -5% by year 10 of the LTFP.

Projection:

The following graph projects the estimated result for each year of the LTFP.



6.1.4 Debt Management

Prudent financial management dictates that a council does not over commit itself to debts that it cannot fulfil. It is important to assess the ongoing risk that is associated with meeting any debt and interest commitments to ensure there are sufficient funds available to meet any current and future liabilities of Council.

Debt Service Cover Ratio

Definition:

The availability of operating cash to service debt

Description:

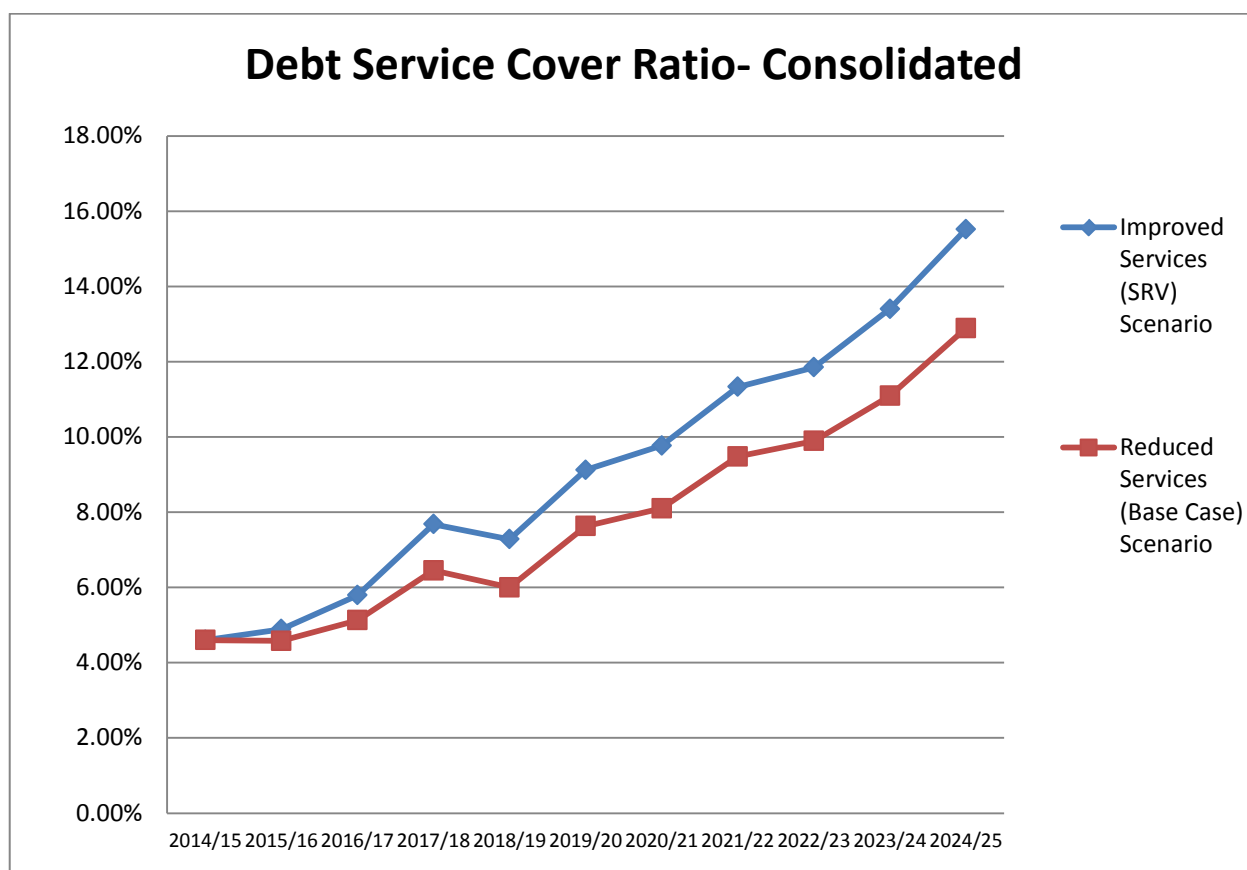
The Debt Service Cover Ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Target:

Council aims to maintain this ratio above 2.0 at all times.

Projection:

The following graph projects the estimated percentage of the LTFP.



6.1.5 Dependence on Revenue from Rates and Annual Charges

Councils throughout NSW have become dependent on Rating and Annual Charges Revenue to meet the various costs associated with servicing their communities. This dependence highlights the need for Council to look for new opportunities to ensure the long term sustainability of the Shire.

Own Source Operating Revenue Ratio

Definition:

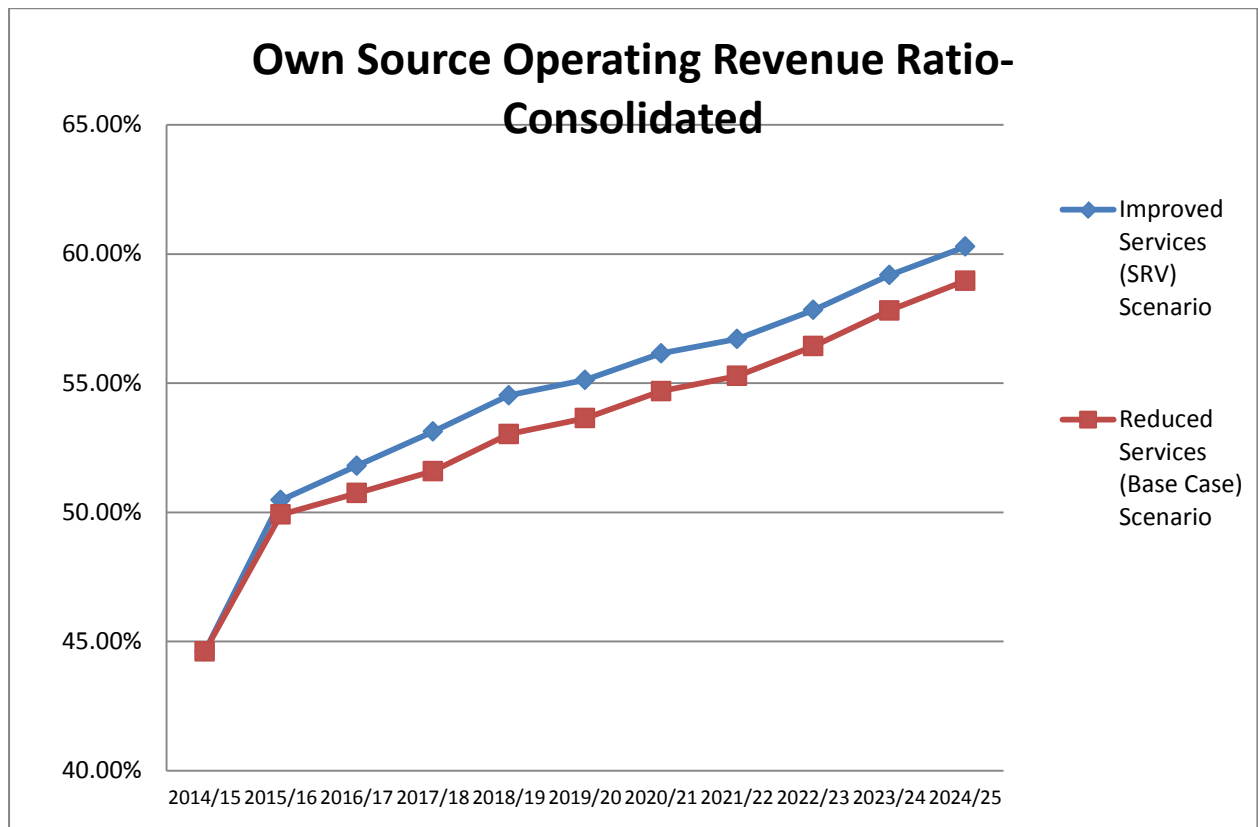
Degree of reliance on external funding compared to own source revenue

Description:

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Projection:

The following graph projects the estimated percentage of the LTFP.



7. APPENDICES

Budgeted Income Statement – Improved Services Model

Greater Hume Shire Council												
10 Year Financial Plan for the Years ending 30 June 2025												
INCOME STATEMENT	Actuals	Current Year	Projected Years									
Scenario: 2014/15 Delivery Plan Budget - SRV	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	8,430,000	9,097,093	9,770,581	10,543,381	11,351,728	11,875,160	12,387,780	12,934,250	13,517,470	14,140,520	14,806,850	15,519,919
User Charges & Fees	6,790,000	3,383,906	3,450,720	3,597,840	3,778,590	3,952,550	4,142,020	4,348,410	4,573,410	4,850,030	5,117,760	5,379,914
Interest & Investment Revenue	934,000	760,500	770,270	781,000	792,790	805,740	819,970	835,600	852,780	871,660	892,410	914,974
Other Revenues	737,000	487,601	487,077	492,767	501,491	503,055	513,010	519,728	530,615	538,480	550,090	550,864
Grants & Contributions provided for Operating Purposes	10,405,000	13,227,584	11,354,339	11,493,330	11,440,121	11,302,070	11,519,640	11,484,560	11,755,080	11,723,020	11,546,640	11,546,442
Grants & Contributions provided for Capital Purposes	2,512,000	3,817,145	2,856,942	2,849,232	3,055,368	2,985,493	3,024,779	3,069,535	3,110,174	3,151,519	3,193,553	3,193,553
Other Income:												
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	29,808,000	30,773,829	28,689,929	29,757,550	30,920,088	31,424,068	32,407,199	33,192,083	34,339,529	35,275,229	36,107,303	37,105,666
Expenses from Continuing Operations												
Employee Benefits & On-Costs	9,848,000	8,452,646	8,526,894	8,795,852	9,083,762	9,367,430	9,670,570	9,973,140	10,295,740	10,618,430	10,961,760	11,318,017
Borrowing Costs	273,000	332,592	318,126	277,756	243,065	211,520	180,241	151,705	121,165	94,451	57,838	9,788
Materials & Contracts	9,058,000	7,624,597	6,289,814	6,334,803	6,451,897	6,902,299	6,756,860	6,997,930	7,206,925	7,478,272	7,773,686	7,863,777
Depreciation & Amortisation	8,235,000	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,118,000	6,235,146	5,951,831	6,148,347	6,250,048	6,427,410	6,610,430	6,869,280	6,993,990	7,195,020	7,402,550	7,627,523
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	52,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	31,584,000	30,284,870	28,726,555	29,196,648	29,668,662	30,548,549	30,857,991	31,631,945	32,257,710	33,026,063	33,835,724	34,458,995
Operating Result from Continuing Operations	(1,776,000)	488,959	(36,626)	560,902	1,251,426	875,519	1,549,208	1,560,138	2,081,819	2,249,166	2,271,579	2,646,670
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Net Operating Result for the Year	(1,776,000)	488,959	(36,626)	560,902	1,251,426	875,519	1,549,208	1,560,138	2,081,819	2,249,166	2,271,579	2,646,670
Net Operating Result before Grants and Contributions provided for												
Capital Purposes	(4,288,000)	(3,328,186)	(2,893,568)	(2,288,330)	(1,803,942)	(2,109,974)	(1,475,571)	(1,509,397)	(1,028,355)	(902,353)	(921,974)	(546,883)

Budgeted Balance Sheet - Improved Services Model

Greater Hume Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

BALANCE SHEET	Actuals	Current Year	Projected Years									
Scenario: 2014/15 Delivery Plan Budget - SRV	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current Assets												
Cash & Cash Equivalents	10,605,000	3,039,760	3,303,692	3,198,232	3,221,313	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382	11,411,017
Investments	11,298,000	11,076,617	10,946,858	10,831,883	10,831,883	10,134,107	9,351,639	8,626,759	7,816,945	7,041,095	5,761,453	4,286,703
Receivables	4,116,000	5,187,416	4,604,387	4,721,132	4,832,111	4,867,061	5,008,436	5,105,517	5,280,598	5,400,082	5,492,735	5,623,156
Inventories	389,000	211,322	178,081	162,451	162,560	166,467	162,830	163,371	163,368	163,850	163,855	163,855
Other	-	45,766	40,209	40,814	41,137	42,700	42,296	43,232	43,594	44,327	44,953	45,632
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	26,408,000	19,560,881	19,073,226	18,954,512	19,089,005	19,130,917	16,187,176	16,477,727	17,612,106	18,908,423	20,069,377	21,530,362
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	42,000	32,499	20,855	13,272	5,302	-	-	-	-	-	-	-
Inventories	1,730,000	1,652,088	1,417,741	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394
Infrastructure, Property, Plant & Equipment	380,090,000	389,747,591	389,386,552	389,542,968	390,165,689	390,504,914	394,507,560	395,351,559	395,880,898	396,416,616	397,156,813	397,930,717
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	382,141,000	391,711,178	391,104,148	391,018,634	391,633,385	391,967,308	395,969,954	396,813,953	397,343,292	397,879,010	398,619,207	399,393,111
TOTAL ASSETS	408,549,000	411,272,059	410,177,374	409,973,146	410,722,390	411,098,225	412,157,130	413,291,680	414,955,398	416,787,433	418,688,584	420,923,473
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	2,580,000	2,854,881	2,514,675	2,444,688	2,490,931	2,568,624	2,593,439	2,659,475	2,714,322	2,779,072	2,856,593	2,892,762
Borrowings	509,000	718,392	695,681	548,965	577,915	515,657	492,164	473,487	482,419	448,489	448,489	539
Provisions	3,047,000	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	6,136,000	5,866,265	5,503,348	5,286,644	5,361,838	5,377,273	5,378,594	5,425,954	5,489,733	5,520,552	5,598,074	5,186,293
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	3,275,000	5,024,827	4,329,685	3,781,259	3,203,883	2,688,765	2,197,140	1,724,192	1,242,312	794,362	346,412	346,412
Provisions	553,000	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	3,828,000	6,331,835	5,636,693	5,088,267	4,510,891	3,995,773	3,504,148	3,031,200	2,549,320	2,101,370	1,653,420	1,653,420
TOTAL LIABILITIES	9,964,000	12,198,100	11,140,041	10,374,912	9,872,729	9,373,046	8,882,743	8,457,154	8,039,053	7,621,923	7,251,494	6,839,713
Net Assets	398,585,000	399,073,959	399,037,333	399,598,235	400,849,660	401,725,179	403,274,387	404,834,526	406,916,345	409,165,511	411,437,090	414,083,760
EQUITY												
Retained Earnings	231,981,000	232,469,959	232,433,333	232,994,235	234,245,660	235,121,179	236,670,387	238,230,526	240,312,345	242,561,511	244,833,090	247,479,760
Revaluation Reserves	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000
Council Equity Interest	398,585,000	399,073,959	399,037,333	399,598,235	400,849,660	401,725,179	403,274,387	404,834,526	406,916,345	409,165,511	411,437,090	414,083,760
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	398,585,000	399,073,959	399,037,333	399,598,235	400,849,660	401,725,179	403,274,387	404,834,526	406,916,345	409,165,511	411,437,090	414,083,760

Budgeted Cash Flow Statement - Improved Services Model

Greater Hume Shire Council
10 Year Financial Plan for the Years ending 30 June
2025

CASH FLOW STATEMENT	Actuals	Current Year	Projected Years									
Scenario: 2014/15 Delivery Plan Budget - SRV	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	8,327,000	8,985,074	9,728,838	10,497,242	11,312,929	11,831,991	12,344,775	12,888,180	13,468,063	14,087,484	14,749,861	15,458,641
User Charges & Fees	7,168,000	3,708,294	3,421,928	3,560,725	3,736,391	3,907,941	4,093,088	4,294,731	4,514,514	4,783,122	5,046,821	5,304,221
Interest & Investment Revenue Received	969,000	783,064	778,582	776,639	793,784	809,652	821,726	838,651	855,496	874,838	898,396	922,286
Grants & Contributions	15,286,000	15,709,844	14,852,255	14,311,184	14,464,600	14,333,539	14,486,706	14,551,456	14,795,329	14,871,878	14,769,496	14,739,234
Bonds & Deposits Received	81,000	-	-	-	-	-	-	-	-	-	-	-
Other	1,615,000	469,776	492,741	498,838	507,928	506,525	516,096	522,953	533,871	542,179	553,673	553,535
Payments:												
Employee Benefits & On-Costs	(9,498,000)	(8,668,722)	(8,527,233)	(8,916,437)	(9,083,762)	(9,367,430)	(9,670,570)	(9,973,140)	(10,295,740)	(10,618,430)	(10,961,760)	(11,318,017)
Materials & Contracts	(10,174,000)	(6,782,866)	(6,407,483)	(6,298,106)	(6,418,219)	(6,816,858)	(6,729,600)	(6,931,174)	(7,157,068)	(7,411,975)	(7,701,980)	(7,827,084)
Borrowing Costs	(269,000)	(308,083)	(326,791)	(286,174)	(249,706)	(218,512)	(186,479)	(157,658)	(126,892)	(100,286)	(63,263)	(15,213)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(5,212,000)	(6,214,881)	(5,958,906)	(6,147,577)	(6,249,636)	(6,425,420)	(6,610,945)	(6,868,089)	(6,993,529)	(7,194,088)	(7,401,753)	(7,626,658)
Net Cash provided (or used in) Operating Activities	8,293,000	7,681,501	8,053,930	7,996,333	8,814,308	8,561,429	9,064,797	9,165,910	9,594,044	9,834,722	9,889,491	10,190,945
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	3,556,000	221,383	129,759	114,974	-	697,777	782,467	724,881	809,813	775,850	1,279,643	1,474,750
Sale of Real Estate Assets	224,000	250,000	250,000	250,000	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	176,000	273,896	255,160	481,262	431,396	400,236	400,000	400,000	400,000	400,000	400,000	400,000
Deferred Debtors Receipts	29,000	20,562	14,939	11,644	7,583	7,970	6,643	2,300	574	-	-	-
Payments:												
Purchase of Infrastructure, Property, Plant & Equipment	(9,554,000)	(17,941,362)	(7,722,004)	(8,264,531)	(8,681,780)	(8,390,767)	(12,037,396)	(8,884,592)	(8,562,732)	(8,577,223)	(8,773,871)	(8,813,110)
Purchase of Real Estate Assets	(9,000)	(30,439)	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(5,578,000)	(17,205,959)	(7,072,145)	(7,406,651)	(8,242,801)	(7,284,784)	(10,848,286)	(7,757,411)	(7,352,345)	(7,401,373)	(7,094,228)	(6,938,360)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	2,636,565	-	-	-	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(723,000)	(677,346)	(717,853)	(695,142)	(548,426)	(577,376)	(515,118)	(491,625)	(472,948)	(481,880)	(447,950)	(447,950)
Net Cash Flow provided (used in) Financing Activities	(723,000)	1,959,219	(717,853)	(695,142)	(548,426)	(577,376)	(515,118)	(491,625)	(472,948)	(481,880)	(447,950)	(447,950)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,992,000	(7,565,240)	263,932	(105,460)	23,081	699,269	(2,298,607)	916,874	1,768,751	1,951,469	2,347,313	2,804,635
plus: Cash, Cash Equivalents & Investments - beginning of year	8,613,000	10,605,000	3,039,760	3,303,692	3,198,232	3,221,313	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382
Cash & Cash Equivalents - end of the year	10,605,000	3,039,760	3,303,692	3,198,232	3,221,313	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382	11,411,017
Cash & Cash Equivalents - end of the year	10,605,000	3,039,760	3,303,692	3,198,232	3,221,313	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382	11,411,017
Investments - end of the year	11,298,000	11,076,617	10,946,858	10,831,883	10,831,883	10,134,107	9,351,639	8,626,759	7,816,945	7,041,095	5,761,453	4,286,703
Cash, Cash Equivalents & Investments - end of the year	21,903,000	14,116,377	14,250,550	14,030,116	14,053,196	14,054,689	10,973,614	11,165,607	12,124,545	13,300,165	14,367,835	15,697,720

Budgeted Income Statement – Decline/Reduced Services Model

Greater Hume Shire Council 10 Year Financial Plan for the Years ending 30 June 2025												
INCOME STATEMENT	Actuals	Current Year	Projected Years									
Scenario: 2014/15 Delivery Plan Budget – Original Base Case	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	8,430,000	9,097,093	9,453,120	9,900,805	10,374,315	10,868,430	11,350,840	11,866,210	12,417,390	13,007,450	13,639,800	14,322,561
User Charges & Fees	6,790,000	3,383,906	3,450,720	3,597,840	3,778,590	3,952,550	4,142,020	4,348,410	4,573,410	4,850,030	5,117,760	5,379,914
Interest & Investment Revenue	934,000	760,500	770,270	781,000	792,790	805,740	819,970	835,600	852,780	871,660	892,410	914,974
Other Revenues	737,000	487,601	487,077	492,767	501,491	503,055	513,010	519,728	530,615	538,480	550,090	550,864
Grants & Contributions provided for Operating Purposes	10,405,000	13,227,584	11,354,339	11,493,330	11,440,121	11,302,070	11,519,640	11,484,560	11,755,080	11,723,020	11,546,640	11,543,027
Grants & Contributions provided for Capital Purposes	2,512,000	3,817,145	2,856,942	2,849,232	3,055,368	2,985,493	3,024,779	3,069,535	3,110,174	3,151,519	3,193,553	3,193,553
Other Income:												
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	29,808,000	30,773,829	28,372,468	29,114,974	29,942,675	30,417,338	31,370,259	32,124,043	33,239,449	34,142,159	34,940,253	35,904,892
Expenses from Continuing Operations												
Employee Benefits & On-Costs	9,848,000	8,452,646	8,526,894	8,795,852	9,083,762	9,367,430	9,670,570	9,973,140	10,295,740	10,618,430	10,961,760	11,318,017
Borrowing Costs	273,000	332,592	318,126	277,756	243,065	211,520	180,241	151,705	121,165	94,451	57,838	9,788
Materials & Contracts	9,058,000	7,624,597	6,289,814	6,334,803	6,451,897	6,902,299	6,756,860	6,997,930	7,206,925	7,478,272	7,773,686	7,863,777
Depreciation & Amortisation	8,235,000	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890	7,639,890
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,118,000	6,235,146	5,951,831	6,148,347	6,250,048	6,427,410	6,610,430	6,869,280	6,993,990	7,195,020	7,402,550	7,627,523
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	52,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	31,584,000	30,284,870	28,726,555	29,196,648	29,668,662	30,548,549	30,857,991	31,631,945	32,257,710	33,026,063	33,835,724	34,458,995
Operating Result from Continuing Operations	(1,776,000)	488,959	(354,087)	(81,674)	274,013	(131,211)	512,268	492,098	981,739	1,116,096	1,104,529	1,445,897
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Net Operating Result for the Year	(1,776,000)	488,959	(354,087)	(81,674)	274,013	(131,211)	512,268	492,098	981,739	1,116,096	1,104,529	1,445,897
Net Operating Result before Grants and Contributions provided for												
Capital Purposes	(4,288,000)	(3,328,186)	(3,211,029)	(2,930,906)	(2,781,355)	(3,116,704)	(2,512,511)	(2,577,437)	(2,128,435)	(2,035,423)	(2,089,024)	(1,747,656)

Budgeted Balance Sheet – Decline/Reduced Services Model

Greater Hume Shire Council 10 Year Financial Plan for the Years ending 30 June 2025												
BALANCE SHEET	Actuals	Current Year	Projected Years									
Scenario: 2014/15 Delivery Plan Budget – Original Base Case	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current Assets												
Cash & Cash Equivalents	10,605,000	3,039,760	3,319,700	3,230,454	3,270,230	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382	11,411,017
Investments	11,298,000	11,076,617	10,946,858	10,831,883	10,831,883	10,184,312	9,403,337	8,679,999	7,871,776	7,097,576	5,819,645	4,347,099
Receivables	4,116,000	5,187,416	4,578,985	4,669,889	4,754,252	4,787,037	4,926,010	5,020,618	5,193,153	5,310,014	5,399,966	5,527,217
Inventories	389,000	211,322	178,081	162,451	162,560	166,467	162,830	163,371	163,368	163,850	163,855	163,855
Other	-	45,766	40,209	40,814	41,137	42,700	42,296	43,232	43,594	44,327	44,953	45,632
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	26,408,000	19,560,881	19,063,832	18,935,491	19,060,063	19,101,099	16,156,447	16,446,068	17,579,491	18,874,836	20,034,800	21,494,820
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	42,000	32,499	20,855	13,272	5,302	-	-	-	-	-	-	-
Inventories	1,730,000	1,652,088	1,417,741	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394	1,183,394
Infrastructure, Property, Plant & Equipment	380,090,000	389,747,591	389,069,092	388,582,940	388,228,262	387,560,766	390,526,489	390,302,457	389,731,724	389,134,368	388,707,499	388,280,630
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000	279,000
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	382,141,000	391,711,178	390,786,688	390,058,606	389,695,958	389,023,160	391,988,883	391,764,851	391,194,118	390,596,762	390,169,893	389,743,024
TOTAL ASSETS	408,549,000	411,272,059	409,850,520	408,994,097	408,756,021	408,124,259	408,145,330	408,210,919	408,773,609	409,471,598	410,204,693	411,237,844
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	2,580,000	2,854,881	2,505,282	2,425,676	2,462,012	2,538,837	2,562,758	2,627,874	2,681,773	2,745,547	2,822,063	2,857,266
Borrowings	509,000	718,392	695,681	548,965	577,915	515,657	492,164	473,487	482,419	448,489	448,489	539
Provisions	3,047,000	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992	2,292,992
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	6,136,000	5,866,265	5,493,955	5,267,632	5,332,919	5,347,486	5,347,914	5,394,353	5,457,184	5,487,027	5,563,543	5,150,796
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	3,275,000	5,024,827	4,329,685	3,781,259	3,203,883	2,688,765	2,197,140	1,724,192	1,242,312	794,362	346,412	346,412
Provisions	553,000	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008	1,307,008
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	3,828,000	6,331,835	5,636,693	5,088,267	4,510,891	3,995,773	3,504,148	3,031,200	2,549,320	2,101,370	1,653,420	1,653,420
TOTAL LIABILITIES	9,964,000	12,198,100	11,130,648	10,355,900	9,843,810	9,343,259	8,852,062	8,425,553	8,006,504	7,588,398	7,216,964	6,804,217
Net Assets	398,585,000	399,073,959	398,719,872	398,638,198	398,912,210	398,780,999	399,293,267	399,785,366	400,767,105	401,883,201	402,987,730	404,433,627
EQUITY												
Retained Earnings	231,981,000	232,469,959	232,115,872	232,034,198	232,308,210	232,176,999	232,689,267	233,181,366	234,163,105	235,279,201	236,383,730	237,829,627
Revaluation Reserves	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000	166,604,000
Council Equity Interest	398,585,000	399,073,959	398,719,872	398,638,198	398,912,210	398,780,999	399,293,267	399,785,366	400,767,105	401,883,201	402,987,730	404,433,627
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	398,585,000	399,073,959	398,719,872	398,638,198	398,912,210	398,780,999	399,293,267	399,785,366	400,767,105	401,883,201	402,987,730	404,433,627

Budgeted Cash Flow Statement – Decline/Reduced Services Model

Greater Hume Shire Council												
10 Year Financial Plan for the Years ending 30 June 2025												
CASH FLOW STATEMENT	Actuals	Current Year	Projected Years									
Scenario: 2014/15 Delivery Plan Budget – Original Base Case	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	8,327,000	8,985,074	9,433,900	9,877,732	10,359,271	10,827,341	11,309,979	11,822,347	12,370,256	12,956,755	13,585,221	14,263,434
User Charges & Fees	7,168,000	3,708,294	3,421,928	3,560,725	3,736,391	3,907,941	4,093,088	4,294,731	4,514,514	4,783,122	5,046,821	5,304,221
Interest & Investment Revenue Received	969,000	783,064	781,461	779,414	796,644	809,737	821,985	838,917	855,770	875,120	898,686	922,543
Grants & Contributions	15,286,000	15,709,844	14,852,255	14,311,184	14,464,600	14,333,539	14,486,706	14,551,456	14,795,329	14,871,878	14,769,496	14,736,580
Bonds & Deposits Received	81,000	-	-	-	-	-	-	-	-	-	-	-
Other	1,615,000	469,776	489,787	495,812	504,812	506,252	515,815	522,663	533,572	541,872	553,357	553,254
Payments:												
Employee Benefits & On-Costs	(9,498,000)	(8,668,722)	(8,527,233)	(8,916,437)	(9,083,762)	(9,367,430)	(9,670,570)	(9,973,140)	(10,295,740)	(10,618,430)	(10,961,760)	(11,318,017)
Materials & Contracts	(10,174,000)	(6,782,866)	(6,407,483)	(6,298,106)	(6,418,219)	(6,816,858)	(6,729,600)	(6,931,174)	(7,157,068)	(7,411,975)	(7,701,980)	(7,827,084)
Borrowing Costs	(269,000)	(308,083)	(326,791)	(286,174)	(249,706)	(218,512)	(186,479)	(157,658)	(126,892)	(100,286)	(63,263)	(15,213)
Other	(5,212,000)	(6,214,881)	(5,958,906)	(6,147,577)	(6,249,636)	(6,425,420)	(6,610,945)	(6,868,089)	(6,993,529)	(7,194,088)	(7,401,753)	(7,626,658)
Net Cash provided (or used in) Operating Activities	8,293,000	7,681,501	7,758,917	7,376,573	7,860,395	7,556,591	8,029,978	8,100,052	8,496,213	8,703,968	8,724,826	8,993,060
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	3,556,000	221,383	129,759	114,974	-	647,571	780,975	723,338	808,222	774,200	1,277,932	1,472,546
Sale of Real Estate Assets	224,000	250,000	250,000	250,000	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	176,000	273,896	255,160	481,262	431,396	400,236	400,000	400,000	400,000	400,000	400,000	400,000
Deferred Debtors Receipts	29,000	20,562	14,939	11,644	7,583	7,970	6,643	2,300	574	-	-	-
Payments:												
Purchase of Infrastructure, Property, Plant & Equipment	(9,554,000)	(17,941,362)	(7,410,982)	(7,628,557)	(7,711,172)	(7,384,641)	(11,001,086)	(7,817,192)	(7,463,310)	(7,444,818)	(7,607,494)	(7,613,021)
Purchase of Real Estate Assets	(9,000)	(30,439)	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(5,578,000)	(17,205,959)	(6,761,124)	(6,770,677)	(7,272,193)	(6,328,863)	(9,813,467)	(6,691,554)	(6,254,513)	(6,270,618)	(5,929,563)	(5,740,475)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	2,636,565	-	-	-	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(723,000)	(677,346)	(717,853)	(695,142)	(548,426)	(577,376)	(515,118)	(491,625)	(472,948)	(481,880)	(447,950)	(447,950)
Net Cash Flow provided (used in) Financing Activities	(723,000)	1,959,219	(717,853)	(695,142)	(548,426)	(577,376)	(515,118)	(491,625)	(472,948)	(481,880)	(447,950)	(447,950)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,992,000	(7,565,240)	279,940	(89,246)	39,776	650,352	(2,298,607)	916,874	1,768,751	1,951,469	2,347,313	2,804,635
plus: Cash, Cash Equivalents & Investments - beginning of year	8,613,000	10,605,000	3,039,760	3,319,700	3,230,454	3,270,230	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382
Cash & Cash Equivalents - end of the year	10,605,000	3,039,760	3,319,700	3,230,454	3,270,230	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382	11,411,017
Cash & Cash Equivalents - end of the year	10,605,000	3,039,760	3,319,700	3,230,454	3,270,230	3,920,582	1,621,975	2,538,849	4,307,600	6,259,069	8,606,382	11,411,017
Investments - end of the year	11,298,000	11,076,617	10,946,858	10,831,883	10,831,883	10,184,312	9,403,337	8,679,999	7,871,776	7,097,576	5,819,645	4,347,099
Cash, Cash Equivalents & Investments - end of the year	21,903,000	14,116,377	14,266,557	14,062,337	14,102,113	14,104,894	11,025,311	11,218,847	12,179,376	13,356,646	14,426,027	15,758,116

Notes:

**MINUTES OF THE ORDINARY MEETING OF GREATER HUME SHIRE COUNCIL
HELD AT THE COUNCIL CHAMBERS, BALFOUR STREET, CULCAIRN
AT 4.30PM ON WEDNESDAY, 11 FEBRUARY 2015**

4. SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL

3987 RESOLVED [Meyer/Osborne]

That:

1. Council make application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation, retained permanently in Council's rate base, of 7.21% for the 2015/2016 financial year, 7.46% for the 2016/2017 financial year and 7.15% for the 2017/2018 financial year, as permitted under Section 508(A) of the *Local Government Act 1993*;
2. Council adopt the revised Long Term Financial Plan 2014/2015 – 2023/2024;
3. the updated Debt Recovery Policy, Hardship Policy and Pensioner Concession Policy as presented to the November 2014 meeting of Council be adopted;
4. Council note the conclusion of community engagement on the proposal and acknowledge the community's contribution in developing the final application;
5. Council continue to pursue organisational efficiencies through the continued implementation of regular service reviews; and
6. a further report be submitted to Council following IPART's determination of Council's application, expected in June 2015.

5. SPORTING & RECREATION RESERVE USE AGREEMENT AND POLICY

Cr McInerney left the chamber at 5.25pm and returned at 5.29pm.

3988 RESOLVED [Quinn/Schilg]

That:

1. Council endorse the implementation of the Sporting & Recreation Reserve Use – Application and Agreement for all Council owned and managed sporting and recreation reserves and facilities, including a slight revision to include tennis in seasonal activities.
2. the Greater Hume Shire Council's Sporting and Recreation Reserve Use Policy be adopted, as presented.
3. that the policy and procedure be widely and ongoing publicised.