Murrindindi Shire Council

DRAFT STRATEGIC RESOURCE PLAN 2013 TO 2017

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1. INTRODUCTION

Council is required under the Local Government Act (1989), to prepare a Strategic Resource Plan (SRP).

The SRP outlines the resources required to achieve Council's strategic objectives expressed in the Council Plan. The SRP must include:

- Details of financial resources (Standard Statements), and
- Details of non-financial resources, including human resources
- Council must adopt its SRP by 30 June each year. The SRP is intended to have a 10-year time frame to enable a longer term perspective to be analysed
- Significant changes to this revised Strategic Resource Plan 2013/2017 are:
    - Council will increase municipal rates and municipal charge collections by 6.00 percent in the 2013/14 financial year. This level allows Council to maintain existing service levels and continue to allocate additional funds to renew the municipality's infrastructure
    - Capital Expenditure is $10.25 million in 2013/14, and
    - New borrowings of $500,000 in 2013/14
- Purpose of the SRP
- Objectives of the SRP
- Financial strategic direction
- Key strategic directions

1.1 Purpose of SRP

Council is required to prepare a SRP under Section 126 of the *Local Government Act (1989)*.

The purpose of the SRP is to:

- Establish a financial framework over the next 4 years to ensure Council's strategic objectives, as expressed in its Council Plan, are achieved.
- Provide an assessment of the resources (financial and non-financial) required to accomplish the objectives and strategies included in the Council Plan (non-financial resources are assumed to include human resources and Council's asset base, which are all referred to in various parts of the SRP).
- Establish a basis to measure Council's adherence to its policies and strategies, and
- Assist Council to comply with sound financial management principles, in accordance with the Local Government Act (1989) and to plan for the long-term financial sustainability of the municipality.

While compliance with the legislation can be achieved with the development of long-term (four-year) financial statements, the 10-year approach undertaken by Council is more comprehensive.

A 10-year timeframe more fully supports strategic asset management as many of Council's assets have long lives.

The diagram below details the key strategic areas covered by the SRP and the integration required between Council's financial strategies.

Figure 1: Strategic Resource Plan – Key Strategic Areas

1.2 SRP Objectives

The 2013-2017 SRP is based upon the following assumptions in the 10 – year timeframe:

- Rate increases are limited to 6% plus 1% growth in each year (less the impact of State Government buy back of 0.2%); a third of the increase (2% points of the 6%) for each year (around $249,000) is allocated to an Infrastructure Reserve.
- The organisational establishment will remain static with exception of the addition of a Grants officer position and an Online Communications Officer as identified by Council as important additions to the permanent organisational structure.
- The State Government Buy Back scheme involves some 84 properties within the Shire with an impact of $87K in reduced rate revenue. Mitigation of this influence in future years will occur with the increase in the valuation base and therefore will not produce a significant effect on rate revenue in future years.
- No new Initiatives or programs other than those that have been included in the 10 year capital improvement plan.
- Operating and Capital-Savings from the Murrindindi Services Review have been factored in over successive years.
- Maintenance and operating costs of $1.2M and $ 0.6M depreciation costs are factored in for new and gifted assets arising from the February 2009 reconstruction and rebuilding program.
- Capital works will occur in accordance with the Ten Year Capital Improvement program.

- Provision each year has been made to expense $300,000 as a contingency for future defined benefits superannuation calls and to quarantine this until such time as call is made on Council.
- Recognition of the reduction in Grant Commission funding within 2012-13 and adjustments made accordingly within the SRP.
- Rebuilding of the Long Service Leave reserve with 25% of the current liability component ($1.59M) being cash backed. This would commence in 2013-14 and be achieved over a 4 year period by 2016-17.

1.3 Strategic Financial Direction

Councils are required to provide services and facilities for their local communities that are equitable and accessible. They must also promote the economic viability and sustainability of the municipal district and in doing so have regard to the long term financial viability of their Council.

Whilst much of the public reconstruction has been completed, there is ongoing effort directed to support the affected communities and to enable individual property owners to rebuild. Despite this, Murrindindi Shire has experienced a drop in its population numbers and rateable assessments. Furthermore, the impact of the operation, maintenance, insurance and depreciation costs of the new and enhanced assets received from the Victorian Bushfire Reconstruction and Recovery Authority that were funded through the Victorian Bushfire Appeal Fund have had a significant impact upon Councils long term financial sustainability. This means that, without State Government financial assistance, the Council Plan strategies over the next four years will be very modest and no new initiatives or activities will be undertaken.

A number of strategic challenges remain ahead including renewing existing assets, continuing to provide an appropriate range and level of services to a community where there is limited growth, maintaining a sound financial position and addressing the need for capital renewal.

The other related issues are the risks and liabilities that Council and the community face if Council does not invest in asset renewal at an adequate rate.

The SRP, within the Long Term Financial Plan (LTFP), establishes the strategic financial direction for Council to meet the funding and investment challenges that lie ahead in the next 10 years.The SRP is prepared in conjunction with the Council Plan to ensure the affordability of activities included in the Council Plan.

It is clear from the 10 year outlook in the Long Term Financial Plan, included within this document, that with inclusion of the costs associated with gifted assets namely the $1.20 million for maintenance and operating costs and the $0.60 million for depreciation, that Council is unable to cover its Infrastructure Renewal Gap, or has capacity to generate cash to cover unforeseen expenditure or to operate beyond its current level of service delivery. The impact of costs associated with the gifted assets is for recurrent operating deficits through to 2020 and with underlying results reflecting deficits for the life of the plan. This means that Council is not able to generate cash beyond the operation of core activities and is $6.10 million short of being able to meet Infrastructure Renewal Gap requirements by 2023.

Whilst Council's liquidity position may appear favourable at more than 1:1.50 for the longer term over ten years, there is a growing cash deficiency when taking into account the amount of cash required to meet statutory obligations, other restricted cash requirements and the Infrastructure Renewal Gap in 2023. It is apparent that without State Government assistance, for which it has identified a need of $14.1 million, Council's financial position is not sustainable in the years beyond 2013-14 without further reductions in expenditure or increases in revenue.

1.4 Key Strategic Directions

The following table highlights the key strategies of this SRP. Each section includes detailed analysis to support the strategies. The key strategies provide direction for the preparation of the 2013/14Budget.

Section	Strategic Direction
Section 3: Murrindindi Shire Financial Indicators	1. That Murrindindi Shire Council continues to benchmark with other Victorian councils and those within the Council category. 2. That Murrindindi Shire Council applies the outcomes of this SRP to the 2013/14 Budget. 3. That in order to reduce ongoing underlying operating deficits, Council will require State Government assistance beyond 2013/14.
Section 4: Service Provision and Planning	1. That Murrindindi Shire Council annually determines the range and level of service provision via the strategic service planning framework incorporating annual budget, departmental operational plans, capital works evaluation and long term financial plan leading to a rigorous analysis of organizational and financial capability.
Section 5: Capital Works	1. That Murrindindi Shire Council initially focuses capital works on maintaining a critical renewal level based on maintaining a minimum service level at levels indicated in Table 8 (Section 6.6 Condition Assessment), with the next priority on upgrade and expansion.
Section 7: Long-term Borrowing Strategies	1. That Murrindindi Shire Council based on compliance with the State Government Prudential Guidelines, borrows funds for plant and vehicle replacements that provide intergenerational equity; and 2. That Murrindindi Shire Council retains its debt servicing and redemption costs at or below 8.0 cents in the rate revenue dollar, towards interest and principal, over the life of this SRP.
Section 8: Restricted Assets	1. That Murrindindi Shire Council builds into its 10 year financial plan the estimated movements in restricted assets and provides for a working capital ratio of at least 1.5 to meet day to day needs. 2. That to ensure sufficient funds are available to meet operational needs, Murrindindi Shire Council retains a cash position of at least $1.0 million to $2.0 million after deducting restricted assets, i.e. cash received but not spent or cash to be spent for specific purposes such as developer contributions (infrastructure), waste facility development, employee long service leave payments, security deposits etc.
Section 9: Rating and Other Revenue Strategies	That Murrindindi Shire Council: 1. has retained the capital improved value (CIV) as its valuation base; 2. provides a municipal charge that approaches 20 percent of rate revenue plus a municipal charge that ensures an equitable contribution towards the unavoidable fixed costs of Murrindindi Shire Council. 3. has considered future increases based on EPA, regulatory and safety requirements and the need to sustain the Council's long term waste operations strategy. 4. in 2013/14, has adopted a 6.00 % increase in total revenue for general rates and municipal charges and an 6.00 percent increase

Section	Strategic Direction
	in total revenue for waste collection including funding the cost of disposal of domestic waste, recycling collection and the environment levy. 5. is pursuing recurrent grant funding and strategic capital funding aligned with Council Plan objectives, including benchmarking of results with other Councils. 6. is seeking State Government support of around $14 million, which will confirm its commitment to supporting assets gifted to MSC.
Section 10: Human Resources	1. That Murrindindi Shire Council plans, manages and delivers activities that support the goals of the Council Plan within the capacity of the current organizational structure and workforce profile.
Section 11: Strategic Financial Plan	1. The SRP represents the short to medium term of 4 years within the Long Term Financial Plan which presents a financial perspective of the organisation over 10 years. In the medium and long term it is apparent that Council's ongoing sustainability will depend on receiving assistance from the State Government. State Government assistance has been sought to offset the impact of gifted Bushfire assets which has an average effect on the bottom line of $1.80 million per year for the life of the plan. The $1.80 million represents $1.20 million for the maintenance and operation of those assets together with $0.6 million worth of annual depreciation charges. The effect of the cost of these gifted assets is to absorb cash that would otherwise be spent on renewal investment or other priority Council projects or programs. The reduction of cash impacts on Council's ability to fund key capital purchases and must then look at borrowings to bolster cash flow at critical times. Borrowings in turn generate interest payments that also contribute to ongoing operating deficits through to 2020 and with underlying results reflecting deficits for the life of the plan. This means that Council is not able to generate cash beyond the operation of core activities and is $6.10 million short of being able to meet the Infrastructure Renewal Gap requirements by 2023. Council will continue to ensure it practices prudent financial management, however without such assistance, its capacity to manage programs and activities will be severely limited. Hence the 2013/17 Council Plan contains a modest range of activities whilst its priorities will be focused is growing its rate base.

Table 1: Key Strategies– 2013/14

2. LINK BETWEEN STRATEGIC RESOURCE PLAN AND COUNCIL PLAN

2.1 Integrated Planning Framework

Murrindindi Shire Council has developed a corporate planning framework which identifies the relationship between the Council Plan, its various strategies and the individual departmental business plans and staff performance plans.

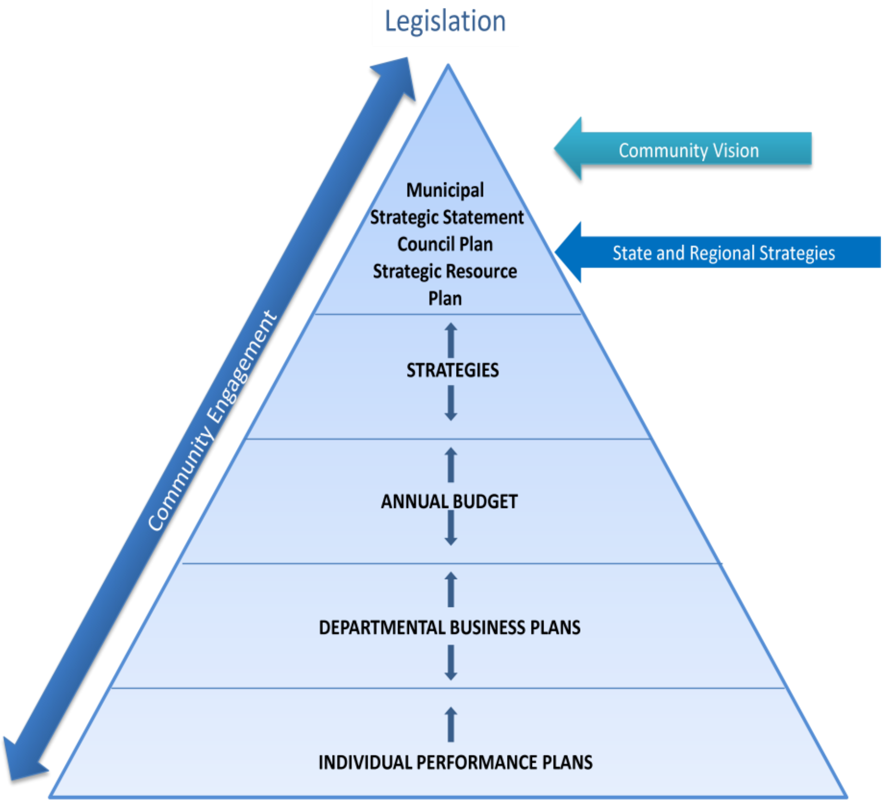


Figure 2: Integrated Planning Framework

The planning framework provides for the Council plan strategies to be linked to the implementation of adopted strategies that are funded and resourced through the Annual Budget.

The Council then measures and monitors its performance and reports both internally and to its community as required.

Council receives formal reports on a quarterly basis detailing progress against the Council Plan, the Annual Budget and the Capital Works program.

3. MURRINDINDI SHIRE COUNCIL FINANCIAL SUSTAINABILITY

3.1 Introduction

In considering Council's financial sustainability, a number of reports and investigations have been undertaken.

Firstly Council has participated in a project sponsored by small rural municipalities which has lead to the Local Government Financial Sustainability Review. This report has highlighted the challenges faced by small and medium sized rural municipalities in achieving long term financial sustainability. This is due to these Councils having small populations, low density and for the most part, very high dispersion and remoteness. All of these indicators are relevant to the Murrindindi Shire.

A second piece of work undertaken by Murrindindi Shire Council related specifically to the new and gifted assets arising from the February 2009 bushfires. This report by KPMG highlighted both the value of the new assets as well as the costs of their operation, maintenance, insurance and renewal. As a result, Council has presented this report to the Victorian Government which identifies the preferred approach being the provision of $14.1 million which will ensure that:

- Council will have flexibility to invest the upfront payment and earn a return to assist in meeting future recurrent obligations.
- It will reduce the amount of external funding required over the timeframe of the analysis.
- It provides funding certainty for Council and does not require an additional increase in rates over and above the assumed 'business as usual' rate increase of 6%, which is already incorporated in Council's Strategic Resource Plan.

3.2 Benchmarking

The benchmarking program in this SRP is derived from financial data contained in annual reports from other councils. This benchmarking ensures data is comparable under the current regulations.

The State Government measures councils' performance by benchmarking between councils and establishes a number of Key Performance Indicators (KPIs) for each council to use.
The KPIs have been derived from Councils' Annual Reports.

The number of councils in each category is shown in the table below.

Category Description	Councils within Category
Inner Melbourne	**16**
Outer Melbourne	**15**
Regional Cities	**11**
Large Shires	**16**
Small Shires	**21**
Total	**79**

Table 2: Number of Councils in each Category– 2011/12

These key performance indicators are detailed within the relevant chapters of the SRP, and assist Council to compare its position to other small rural councils.

3.3 Analysis of Council's Financial Sustainability

3.3.1 Financial Sustainability

The concepts most people use in their personal and business lives are basically the same as those that should be applied to local government; however, those concepts need some modification.

Councils are perpetual corporations that manage intergenerational community services and assets. Councils provide the legal framework by which communities own infrastructure and assets collectively.
The Australian Local Government Association's (ALGA's) definition of financial sustainability is worth noting:

> *"A Council's long-term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."*

It is against this definition then that the sustainability of Murrindindi Shire Council can be assessed.

Underlying Operating Position (Surplus/Deficit)

The underlying operating result as defined by the Institute of Chartered Accountants (2009) is a measure of the financial sustainability of a Council. Continuous underlying operating deficits lead to a loss in equity, reduction in asset base, drop in service standards over time and a deferral of costs to future generations.

The underlying operating result is the operational result (balanced, surplus or deficit) less gifted assets, developer contributions, asset revaluations, and write offs and impacts of asset sales. Capital income is further deducted on the grounds it represents an "unmatched" income (expenditure is not included) and it is a non-recurring income source.

Murrindindi Shire Council had an underlying operating deficit at 30 June 2013 of $7.01 million with projections to retain a deficit position for 9 years. This means that Council is unable to cover its Infrastructure Renewal Gap, generate cash to cover unforeseen expenditure or to operate beyond its current level of service delivery from 2013-14 onwards.

Liquidity

The MAV assessment asserts a working capital ratio of 100 percent is generally considered desirable. The analysis considers that Councils with working capital above 150 percent over the life of the plan is not a favourable indicator when considering the cash restrictions of $8.01 at 2023 together with the Infrastructure Renewal Gap shortfall of $6.01 million.

Rate effort

The ability to increase rate revenue is a significant factor in determining whether Council is potentially at risk. Council's rating effort has been satisfactory although when benchmarked was below the average effort of the small rural council group.

Cost and efficiency

Council's employee cost as a percentage of total adjusted expenditure for 2012/13 is 33.5 percent, compared to small rural council average of 38.53 percent.

Capital expenditure measured as a percentage of adjusted total expenditure for 2012/13 is 26.4 percent compared to the small rural council average of 30.12 percent.

Rates affordability

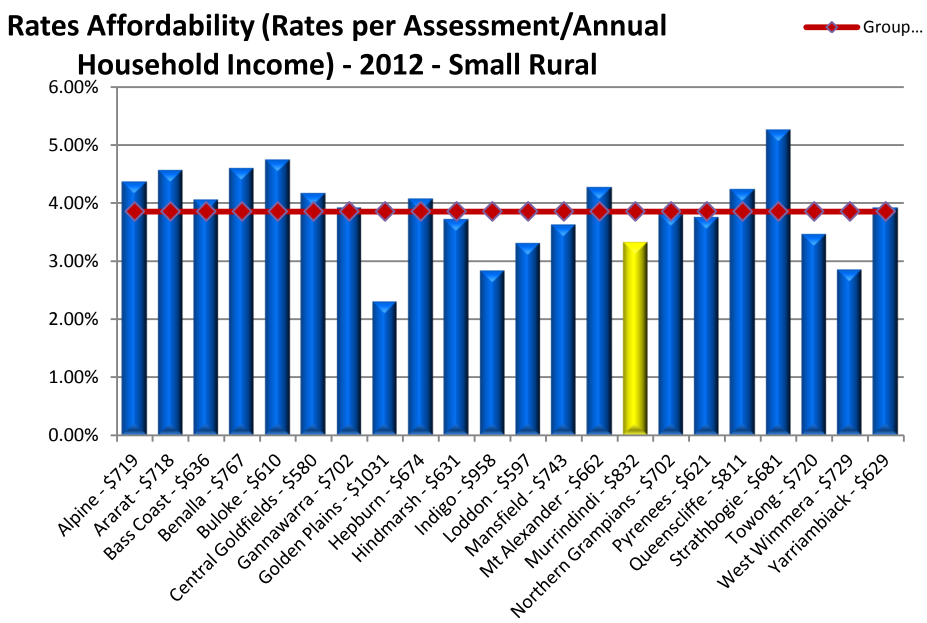
Australian Taxation Office (ATO) income data for wage and salary earners (PAYE) can be used to give some indication of rates affordability.

The Australian Bureau of Statistics (ABS) produces a set of social and economic indices known as SEIFA.

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

These indices arising from 2011 are not yet available. However, recent work undertaken for Council has compared Murrindindi to other small rural Councils.

This work noted that Murrindindi's capacity to raise revenue from rates and charges is moderately low relative to other like Councils.



Population growth

Population changes have a direct impact on Council costs. For example, population declines can result in higher unit costs of service delivery because of the fixed nature of some costs. There is a direct correlation to population and Council's comparatively low rate base. From 13,672 in 2006 to 13,058 in 2011 the overall population of the Shire declined by some 4.4% and the 2009 Bushfires contributed to this overall decline. Another contributer to Council's reduced rate base is the effect of the State Government Buy Back scheme which has also diminished Council's revenue from rates by some 0.2%.

3.3.2 Victoria Auditor General

The Victoria Auditor General's Office (VAGO) in late 2007 prepared a report on Local Government which outlines for the first time a detailed analysis on the financial sustainability of Councils and Regional Library Corporations.

The 2011/12 Result compared to the five (5) year average for VAGO's indicators of Council viability are:

Risk Ledger

High risk of short-term and immediate sustainability concerns

Medium risk of long-term sustainability concerns

Low risk of sustainability concerns

Indicator	Calculation	Description	Results 2011/12	Five (5) Year Ave	Actual Trend
Underlying result	Adjusted net surplus / total underlying revenue	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term. Underlying revenue does not take into account non-cash developer contributions and other one-off (non-recurring) adjustment	23.73%	**5.08%**	
Liquidity	Current Assets / Current Liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio one or more means there is more cash and liquid assets than short-term liabilities.	2.34	**2.54**	
Indebtedness	Non-current liabilities/own sourced revenue	Comparison of non-current liabilities (mainly comprising of borrowings) to own-sourced revenue. The higher the percentage, the less able to cover non-current liabilities from the revenues they generate themselves. Own-sourced revenue is used (rather than total revenue) because it does not include capital grants, which are usually tied to specific projects.	27.25%	**20.34%**	
Self-financing	Net Operating cash flow/ underlying revenue.	Measures the ability to replace assets using cash generated by their operations. The higher the percentage, the more effectively this can be done.	29.20%	**19.64%**	
Investment Gap	Capital Spend: Depreciation	Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations, and borrowing is not an option	3.58	**8.0**	
Renewal gap	Renewal and upgrade expenditure / Depreciation	Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate. Similar to the investment gap, this is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option	1.61	**1.63**	

Table 3: Murrindindi Shire Council VAGO Indicators of Council Viability

Whilst Council's liquidity ratio in 2011/12 is 1:2.34 and is projected as favourable in 2013/14, when taking into account the cash required for restricted purposes and the investment required to meet the renewal gap, cash is not being generated at sufficient levels. This is exacerbated by the incidence of recurrent deficits and reflects the impact of costs associated with maintaining gifted assets.

3.4 Operating Surplus Exclusive of Capital Income and Abnormal Items

One of Murrindindi Shire Council's long-term financial goals is to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the operating statement) and abnormal items such as granted assets.

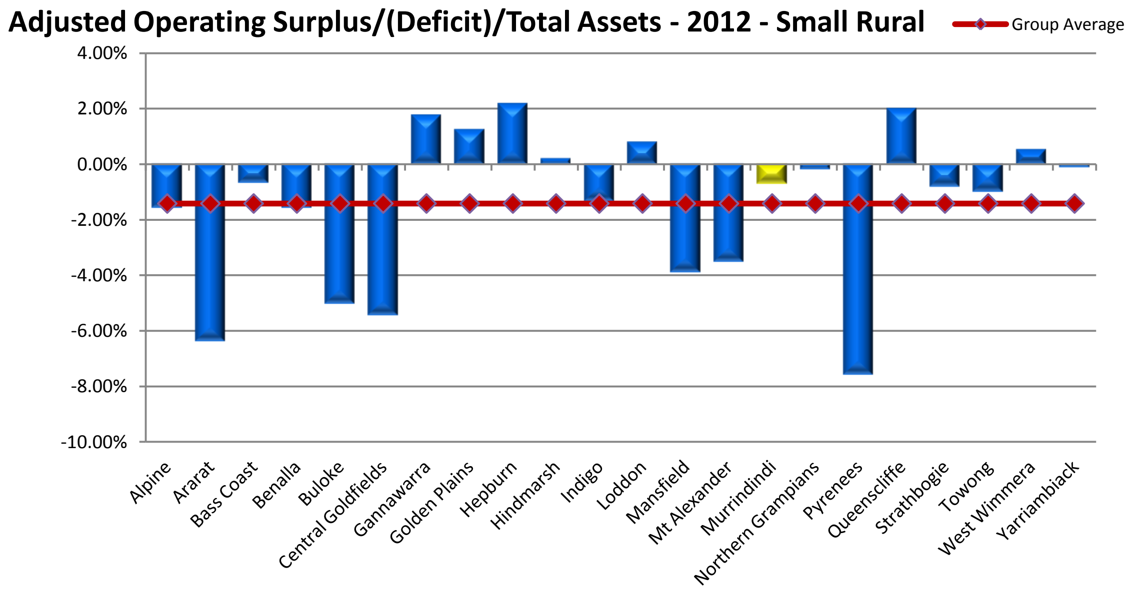


Chart 2: Adjusted Surplus / Deficit – 2011/12

Council's 2011/12 position compares favourably within the small rural council category at $2.14 million for underlying operating deficit. However Council's underlying position for 2012/13 and 2013/14 is a $7.01 million deficit and a $4.82 million deficit respectively. It is clear that with ongoing underlying operating deficits over the next ten years that assistance from the State Government is crucial for Council's long term sustainability.

3.4.1 Strategic Direction

1. That Murrindindi Shire Council continues to benchmark with other Victorian councils and those within the small rural council category.
2. Council has applied the outcomes of this SRP to the 2013/14 Budget.
3. That in order to reduce ongoing underlying operating deficits, Council will require State Government assistance beyond 2013/14.

4. SERVICE PROVISION AND PLANNING

4.1 Introduction

The range and level of services that Council can provide was considered as part of the development of the Murrindindi Services Review 2012.

This review recognised that as a result of the new and gifted assets arising from the February 2009 bushfires, Council must reconsider the level of services that can be provided. The Services Review actions, in relation to specific service levels, was completed in 2012-13, however, opportunities for further efficiency gains and income from asset sales will be continued through the life of this SRP.

In addition, as part of the work being undertaken as part of Council's Asset Management Planning processes, service levels will also be considered.

4.1.1 Departmental Business/Operation Plans

Council has instituted a process whereby departmental business plans define concise actions/plans and outline a department's commitment for the next financial year.

They illustrate core functions, service improvements and assist with forward planning and resource allocation and demonstrate relationships and expectations, both from within and external to the organisation.

4.1.2 Murrindindi Shire Council Budget

Council's operation includes provision of building, planning, economic development services, community services, infrastructure planning, operations and corporate support services including finance, information technology, asset management and organisation development.

The LTFP Model generated the key results and reports which were transferred to the Murrindindi Shire Council Budget 2013/14.

Council's operating costs and revenues for 2013/14 are $31.12 million and $31.15 million respectively with forecasts for the next 10 years contained in Appendix C. The Capital Works Program is explained in more detail in Section 5.

4.1.3 Benchmarking Murrindindi Shire Council Financial Performance

When benchmarked to other small rural councils, Murrindindi Shire Council is characterised by:

- Underlying deficit.
- Medium level overall operational costs (including employee costs) in comparison to Councils in the category.
- High rating effort.
- Acceptable to low debt ratios, and
- Inadequate capital works program for asset renewal causing widening of the infrastructure renewal gap.

4.2 Conclusion

Managing its financial sustainability and the range and level of services provided will remain an ongoing challenge for Council. This work continues in the context of improving financial sustainability, linking infrastructure planning to service planning and resource constraints as well as Council's advocacy for State Government assistance.

Council has demonstrated clear decision making in allocating scarce resources as part of the implementation of the Murrindindi Services Review. However, this SRP demonstrates that even with prudent financial management cash is not generated to sufficient levels.

5. CAPITAL WORKS PROGRAM

5.1 Introduction

The previous section discusses the long-term issues with respect to *Service Planning*.

It should be noted that 56 per cent of the capital expenditure is on renewal and upgrade type projects in the capital works program for 2013/14.

The total capital program of $10.25 million is composed of $4.50 million in new assets and $5.75million in renewal and upgrade.

This section includes:

- Level and nature of capital works.
- Capital funding sources.

Capital expenditure represents 65.54 percent of rate revenue in 2013/14. The benchmark for 2011/12 capital expenditure levels by small rural councils is illustrated below:

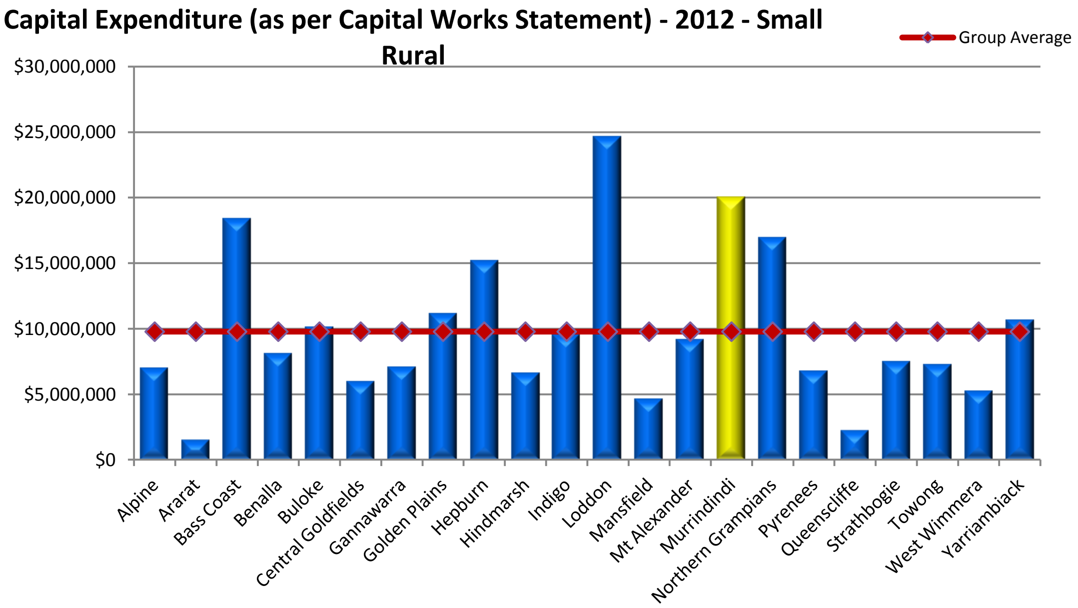


Chart 3: Capital Expenditure per Capital Works Statement – 2011/12

Capital expenditure is $19.98 million in 2011/12 being higher than the average of $10.00 million. Capital expenditure per assessment in 2011/12 is $698 per assessment compared to $1,265.15 for the average Small Rural's. The level of capital expenditure in that period represented an abnormal amount of expenditure attributable to Bushfire and Natural Disaster funded works in that year. The focus from 2013/14 onwards is on renewal works as opposed to new and upgrade works in order to address the Infrastructure Renewal Gap and will retun to 'normal' levels of expenditure.

5.2 Level and Nature of Capital Works

The following are the key objectives around which the 2013/14 capital works program has been developed:

- Show proposed total available capital funding across the life of the program,

- Gradually shift capital expenditure away from new and upgrade to renewal.
- Demonstrate the effect of generating an infrastructure reserve,
- Set the parameters that facilitate the development of a more detailed capital works plan, and
- Identify funding sources for capital funding.

In terms of the longer term program to 2022/23 the following parameters/assumptions apply:

- Large one-off projects flagged in subsequent years require accurate costing to be undertaken and their timing and priority finalised.
- Priority will continued on renewal, followed by upgrade with expansion the most discretionary.
- Expenditure growth is required to a level of sustainable renewal to meet the community's service level requirements (based on current Asset Management Plans) by 2020/21.
- Income assumptions are to remain conservative given they are less predictable, and
- Roads to Recovery income is assumed to continue at current level spread across relevant projects within the Roads Program.
- Investment on reducing the renewal gap has been factored in for the life of the Long Term Financial Plan.
- Whilst Council's focus is to invest in renewal projects through to 2023, there is insufficient generation of cash to close the unfunded Infrastructure renewal gap over the next 10 years. The overarching concern is that without State Government assistance, the Infrastructure Renewal Gap will continue to accumulate for the life of the Long Term Financial Plan and beyond.

5.3 2013/14 Capital Investment Levels

The 2013/14 capital works program by expenditure type is detailed hereunder:

Table 4: Capital Works Summary – 2013/14

Capital Expenditure Type	2013/14 $	2013/14 %
Renewal	**4,501,000**	**44.0%**
Upgrade	**1,165,000**	**11.0%**
New	**4,588,000**	**45.0%**
TOTAL	**10,254,000**	**100.0%**

5.4 Capital Funding Sources

The development of a 10-year capital improvement program has enabled a cash flow budget to be developed.

External capital funding sources primarily include capital grants.

Internal capital funding sources include land sales, asset sales, special charge schemes and general rates. The SRP forecasts capital funding sources conservatively.

Over the longer term there is insufficient cash to close the Infrastructure Renewal Gap which accumulates by approximately $1.50 million per annum. There is little capacity in terms of cash to consider the expansion of new and upgrade capital works projects.

5.5 Conclusion

Council's capital works program underpins the needs and priorities as determined by Council's 10 year capital improvement plan.

Council has met the challenge of preparing Asset Management Plans to achieve NAMAF core competency and is now progressing the implementation of the Improvement Actions from these Plans.

Their input into the annual review of the capital works program will ensure that Council's objective of addressing its renewal gap.

Council's 10 year capital improvement program is modest in scope and is underpinned by limited financial capacity.

5.5.1 Strategic Direction

That Murrindindi Shire Council initially focuses capital works on renewal investment based on current service level and maintaining the majority of assets above desired intervention levels indicated in Table 7 (Section 6.6 Condition Assessment), with the next priority on upgrade and expansion.

6. ASSET MANAGEMENT

6.1 Introduction

Linking asset management to Council's strategic financial direction is fundamental to achieving the goal of long-term financial sustainability.

This section includes:

- Background to Council's total asset portfolio at 30 June 2013.
- Summary of fixed assets.
- Key questions to determine service level/investment.
- Sustainability index.
- Condition assessments.
- Strategic asset management, and
- Future asset management.

6.2 Background to Council's Total Asset Portfolio at 30 June 2013

Accounting for an asset requires the recognition of all costs associated with asset ownership including creation/acquisition, operations, maintenance, rehabilitation, renewal, depreciation and disposal.

This "life cycle" approach needs to be recorded at an individual asset level to enable all costs of owning and operating assets are known and understood.

For accounting purposes assets are grouped into current and non-current assets. Current assets are cash or those assets that are considered to be readily convertible to cash. This asset grouping includes cash at bank, investment funds, stock on hand, debtors and land held for resale. The projected balance of current assets held by Murrindindi Shire Council at 30 June 2013 is projected to be $17.20 million.

Non-current assets consist of Council's debtor accounts not expected to be collected in the coming 12 months and Council's fixed assets. Fixed assets consist of land, buildings, plants, furniture, roads, drains, playgrounds and other similar infrastructure assets. The projected total value of fixed assets at 30 June 2013 is $298.12 million. The balance of this section will focus on the fixed assets and the management strategies that Council is pursuing.

6.3 Summary of Fixed Assets

Councils all over Australia are facing the problem of ageing assets in need of renewal. Many of these assets were not initially funded by councils, but came by State and Federal government grants, developer contributions, or from a shift of responsibilities for State owned assets to Local Government.

In December 1998, the then Department of Infrastructure (DOI) undertook a Victorian Local Government Infrastructure Study – "Facing the Renewal Challenge".

Council has subsequently increased its investment in renewal and maintenance to the present level.

Council's projected fixed assets at 30 June 2013 are detailed below:

Fixed Assets	WDV 30 June 2013 $000's
Property Plant and Equipment	29,533
Infrastructure Assets	268,583
TOTAL	298,116

Table 5: Fixed Assets and Land Held for Resale – 2012/13

Depreciation charges, that is, the useful life and the rate at which the economic benefits are consumed, is reassessed following asset condition assessments and when general valuations are undertaken.

All changes to depreciation charges have been passed by Council's external auditor and reported to Council's Audit Committee prior to being adopted by Council. The increase of depreciation charges in 2013/14 is also reflective of Rail Trail and gifted assets being brought to account. The increase in depreciation charges going forward has the effect or requirement to set aside additional cash for renewal of new and gifted assets.

Council's depreciation charges as a percentage of its total assets are benchmarked and depicted in the following graph:

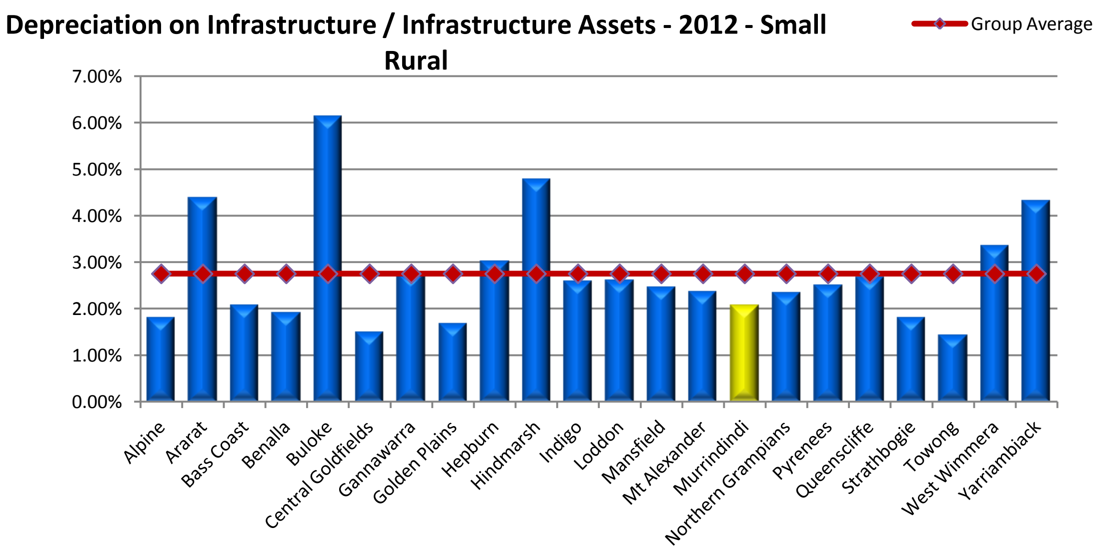


Chart 4: Depreciation on Infrastructure/Infrastructure Assets – 2011/12

6.4 Sustainability Index

The Department of Infrastructure's (DOI's) "infrastructure study" calculated a sustainability index for each Victorian council. The sustainability index indicates the extent of the gap between a council's current investment in asset renewal and the required level of investment to ensure the asset remains serviceable for its useful life. This is determined largely by historical factors and the long term sustainable level of costs for the existing assets. The index measures future management requirements of each council.

Type of Expenditure	Definition	Purpose/Example
Maintenance	Expenditure on an asset that maintains the asset in use, but does not increase its service potential or life.	Life extension: Extending asset lives by repair, reducing average annual consumption costs and renewal rates, eg. Repairing a single pipe in a drainage network or a pothole.
Capital Renewal	Expenditure on an existing asset or a portion of an infrastructure network which returns the service potential, or extends the life of the asset, to its original potential.	Retains an existing service level, e.g. Re-sheeting a road reseals, resurfacing an oval.
Capital Upgrade	Expenditure on upgrading the standard of an existing asset to provide a higher level of service, or to extend the life of the asset beyond its original standard.	Increases the quality of service provided to ratepayers or provides new services, eg. Widening the pavement of a sealed area of an existing road.
Capital Expansion	Expenditure on extending an infrastructure network at the same standard enjoyed by existing residents to a new group of users.	Extends services to newly developing areas of the Shire where there are new ratepayers, eg. Extending a road or drainage network, new pre-school.
**The average annual asset consumption is a measure of the asset consumption costs being incurred today. To the extent that they are not funded by today's ratepayers, the annuity becomes one for future generations*		

Table 6: Sustainability Index – Definitions – 2013/14

The sustainability index is an accounting measure based on the difference, expressed as a percentage, between Council's annual depreciation charge and renewal annuity.

Murrindindi Shire Council's Sustainability Index projected at 30 June 2014 is 65.00%. The sustainability Index (renewal) indicates the extent to which current ratepayers are contributing to the assets they are now consuming.

As identified in Section 1.3 Council has also participated in the Local Government Financial Sustainability Review. This has highlighted the challenges facing small rural municipalities in maintaining their long term financial sustainability.

6.5 Condition Assessment

Monitoring asset condition and performance relates to the ability of the asset to meet targeted levels of service.

Asset condition reflects the physical state of the asset and the functional level of service it is capable of providing.

Monitoring asset condition and performance throughout the asset life cycle is important in order to identify underperforming assets or those which are about to fail – that is, assets at the critical renewal level where if reinvestment is not funded the cost of future renewal will exponentially increase along with the risk of the asset being below accepted service levels .

Murrindindi Shire Council has developed its Asset Management System to readily monitor asset condition and performance and to:

- Identify those assets which are under performing.
- Predict asset failure in order to determine when intervention will be required.
- Ascertain the reasons for performance deficiencies, and
- Determine what corrective action is required and when (maintenance, rehabilitation, renewal).

The Asset Management System records asset condition and asset defects/inspection details; it is also capable of providing financial management and year-end accounting and valuation data.

Priority is on funding the annual renewal annuity based on predetermined service levels which are shown in the table below.

MURRINDINDI COUNCIL – ASSET CONDITION INTERVENTION LEVELS	
ASSET SET	IL LEVEL
Pavement (High Traffic) Urban	8.0
Pavement (Low Traffic) Urban	8.0
Pavement (High Traffic) Unsealed	8.0
Pavement (Low Traffic) Unsealed	8.0
Spray Seal (High Traffic) Urban	6.0
Spray Seal (Low Traffic) Urban	6.0
All Kerbs	8.0
Pavement (High Traffic) Rural	8.0
Pavement (Low Traffic) Rural	8.0
Spray Seals (High Traffic) Rural	6.0
Spray Seals (Low Traffic) Rural	6.0
Carpark Pavements	8.0
Carpark Seal	6.0
Concrete Pathways & areas	9.0
Brick Paved Pathways & areas	8.0
Sealed Pathways	8.0
All other Pathways	9.0
Long Life Bridges	8.0
Short Life Bridges	7.5
Pits	9.0
Pipes	9.0
Community Build Structure Long Life	8.0
Community Build Structure Short Life	8.0
Community Build Roof Structure	8.0

MURRINDINDI COUNCIL – ASSET CONDITION INTERVENTION LEVELS	
ASSET SET	IL LEVEL
Community Build Mechanical Services	8.0
Community Build Building Fit Out	8.0
Playground Equipment	7.0
Corporate Build Structure Long-Life	8.0
Corporate Build Structure Short-Life	8.0
Corporate Build Roof-Structure	8.0
Corporate Build Mechanical-Services	8.0
Corporate Build Building Fit-Out	8.0

Table 7: Asset Condition Intervention Levels– 2012/13

Council has recent condition data for the majority of its major asset categories and has completed Asset Management Plans.

The benefits of knowing the current condition and performance (level of service) an asset provides are:

- Ability to plan for and manage the delivery of the required level of service.
- Avoid premature asset failure, leaving open the option of cost-effective renewal.
- Manage risk associated with asset failures.
- Accurate prediction of future expenditure requirements, and
- Refinement of maintenance and rehabilitation strategies.

Council, as asset manager, assess the relative merits of rehabilitation,renewal or replacement as options and identifies the optimum long-term solution. The following graph depicts the predicted level of renewal expenditure required across all asset categories for Murrindindi Shire Council from 2013-2023.

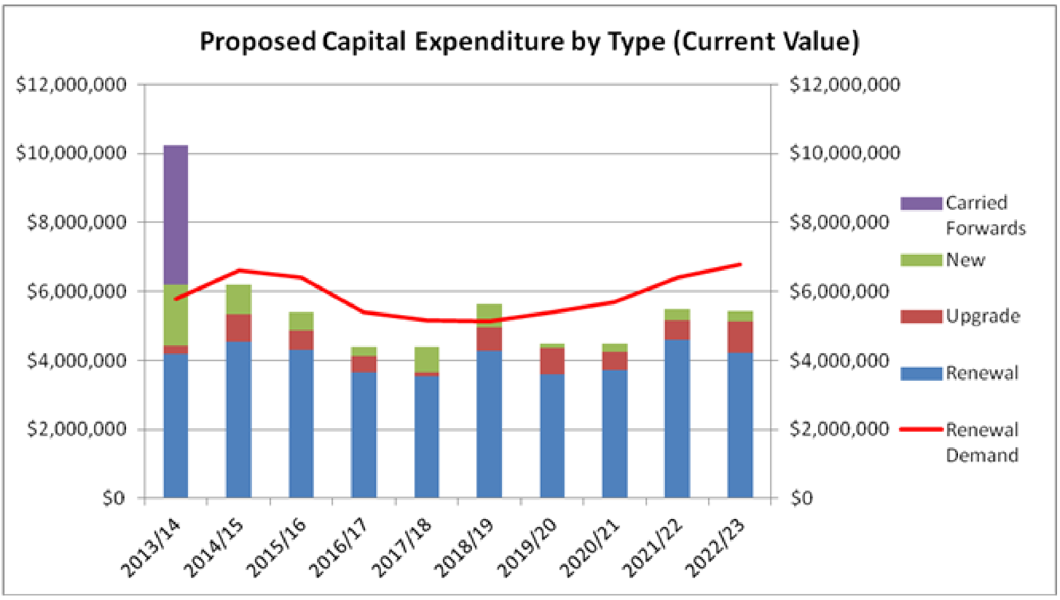


Chart 5: Proposed / Predicted Renewal Expenditure Chart – 2022/23

6.5.1 Projected Service Levels – Key Asset Classes

Murrindindi Shire Council's sustained level of growth and the significant levels of new and gifted assets coming onto the asset data base mean that the costs to renew the assets in future years will increase significantly. Current results derived from the Murrindindi Shire Council Long Term Financial Plan are summarised in the following Charts showing the majority of expenditure allocated to renewal. The charts also indicate the ratio of renewal expenditure to renewal demand expressed as a percentage.

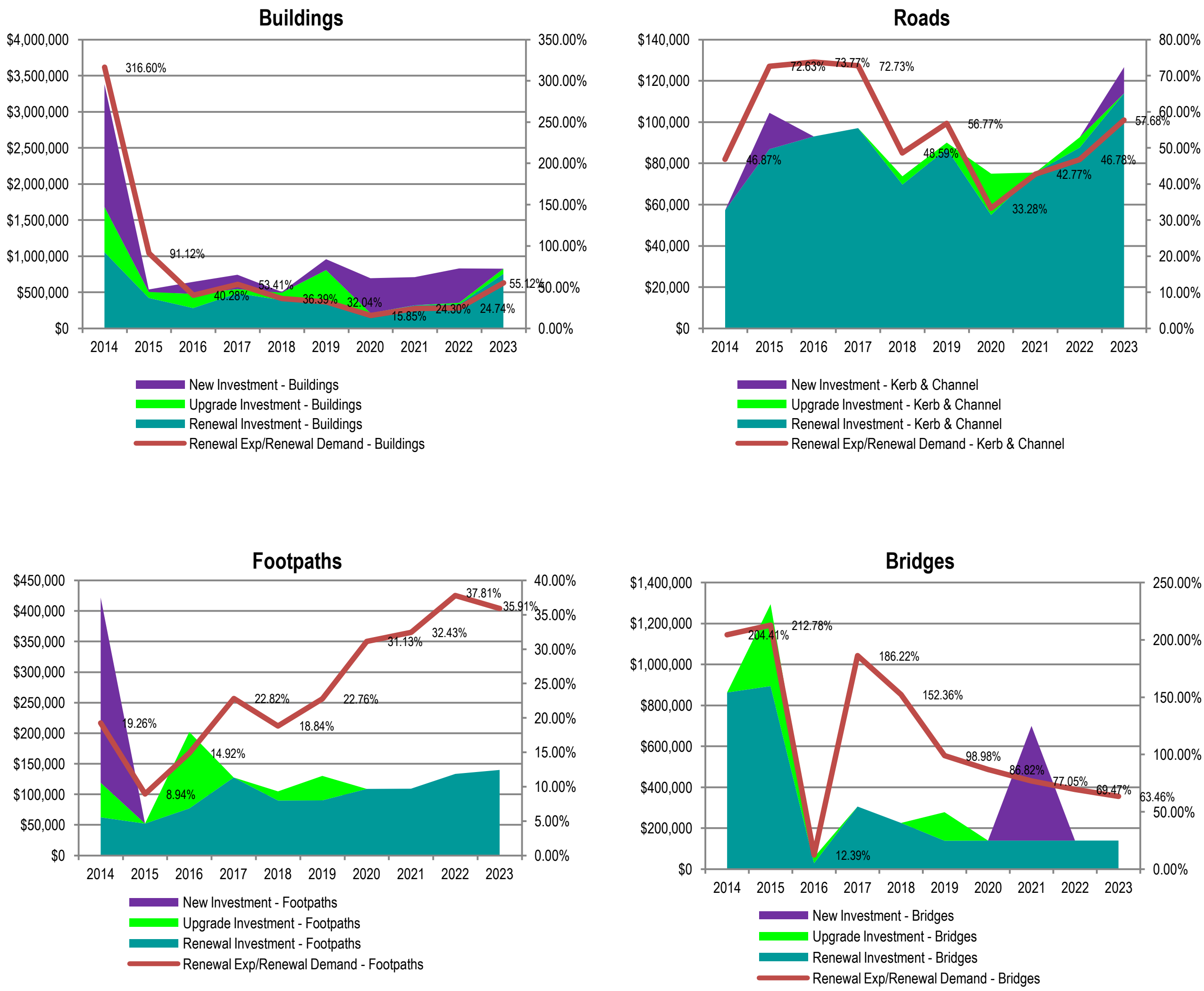


Chart 6: Predictive Modelling – Buildings, Roads, Footpaths and Bridges

6.6 Strategic Asset Management

Council reviews its Asset Management Policy reviewed on a triennial basis.

Other major elements are the Asset Management Strategy which details specific actions to be undertaken by Council to improve asset management capability and achieve specific strategic objectives.

Asset Management Plans are subsequent components where long-term plans (10-years and beyond) outline renewal requirements for each asset category.

The table below explains the purpose and typical contents of these documents:

Asset Management Strategy	Asset Management Plans
Specific actions to be undertaken by Council in order to improve or enhance asset management capability and achieve specific strategic objectives.	Long-term plans (usually 20 years or more for infrastructure assets) that outline the asset activities for each service area.
Develops a structured set of actions aimed at enabling improved asset management by Council.	*Outlines actions and resources to provide a defined level of service in the most cost effective way.*
• A description of the current status of asset management practices (processes, asset data and information systems). • Organisation's future vision of asset management. • A description of the required status of asset management practices to achieve the future vision. • Identification of the gap between the current status and the future vision (a "gap analysis"). • Identification of strategies and actions required to close the gaps, including resource requirements and timeframes.	• A summary of Council's strategic goals and key asset management policies. • Definition of levels of service and performance standards. • Demand forecasts and management techniques. • Description of the asset portfolio. • A broad description of the lifecycle management activities for operating, maintaining, renewing, developing and disposing of assets. • A cash-flow forecast. • Key asset management improvement actions including resources/ timeframes.

Table 8: Asset Management Plan Objectives & Document Content

Council has identified the asset renewal demand, however planned renewal expenditure is insufficient to avoid an accumulating renewal gap over the next 10 years.

7. LONG-TERM BORROWING STRATEGIES

This section includes:

- Measuring what level of debt is appropriate.
- Loan borrowings policy.
- Financial indicators.
- Prudent debt level, and
- Council's current and projected debt portfolio.

7.1 Measuring which level of Debt is Appropriate

Deciding on a prudent debt level is a difficult task.

Each Council is different and the level of debt that is appropriate for Council may not be acceptable for another Council.

The following factors are important issues for Council:

- level of debt servicing as a proportion of rate revenue.
- ability to raise revenue in addition to rates.
- level of realisable assets to support the indebtedness.
- achieving the right mix of capital works and debt commitments.
- growth rate of municipality.

- community needs, and
- demographics

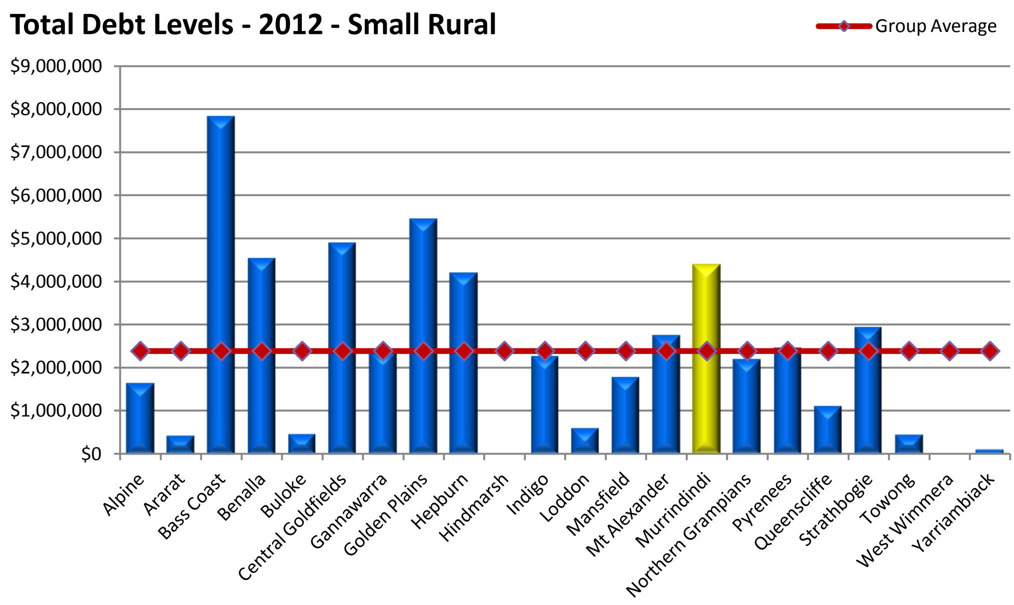
The table below highlights the relative debt levels of Councils within the Small Rural Council grouping at 30 June 2012. Council's relative debt level is also shown.

Council	Debt Servicing / Adj. Total Revenue	Debt Commitment / Rates	Total Liabilities / Realisable Assets	Debt Commitment / Own Source Revenue	Total Debt / Own Source Revenue	Total Debt / Rate Revenue
Alpine	0.41%	2.51%	2.38%	2.01%	9.64%	12.04%
Ararat	0.06%	0.53%	0.64%	0.45%	2.82%	3.33%
Benalla	1.49%	9.19%	5.87%	7.58%	27.95%	33.88%
Buloke	0.44%	1.51%	1.15%	1.27%	4.02%	4.77%
Central Goldfields	1.56%	5.39%	6.34%	4.10%	37.11%	48.79%
Gannawarra	0.79%	5.15%	3.47%	3.72%	17.60%	24.37%
Golden Plains	1.24%	16.60%	7.99%	8.85%	23.59%	44.27%
Hepburn	0.85%	5.15%	4.58%	2.92%	16.21%	28.58%
Hindmarsh	0.11%	0.31%	0.00%	0.22%	0.00%	0.00%
Indigo	0.52%	5.16%	2.56%	3.39%	12.94%	19.70%
Loddon	0.15%	2.17%	0.76%	1.18%	4.08%	7.49%
Mansfield	0.98%	5.68%	4.96%	3.09%	9.65%	17.70%
Mt Alexander	0.73%	3.61%	4.01%	3.14%	15.18%	17.47%
Murrindindi	1.24%	7.25%	4.07%	5.07%	22.62%	32.33%
Northern Grampians	0.67%	5.69%	2.43%	5.02%	15.13%	17.16%
Pyrenees	1.14%	6.50%	3.91%	5.02%	27.40%	35.42%
Queenscliffe	0.98%	8.14%	1.91%	5.77%	14.36%	20.25%
Strathbogie	0.83%	4.80%	4.03%	4.10%	19.24%	22.54%

Table 9: Council Comparison Debt Levels within Small Rural Council Group – 2011/12

In terms of total debt levels, Murrindindi Shire Council is generally higher than the Small Rural Council grouping, refer to the chart below. However, over the life of the Long Term Financial Plan, Council's debt level diminishes from $3.70 million in 2013/14 to $2.17 million in 2022/23.

Chart 7: Comparison of Total Debt Levels within Small Rural Group



In order to track the trend in Council debt position, the table below confirms that debt levels will decrease by $0.425 million from 30 June 2011 to 30 June 2014, the end of the first year's budget developed as part of the SRP.

Despite the increase in loan liability, relative debt ratios for the Council will remain well within State Government Prudential Guidelines throughout the life of the SRP and become more favourable as the level of debt reduces over the life of the Long term Financial Plan.

Table 10: Council's Interest Bearing Liabilities

Debt Type	Term	Matures	Position at 30 June 2011 $'000s	Forecast at 30 June 2012 $'000s	Forecast Position at 30 June 2013 $'000s	Budget 30 June 2014 $'000s
Loans			4,125	4,377	4,059	3,700

7.2 Borrowing Assessment Policy

Murrindindi Shire Council assessed its capacity to borrow against the Victorian State Government's Prudential Guidelines.

The administration of the Local Government sector's borrowing involves:

- The collation of the sector's borrowing requirements through an annual survey.
- The assessment of individual Murrindindi Shire Council's borrowings, and
- Recommendation to the Department of Treasury and Finance (DTF) of the aggregate net new borrowing requirement of the sector.

All borrowings by individual Councils are assessed under a borrowings assessment policy adopted by the Local Government Division.

The policy identifies key areas of financial management with certain thresholds that are required to be met.

Detailed below is Murrindindi Shire Council's current and projected performance on a number of the financial indicators which are necessary for borrowing approval by State Government.

Table 11: State Government Prudential Guidelines– 2011/12 to 2013/14

Area	Financial Indicator	Threshold (Prudential Guidelines)	Position 2011/12	Forecast 2012/13	Budget 2013/14
Liquidity	Current Assets to Current Liabilities	**1.5**	**2.3**	**2.1**	**2.0**
Debt Exposure	Total liabilities over total realisable assets	**50%**	**4.1%**	**8.7%**	**8.7%**
Debt Servicing	Debt Servicing Costs as a % of Total Revenue	**5%**	**1.0%**	**0.9%**	**1.0%**

7.3 What do the Financial Indicators Mean?

Murrindindi Shire Council is well within the State Government Prudential Guidelines as at 30 June 2014.

The graphs below detail the previously mentioned financial indicators and present the council's position graphically.

The threshold detailed against each indicator is the minimum level council must meet in order to achieve approval to borrow from the State Government.

To encourage longer term planning by councils, the framework also includes an assessment of reasons for the new borrowings. This rationale is explained in the council's policy, which is to fund long term intergenerational assets from loan funds to ensure intergenerational equity.

Murrindindi Shire Council's forecast is within the State Government prudential guidelines at 30 June 2012 for most indicators and continue to trend on a favourable basis through to 2022/23. However, whilst these indicators may seem favourable, Council's liquidity, as expressed in the Liquidity Ratio and in terms of being able to meet an accumulated unfunded Infrastructure Renewal Gap is insufficient.

7.3.1 Liquidity

How measured Current assets over current liabilities

Threshold 110 percent or higher

Description This indicator reflects the short-term liquidity position. That is, the council's ability to repay current commitments from cash or near cash assets.

Councils with a ratio of 110 % and below or with a deteriorating trend may be Financially at risk of not being able to meet creditors'. Whilst the Liquidity ratio trends above 110 for the life of the SRP and Long Term Financial Plan, it is not sufficient to cover the cash requirement needs to address an accumulating Infrastructure Renewal Gap.

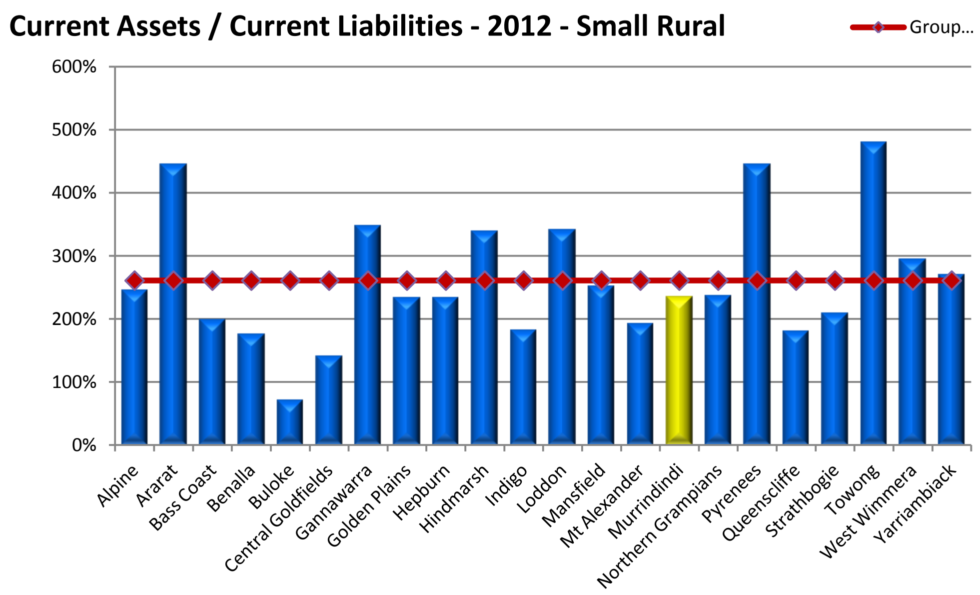


Chart 8: Current Assets / Current Liabilities – 2011/12

Murrindindi Shire Council's working capital ratio as at June 30, 2012 was 230 percent (that is, current assets over current liabilities), which is well in excess of the 110 percent benchmark, which would be the minimum acceptable level. In the longer term it can be seen that Council's overall debt level is declining, servicing debt at a higher level than the level of new borrowings.

7.3.2 Debt Exposure

How measured Total liabilities over total realisable assets

Threshold 50 percent or below

Description This indicator reflects the ability to acquit liabilities with the proceeds from the disposal of its realisable assets. Ideally, total liabilities should be less than 50 percent of realisable assets.

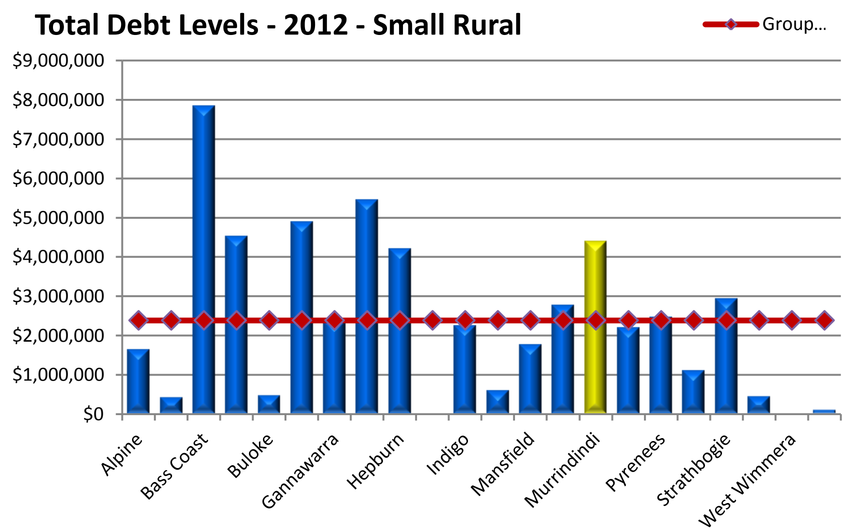


Chart 9: Debt Exposure – Total Liabilities / Total Realisable Assets – 2011/12

Murrindindi Shire Council's exposure of 4.1 percent as at June 30, 2012 is below both the state and Small Rural's average and the 50 % benchmark. This indicator improves as debt levels diminish over the next 10 years from 8.7% in 2013/14 to 4.1% in 2022/23.

7.3.3 Debt Management

How measured Total debt as a percentage of rate revenue

Threshold 80 percent or below

Description The Local Government Act 1989 requires that all loans are secured against the revenue stream from rates. A council with total debt in excess of the revenue from rates would be unable to meet all debt commitments from rate revenue should they be required to be paid at one time. A threshold of 80 percent has been set.

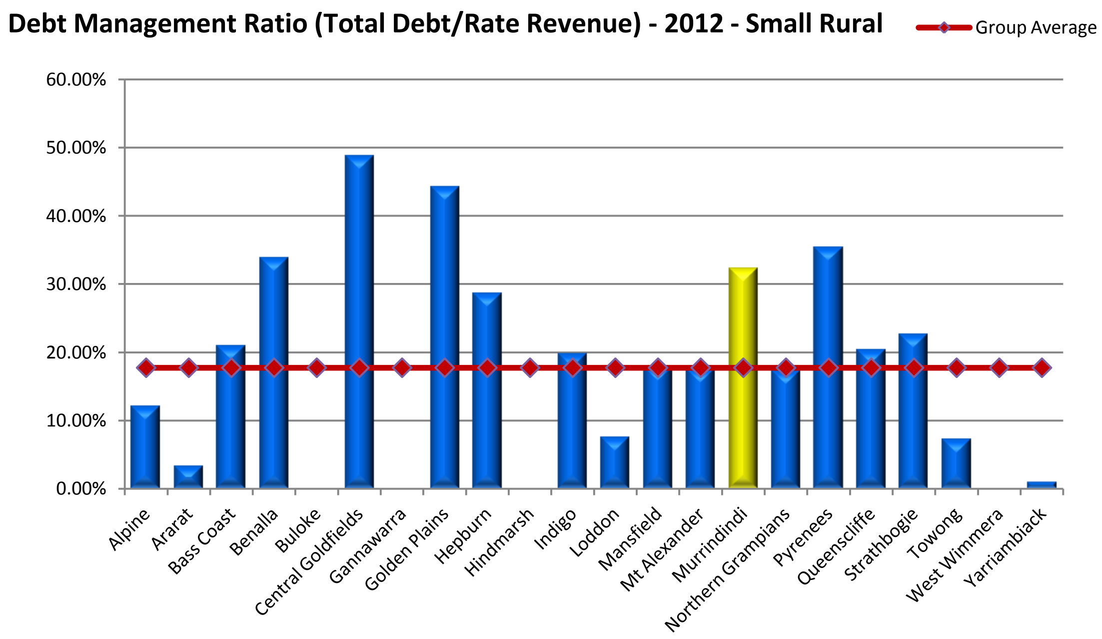


Chart 10: Total Debt as a Percentage of Rate Revenue – 2011/12

Murrindindi Shire Council's debt as a percentage of rate revenue as at June 30, 2012 was 32.7 percent, which is well below the 80 percent benchmark and both the state and Small Rural's average.

This is expected to reduce 23.6% in 2013/14 to 8.2% in 2022/23.

7.3.4 Debt Servicing

How measured Debt servicing costs as a percentage of adjusted total revenue

Threshold 5 percent or below

Description This indicator reflects the proportion of total revenue that is used to service debt (interest on outstanding debt and any loan administration charges) and which cannot be used directly for service delivery. A threshold of 5 percent has been set.

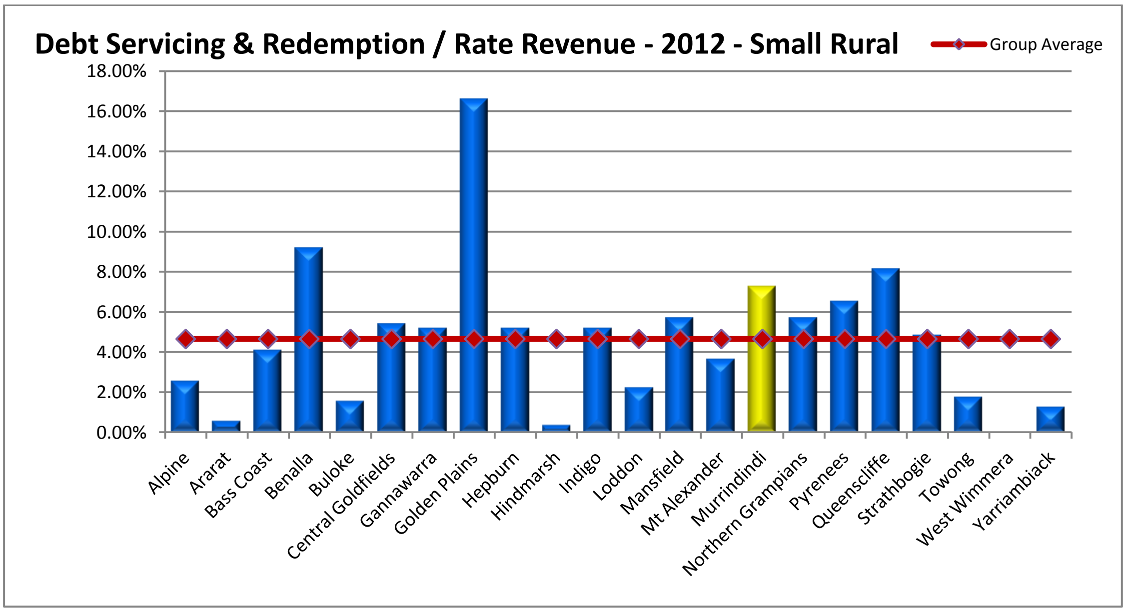


Chart 11: Debt Servicing Ratio (Interest/Total Revenue) – 2011/12

The Murrindindi Shire Council's projected ratio is 0.9 percent at 30 June 2013, has been part of Council's strategy of taking loans over a longer period of time that allows an allocation over each generation of ratepayers and equitable share of the longer term cost of community assets. The Debt Servicing Ratio is below both the State and Small Rural's average and the 5 percent benchmark.

7.4 What is a Prudent Level of Debt?

The following graph introduces an additional financial ratio namely debt commitment costs as a percentage of rates. Debt commitment costs include principal and interest repayments in a year.

The ratio details how much of the Council's rate dollar is being spent to repay debt and interest as an overall percentage of the Council's rate revenue.

This ratio is the most important ratio as it provides the best indicator of the affordability of debt for a community and Council.

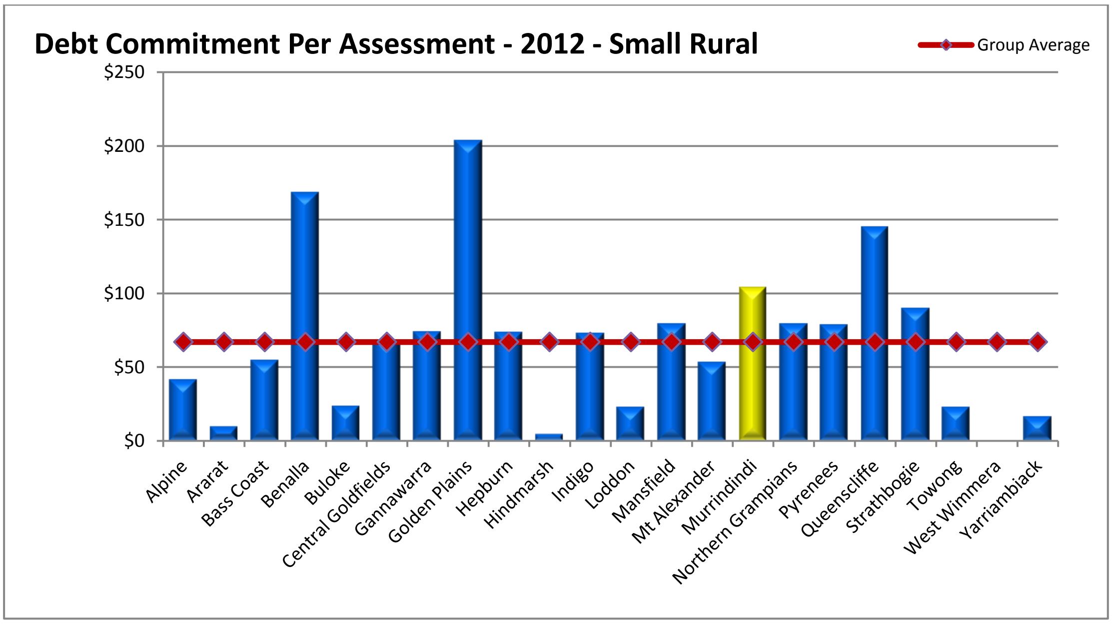


Chart 12: Debt Commitment (per assessment) – 2011/12

Council has determined that a prudent level of debt will not exceed $500,000 in new borrowings per annum over the next 10 years. On that basis, Council's overall debt level is projected to diminish.

In 2012/13 7.5 cents in the rate dollar received serviced debt – both principal and interest payments. This is an affordable level and reflects the benefit of taking out loans over a longer period.

In 2013/14 it is proposed that this figure will decrease to 7.2 cents in the rate dollar received.

Debt is generally used to fund capital expansion projects and for 2013-14 these projects have been earmarked as plant and fleet replacement (i.e. It should not be used for renewal or maintenance) when the asset life is greater than one generation (i.e. often described as intergenerational equity).

The intergenerational equity theory is based on the premise that successive generations and new residents should contribute to infrastructure or facilities that they will enjoy and benefit from.

By borrowing, the Council ensures today's ratepayers are not fully funding these facilities.

There are limits on borrowings due to the costs of interest payments. If the council was to borrow too heavily it would result in an inability to invest in capital works due to funds being consumed in debt repayment. Therefore a balance is important.

7.5 Future Loan Program

The table and chart below highlight the forecast borrowings. Borrowings are decreasing over time with the extinguishing of pre 2013/14 loans by 2018. The Chart below includes the split between current (payable within 12 months) and the total interest bearing facilities.

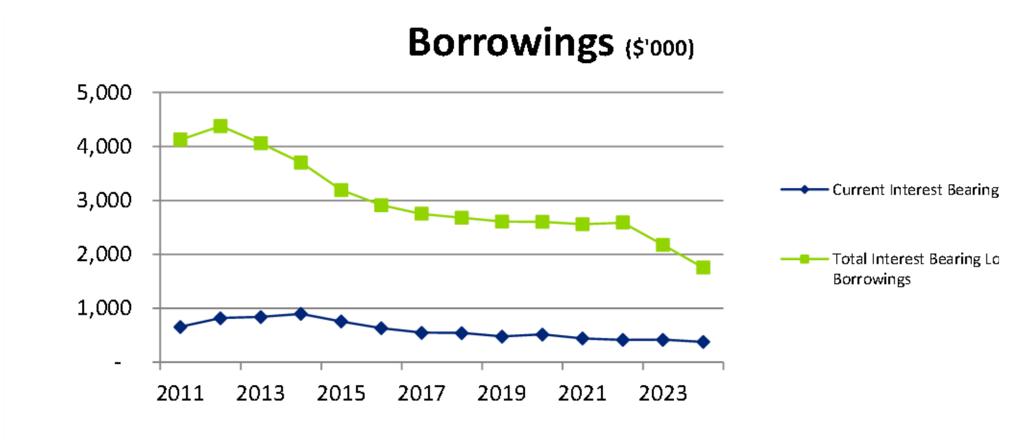


Chart 13: Total and Current Interest bearing Liabilities – 2009/10 – 2022/23

Table 12: Debt, Borrowings and Loan Repayments Summary – 2012/13 to 2022/23

Period start		1 Jul 12	1 Jul 13	1 Jul 14	1 Jul 15	1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22
Period end		30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Total Current Interest Bearing Liabilities	$'000	841	898	756	632	548	543	479	516	443	416	418
Total Non Current Interest Bearing Loans and Borrowings	$'000	3218	2802	2436	2277	2202	2133	2128	2085	2116	2173	1755
Total Principal Repayments	$'000	819	858	1009	782	659	574	570	505	542	470	416
Total Interest Expense	$'000	337	336	257	232	215	206	199	195	192	190	167
Proceeds from Interest Bearing Loans and Borrowings	$'000	500	500	500	500	500	500	500	500	500	500	500

7.5.1 Strategic Direction

1. That Murrindindi Shire Council based on compliance with the State Government Prudential Guidelines, borrows funds for plant and vehicle replacements that provide intergenerational equity, and

2. That Murrindindi Shire Council retains its debt servicing and redemption costs at or below 8.0 cents in the rate revenue dollar, towards interest and principal, over the life of this SRP.

8. RESTRICTED ASSETS

8.1 Introduction

Victorian Councils have traditionally operated with reserve funds that are allocated for specific purposes.

These funds do not have bank accounts of their own but are a theoretical split-up of Council's equity. Discretionary reserves are used only as an indicator of funds for specific purposes and represent what those functions have earned.

8.2 Nature and Purpose of Restricted Assets

Murrindindi Shire Council allocates expenditure for known outlays and revenues, directly to the financial year where the expenditure will be incurred, rather than to specific reserve funds. The traditional transfer to and from reserves is generally no longer undertaken as it is contrary to the requirements of the accounting standards and regulated standard reporting that now applies under the Local Government (Financial and Reporting) Regulations 2004.

The 2013/17 Strategic Resource Plan is framed around having sufficient cash reserves to cover restricted assets which are primarily developer open space contributions, long service entitlements and grant funding.

Murrindindi Shire Council also generally provides for a working capital ratio of 1.5 to meet day to day needs, however, the level of cash is insufficient from 2013-14 onwards wth an accumulating Infrastructure Renewal Gap. This is a reflection of ongoing recurrent deficits due to the inclusion predominantly of the cost of gifted assts.

8.2.1 Long Service leave

The *Local Government (Long Service Leave) Regulations 2012* were enacted on 7 February 2012. The changes to the regulations removed the requirement to have a fully funded cash provision based on previous LSL taken. As a consequence of relaxing of this requirement, Council utilised this reserve to offset the call of $1.9 million from the Defined Benefits Superannuation fund in 2012/13. In recognition that Council needs to fund Long Service Leave calls into the future, Council will provide allocations over the next four years aggregating to 25% of the current Long Service Leave liability when determining its restricted cash requirements. Council continues to recognise employee long service leave entitlements as a liability in accordance with applicable Accounting Standards.

8.2.2 Developer Contributions

Development contribution receipts are payments or in-kind works, facilities or services provided by developers towards the supply of infrastructure (generally by the Murrindindi Shire Council) required to meet the future needs of a particular community, of which the development forms part. This type of contribution is not a stream of revenue that Council can rely on or have discretion over in terms of allocation to a purpose.

8.2.3 Waste Reserve

All income and expenditure relating to waste services is transferred in and out of the Waste Reserve, including capital and operating expenditure. The Waste reserve is effectively a pool of funds reserved for landfill operations, long term rehabilitation of landfills, the operation of kerbside garbage and recycling collection together with the cost of State Government levy increases

8.2.4 Notional Reserves, Amounts held in Trust

It is a requirement of Council to separately identify trust funds or refundable deposits as "restricted assets". While the council is able to access these funds in its day to day treasury management, the financial statements must recognise that a component of its cash balances relates to deposits that may be refundable in the future. Council is required to quarantine cash or accumulate restricted cash to meet these requirements.

Restricted Assets	Estimate 30 June 2013 $000's
Reserves	**5,420**
Amounts held in Trust	
- Refundable Building Deposits	**70**
- Refundable Contract Deposits	**272**
- Refundable Landscaping Deposits	**0**
- Refundable Civic Facilities Deposits	**0**
- Refundable Road Crossing Deposits	**0**
- Refundable Security Deposits	**220**
- Other Refundable Deposits	**246**
Total	**808**

Table 13: Restricted Assets – 2012/13

8.2.5 Strategic Direction

1. That Murrindindi Shire Council builds into its 10 year financial plan the estimated movements in restricted assets and provides for at least $6 million to $8 million in working capital to meet day to day needs.
2. That to ensure sufficient funds are available to meet operational needs, Murrindindi Shire Council retains a cash position of at least $1 million to $2 million after deducting restricted assets, i.e. cash received but not spent or cash to be spent for specific purposes such as developer contributions (infrastructure), waste facility development, employee long service leave payments, security deposits etc.

9. RATING AND OTHER REVENUE STRATEGIES

9.1 Introduction

This section includes:

- Valuations.
- Components of Murrindindi Shire Council's rating base.
- Background to present rating system.
- Rates Affordability.
- Rating Strategy.
- Rates and Charges Budget 2012/13.
- Waste services.
- Grant revenue.
- Victoria Grants Commission, and
- Fees and charges revenue.

9.2 Valuations

Valuations are conducted under the provisions of the *Valuation of Land Act (1960)* with each separate occupancy on rateable land computed at its net annual value (NAV), capital improved value (CIV), and site value (SV).

Valuations are carried out using *Valuation Best Practice Principles* as set down by the State Government Valuer General. In Murrindindi Shire Council the Valuer is appointed via a competitive process on a two year cycle as general valuations are required every two years to ensure a common date is used for all valuations. Data on every property is recorded and used by the appointed valuer, along with sales, rentals and other information to determine the valuations.

A general valuation (revaluation) establishes the value of a property relative to all other properties, that is, its market relativity. Valuations form the basis of Murrindindi Shire Council's rating system; therefore, their accuracy is of paramount importance.

The 2012 revaluation was undertaken based on property values at 1 January 2012.

The revaluation does not in itself raise the total rate income for Murrindindi Shire Council, as the rates are distributed based on the property value of all properties across the municipality. As a result of the revaluation, some property owners may pay more in rates and others less, depending on their new property valuation, relative to others.

9.2.1 Definitions of valuations

Murrindindi Shire Council uses the capital improved method of valuation (CIV), which is the market value of a property including land, buildings and improvements. CIV has the following long-term advantages relative to other valuation bases:

- flexibility to apply an unlimited range of strategic differentials.
- does not prejudice the industrial, commercial and retail sectors in terms of the rate burden, and
- is easier for people to understand.
-

The other valuation bases the Valuer is required to return are:

- Site value (SV) which is the market value of land excluding improvements, and
- Net annual value (NAV) which represents the reasonable annual rental of a property, minus specified outgoings. In most cases this is five percent of the CIV.

9.2.2 Supplementary valuations

Supplementary valuations are made during the financial year when a significant change to the valuation occurs. The most common causes for supplementary valuations are:

- construction of a new dwelling or building.
- subdivision of a property, or
- consolidation of properties.
- Murrindindi Shire Council presently undertakes this task on a quarterly basis.

As a result of a supplementary valuation, a rate notice is issued to reflect any change in rates. Supplementary rate valuations effectively provide Council with a small amount of growth to its rate base. In 2013-14 and successive years this has been factored in as 0.8% which is also net of the effect of the State Government Buy Back scheme. Supplementary valuations are reported in the Long Term Financial Plan as Rate and Charge Revenue and are not listed separately.

9.2.3 Components of Council's Rating Base

Murrindindi Shire Council levies differential rates, annual service charges and a municipal charge, to raise its annual rates and charges revenue.

The legislative basis of how they apply to Murrindindi Shire Council are available upon request:

- Differential Rates – Legislation.
- Municipal Charges.
- Special Rates and Charges.
- Service Rates and Charges, and
- Rebates and Concessions.

9.2.4 Assessment of Current Rating Levels

Comparing the relativity of rating levels between Councils can be a difficult exercise due to debate over the most appropriate methods to use and the inability to take into account the intricacies of rating structures in different councils.

Each local government sets rates based on an assessment of the desires, wants and needs of its community and as each community is different, direct comparisons can be difficult.

For example, cash holdings of municipalities vary and councils have significantly different infrastructure needs and geographic sizes.

The Rates as a percentage of Total Revenue is lower in 2011/12 due to the higher level of abnormal grant funding received that was associated with Bushfire and Natural Disaster projects.

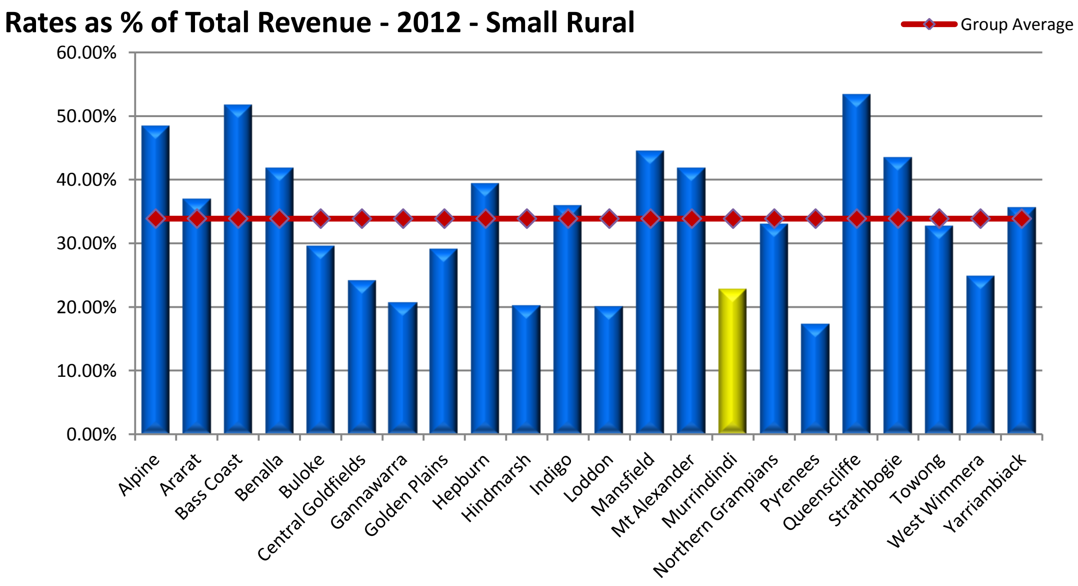


Chart 14: Rates as % of Total Revenue– 2011/12

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

On a rates per capita basis in the 2011/12 financial year, Murrindindi Shire Council was at an average level for the Small Rural Council group.

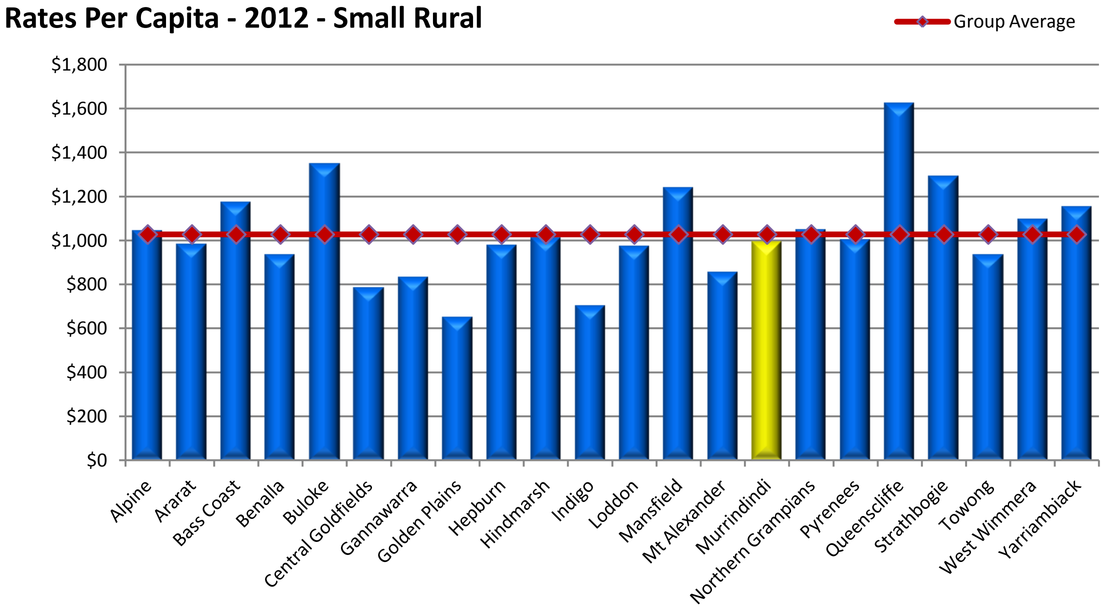


Chart 15: Rates Per Capita – 2011/12

Council has maintained its commitment to not raise rates by any more than 6% for the financial year 2013/14 and is a key budget principle. This same rate has been utilised in determining rate revenue in successive years within the Long Term Financial Plan through to 2022/23.

9.2.5 Background to the Present Rating System

Prior to dealing with the rating strategy, it is important to have a broad knowledge of the present rating structure and trends.

The following tables summarises the rates in the dollar proposed for the 2013/14 year including a comparison with 2012/13. The effect going forward within the SRP and Long Term Financial Plan is for an increase in rates to be no more than 6%.

Differential Rate Type	Rate in the $/cost per		%
	2012/2013	**2013/2014**	
General	$0.003100	$0.003286	6.00%
Commercial	$0.003100	$0.003286	6.00%
Rural 1	$0.002325	$0.002464	5.98%
Rural 2	$0.003100	$0.003286	6.00%
Municipal Charge	$258.00	$274.00	6.20%

Table 14: Rates and Charges Annualised – 2012/13

The table below outlines the individual annualised rates for 2013/14:

Rate Type	Amount Raised
	2013/2014
	Budget
General	$4,946,160
Commercial	$513,858
Rural 1	$2,813,745
Rural 2	$2,390,246
Municipal Charge	$2,514,498
Agreement in Lieu of Rates	$58,139
Supplementary Valuation – (pro-rata within year)	$124,325
Waste Services	$2,285,415
Other - Special Charge Projects	
Green Street	$108,150
TOTAL ALL RATES & CHARGES	**$15,754,536**

Table 15: Individual Rates Annualised 2013/14

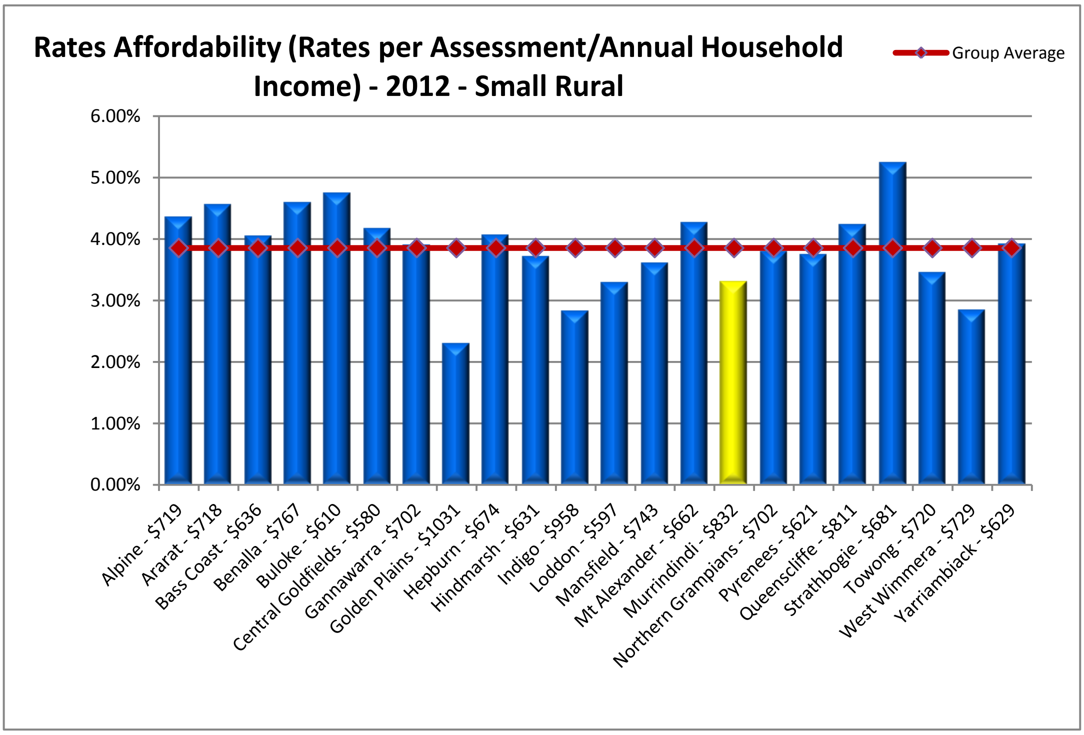
9.2.6 Rates Affordability

The ability to increase rate revenue is a significant factor in determining whether a Council is potentially at risk. Murrindindi Shire Council's rating effort has been satisfactory and when benchmarked was above the average effort of the Small Rural Council group.

Australian Taxation Office (ATO) income data for wage and salary earners (PAYE) can be used to give some indication of rates affordability.

Work undertaken as part of the Local Government Financial Sustainability Review highlighted that Murrindindi's use of total capacity to raise own source revenue was low relative to other like Councils.

Chart 16: Rates Affordability Small Rural – 2011/12



9.2.7 *Rating Strategy*

Murrindindi Shire Council's rating establishes a framework by which rates and charges will be shared by the community. In developing a long-term financial plan, rates and charges are an important source of revenue.

The rating system determines how Murrindindi Shire Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property.

The total money to be raised is taken from the Long Term Financial Plan.

Use was also made of long-established principles in the public finance and economics literature, as well as some of the principles outlined in recent Financial Sustainability reports around the nation.

The proposed principles are as follows are further explained in Appendix A:

- Sustainable financial management.
- Evaluating and setting priorities.
- Core functions.
- Identifying cost of service delivery.
- Prudent borrowings for infrastructure.
- Rate setting and pricing for services.
- Openness and transparency, and
- Providing services on behalf of other tiers of government.

The wider and more rigorous application of the principles offers Murrindindi Shire Council a way to determine more effectively which services local communities really want or value and how much they are prepared to pay for them.

9.2.8 Rates and Charges Budget – 2013/14

The SRP reflects a Rates and Charges budget that is geared to no more than a 6% increase in rates in successive years through to 2022/23.

The outcome of a 6.0 percent increase in rates and charges in 2013/14 is an additional $1.01 million over the 2012/13 financial year.

A Municipal Charge is a fixed charge per property or assessment regardless of the valuation of that property. It operates in combination with the charge based on Capital Improved Value, and any rates collected by the municipal charge reduce the remaining rates revenue collected by the Capital Improved Value basis.

The municipal charge for 2013/14 is $274 which is set at 18.66 percent of the total revenue from rates and municipal charges. The maximum revenue allowable for the municipal charge is 20.00 percent of total revenue from rates and municipal charges per Section 159 of the Local Government Act. The municipal charge ensures all properties pay an equitable contribution towards Murrindindi Shire Council's unavoidable fixed costs. Over the life of the SRP it is also assumed to be the same percentage total as for 2013/14.

9.2.9 Waste Service Charges

Murrindindi Shire Council is empowered under Section 162(1) (b) of the *Local Government Act (1989)* to levy a service charge for the collection and disposal of refuse.

The purpose of this charge is to meet the costs of waste disposal and recycling activities throughout the Murrindindi Shire area, including development and rehabilitation of Landfill sites and the operating costs of Tips and Transfer Stations. The reserve is projected to be maintained and used progressively in order to meet the demand for landfill and waste requirements over the life of the Long Term Financial Plan.

Murrindindi Shire Council has typically used this option through the raising of garbage and recycling charges on the annual rate assessment.

Murrindindi Shire Council's Waste Services include[1]:

- Weekly kerbside waste collection service.
- Fortnightly kerbside recycling and green organics collection service.
- Public recycling and waste disposal facilities at Alexandra, Eildon, Ghin Ghin, Marysville and Kinglake transfer stations.
- Street litter and public place recycling bins, and
- Forward planning and for capital budget requirements.

Murrindindi Shire Council's garbage proposed charges are as described below (** denotes ex GST). A total income of $2.29 million will be received for garbage and recycling services in 2013/14 to support recurrent operating expenditure).

[1] *The waste collection service is compulsory in urban areas and optional in rural areas*

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Service Charges	Charge per Service		$Change	%
	2012/2013	2013/2014		
Garbage	$289.00	$306.00	$17.00	5.88%
Recycling	$71.00	$75.00	$4.00	5.63%

Table 16: projected Garbage Charges 2013/14

9.2.10 Grant Revenue

As at 30 June 2012 Murrindindi Shire Council was below average in terms of receiving government grant revenue, compared to its like Council grouping as outlined in the graph below. This was because there was a higher level of Bushfire and Natural Disaster related grant funding at that time. As a benchmark Murrindindi Shire Council receives 27.5 percent of its revenue (as a percentage of total revenue) from operating grants compared to the average of Small Rural Councils at 36.2 percent.

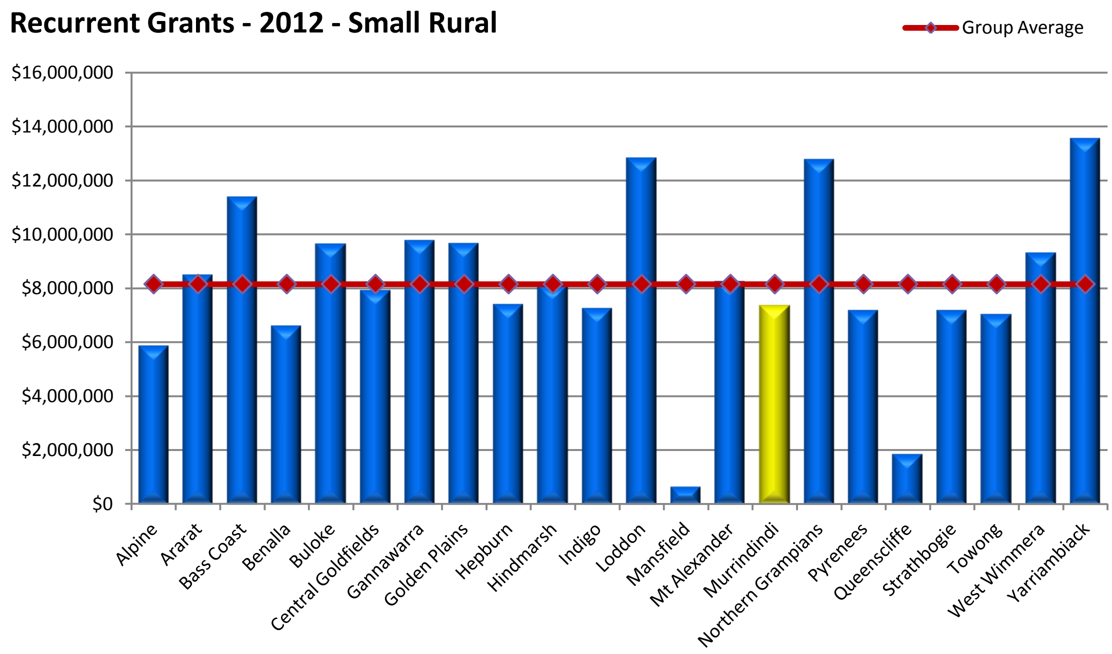


Chart 17: Recurrent Grants – 2011/12

Murrindindi Shire Council will continue its strong focus on securing grant revenue, particularly for capital works. Operating grants as at 30 June 2012 totalled $7.3 million. With a longer term capital works program in place Council will be able to target and focus on grants that align with the 10 year capital improvement plan.

9.2.11 Victoria Grants Commission

Murrindindi Shire Council receives approximately 13.77 percent of its revenue from the Victoria Grants Commission. This revenue is projected at $3.86 million in 2012/13 and budgeted at $4.29

million in 2013/14 in the life of the SRP.

9.2.12 Fees and Charges Revenue

Murrindindi Shire Council's fees and charges revenue as a percentage of its total revenue, represented at Chart 18, is above average for Small Rural Councils. However, the chart represents an indicative benchmark, as the data is drawn from the most recently published comparative figures as at 2012. The group (of Small Rural Councils) is potentially narrow and does not represent the potential for further revenue given that on balance Council's fees and charges were lower than most other like Councils benchmarked in the Services Review or were in some cases lower than the Local Government average for all Councils.

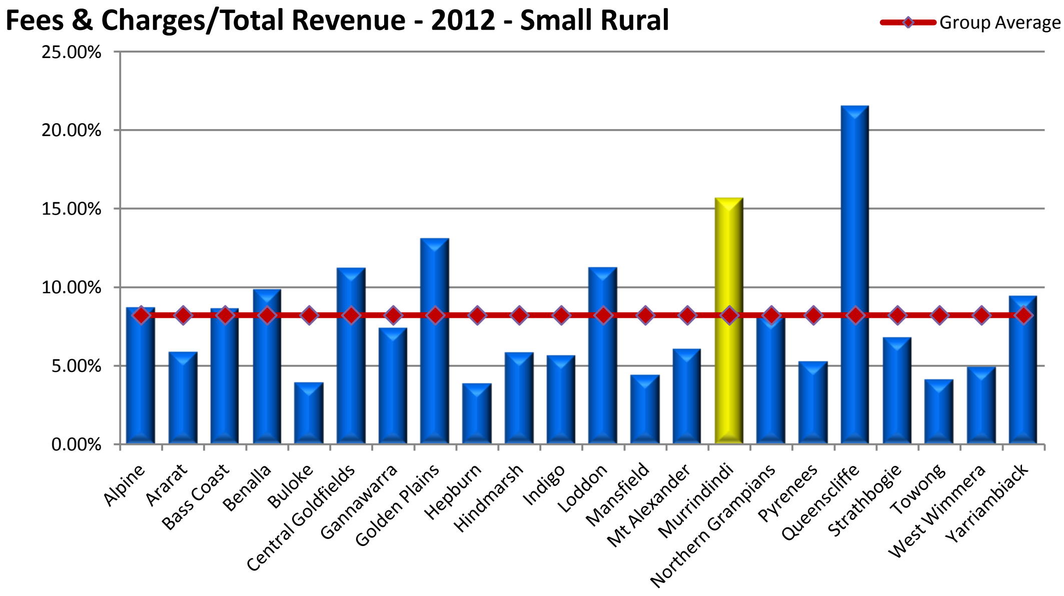


Chart 18: Fees & Charges/Total Revenue – 2011/12

9.2.13 Strategic Direction

That Murrindindi Shire Council:

1. has retained the capital improved value (CIV) as its valuation base.
2. provides a municipal charge that approaches 20 percent of rate revenue plus a municipal charge that ensures an equitable contribution towards the unavoidable fixed costs of Murrindindi Shire Council.
3. has considered future increases based on EPA, regulatory and safety requirements and the need to sustain the Council's long term waste operations strategy.
4. in 2013/14, has adopted a 6.00 % increase in total revenue for general rates and municipal charges and an 6.00 percent increase in total revenue for waste collection including funding the cost of disposal of domestic waste, recycling collection and the environment levy.
5. is pursuing recurrent grant funding and strategic capital funding aligned with the Council Plan objectives, including benchmarking of results with other Councils.
6. is seeking State Government support of around $14 million, which will confirm recognition of the impact of the gifted and novated assets upon the long term financial sustainability of the Murrindindi Shire Council.

10. HUMAN RESOURCES

10.1 Human Resources

Council employees enable Council to work with and for our communities, to plan, manage and deliver the many activities to achieve the goals of the Council Plan. The Chief Executive Officer is ultimately accountable for ensuring the organisational structure and workforce profile is able to effectively manage the operations in accordance with the Council Plan.

Staff numbers are reported by actual numbers and equivalent full time (EFT) staff numbers. Council employs a workforce profile that is a mix of full time, part time and fixed term, contract or casual positions. Fixed term staff and contractors are usually employed for either seasonal positions such as pool staff, or for projects and services that are largely grant funded for specific purposes.

Over the past four years, Murrindindi Shire Council has employed a significant number of additional fixed term staff funded through municipal assistance and disaster recovery packages. These staff have worked with permanent staff to deliver a number of reconstruction and recovery projects and programs and to restore operations following the 2009 bushfires and a number of serious flood events.

Staffing peaked at 279 staff (200 EFT) in January 2011. In April 2013 Council staffing is at 206 staff (145 EFT). Moving into the 2013-14 new financial year, Council will shed all of the remaining recovery positions and from a financial perspective this will be complete as 30 June 2013.

Within the life of the SRP there is no provision of the growth in staffing numbers.

Chart 19 below indicates the number of staff and the equivalent EFT in each of Council's 3 divisions.

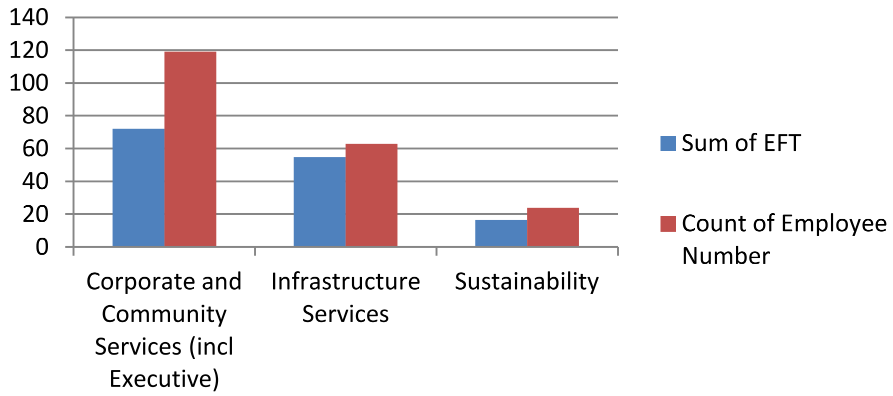


Chart 19: Current Staff Numbers: Actual and EFT

In preparation for managing operations into the future, Council has undertaken a workforce transition plan and service reviews of all its operations resulting in some restructuring of staffing to ensure the right profile into the future. This will enable Council to manage and maintain new assets, programs and services that have emerged in recent years as well as retaining and improving pre-existing ones that are the identified priorities of our communities.

In addition to workforce planning, other key human resources strategies to ensure that Council is able to engage and retain the right staff with the right skills in the right roles include:

- Learning and development programs
- Performance coaching

- Health and well-being
- Transparent and open policy and systems

Our current employment profile by Division is as follows:

Charts 20 – 22 indicate the distribution of EFT between each of Council's three divisions.

Chart 20: Corporate and Community Services (incorporates Executive)

119 staff (73 EFT)

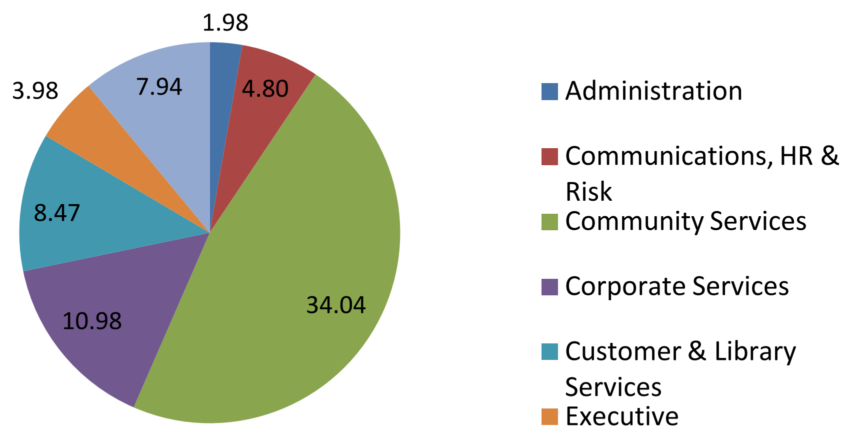


Chart 21: Infrastructure Services

63 staff (55 EFT)

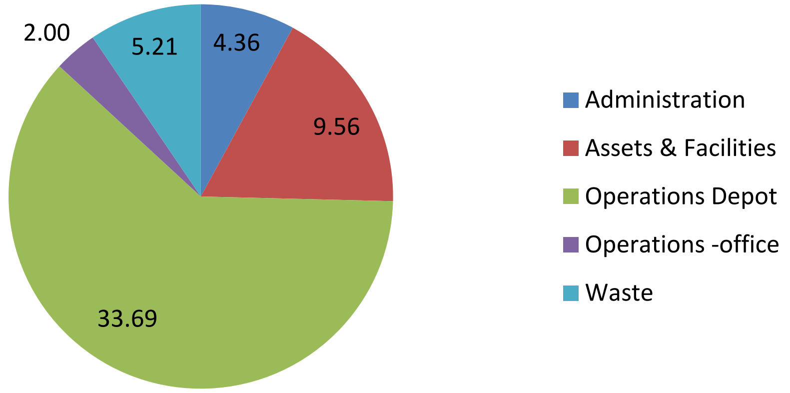
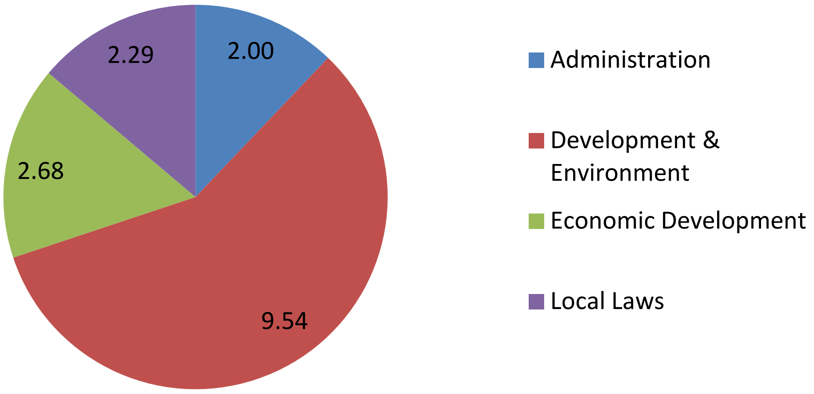


Chart 22: Sustainability

24 (17 EFT)



10.2 Strategic Direction

Murrindindi Shire Council plans, manages and delivers activities that support the goals of the Council Plan within the capacity of the current organisational structure and workforce profile.

11. STRATEGIC FINANCIAL PLAN

11.1 Introduction

There are a number of dynamic variables that may influence the outcomes expressed in this SRP. They include:

- Rating levels and supplementary rate income.
- Government grant revenue (both recurrent and capital).
- Granted asset amounts.
- Asset revaluations (major impact on fixed asset value and depreciation).
- Asset sales.
- Mix of funding between capital works/special projects (new initiatives), and
- Level of growth factor applied to expenditure items / rate of expenditure/activity level.

This section includes:

- Modelling methodology.
- Financial assumptions.
- Adopted financial strategy, and
- Conclusion

11.2 Modelling Methodology

The SRP establishes a framework for Council to benchmark its performance and an industry developed long term financial software model has been utilised to verify the data. The base point used for financial modelling has been the Council budget for 30 June 2013.

The Standard Statements (financial statements) are the result of the modelling and are reproduced from the long term financial software model, refer *Appendix C*.

11.3 Financial Assumptions

The following information explains the major financial assumptions applicable to the financial option considered by Council prior to community input.

11.3.1 Labour and on-costs

Increases in labour and on-costs are composed of two elements. The elements are enterprise agreement increments and superannuation and on-cost movements. The table below highlights these assumptions.

Year	2011/12 %	2012/13 %	2013/14 %	2014/15 %
EBA Banding Increase/Other	4.0	4.0	4.0	4.0
Superannuation and other on-costs	0.5	0.5	0.5	0.5
Total	4.5	4.5	4.5	4.5

Table 17: Labour and On-Costs

11.3.2 Depreciation

Depreciation estimates are based on the projected capital spending contained within each assumption. Depreciation estimates are influenced by future asset revaluations and depreciation charges are assessed following condition assessments. The overall depreciation charge is also impacted by the amount of granted and gifted assets to the municipality.

11.3.3 Materials and Services

These works are essentially one-off expenditures that do not constitute the creation of an asset and have decreased below 2012/13 levels as a result of the winding down of Bushfire and Natural Disaster projects.

The broad assumption in materials and contracts is for an increase matching CPI. Outside of the broad parameters are one off expenses such as election expenses, valuation contract amounts and insurances. A subsidiary record of one off items and how they are factored into the model is recommended instead of a series of individual adjustments within the model.

11.3.4 Special projects/consultancies

These works are essentially one-off expenditures that do not constitute the creation of an asset and have decreased below 2012/13 levels also as a a result of the winding down of Bushfire and Natural Disaster projects.

11.3.5 Debt servicing and redemption

Debt redemption is calculated according to the restructured loan schedules. Council borrowings are dealt with in detail in Section 9.

11.3.6 Written-down values of assets sold

All Written-down values relate to plant and land sold as part of the 10-year program. These are based on information from Council's Asset Registers.

11.3.7 Rate revenue

The 2013/14 Budget is based on an increase of 6.00 % for rates and municipal charges collected. Council's Rating Strategy is dealt with in detail in Section 9.2.7.

The mechanism to estimate supplementary revenue is based on historical historical dollar returns and net of the impact of the State Government Buy Back scheme. This assumption has been factored in successive years of the SRP and the Long Term Financial Plan.

11.3.8 Service charges

The 2013/14 Budget is based on a service charge and waste management charge which experienced a 6.00 percent increase and this effect has been maintained throughout the life of the SRP and Long term Financial Plan.

Funds raised are ultimately deployed to waste management (operating and capital) activities. This is discussed in Section 9.2.8 in more detail.

11.3.9 Grant revenue

An allowance of $7.33 million has been made for operating grant revenue for services and projects in 2013/14. In broad terms, a 2.50 percent per annum increase over successive years has been allowed for operating grants reflecting the nature of this revenue type, which has seldom increased by CPI across the board. Reimbursements from the *State Revenue Office* for land valuations have also been included in the appropriate years. An allowance of a 3.00 per cent increase has been allowed for the Victoria Grants Commission Grant.

11.3.10 Fees and charges

Fees and charges that Council has discretion over are generally expected to increase by 3.0 percent per annum in future years. Fees and charges of $1.40 million have been provided for in 2013/14. It has been assumed that these charges will increment by 3% in successive years.

11.3.11 Statutory Fees and Fines

Council has no control over a large amount of statutory fees prescribed by the State Government. Fines include town planning, local laws and the animal pound. Fees and fines are included in the above.

11.3.12 Interest on investments

Interest on investments has been estimated based on current investment rates.

11.3.13 Proceeds from sale of assets

Proceeds from sale of assets are those relating to vehicle/plant changeover and land sales. No proceeds are indicated in the years inclusive of and following 2013/14 as assets have been deemd to be disposed of at their written down value (WDV).

11.3.14 Capital grants

Capital grant revenue is $4.5 million in 2013/14, with revenue from future years estimated to fund future capital works.

Capital grants have been forecast conservatively. Funds raised above or below the forecast amount will directly impact on the level of capital expenditure achievable. While conservative amounts have been included, it should be noted that Council does not pursue part-funded capital works that do not fit with its strategic direction.

11.3.15 Granted assets

Granted assets are those handed over to Council following the completion of a subdivision. These include roads, footpaths, kerb, channel, drainage etc.

The level of granted assets is forecast to continue at low-levels based on predicted levels of property development. However, estimates beyond 2013/14 are not based on any reliable data at this point. While granted assets add to Council's overall asset base, they also add to the future obligations to maintain and replace these assets at the end of their useful lives.

11.3.16 Capital expenditure

Capital expenditure amounts for renewed, new and upgraded assets, have been directly budgeted for during the life of the SRP (next 4 years) and for the remaining years of the Long Term Financial Plan (through to 2022/23). Capital works expenditure over the ensuing 10 years from 2013-14 has been drawn from Council's 10 Year Capital improvement program.

11.4 Conclusion

The SRP continues to provide a financial framework for Council, enabling an assessment of Council resources and assisting Council to plan and fund capital infrastructure and meet future community aspirations. The *Standard Statements* (financial statements) are detailed in *Appendix C*.

11.4.1 Strategic Direction

The SRP represents the short to medium term of 4 years within the Long Term Financial Plan which presents a financial perspective of the organisation over 10 years. In the medium and long term it is apparent that Council's ongoing sustainability will depend on receiving assistance from the State Government.

State Government assistance has been sought to offset the impact of gifted Bushfire assets which has an average effect on the bottom line of $1.80 million per year for the life of the plan. The $1.80 million represents $1.20 million for the maintenance and operation of those assets together with $0.6 million worth of annual depreciation charges. The effect of the cost of these gifted assets is to absorb cash that would otherwise be spent on renewal investment or other priority Council projects or programs. The reduction of cash impacts on Council's ability to fund key capital purchases and must then look at borrowings to bolster cash flow at critical times. Borrowings in turn generate interest payments that also contribute to ongoing operating deficits through to 2020 and with underlying results reflecting deficits for the life of the plan.

This means that Council is not able to generate cash beyond the operation of core activities and is $6.10 million short of being able to meet the Infrastructure Renewal Gap requirements by 2023.

Council will continue to ensure it practices prudent financial management, however without such assistance, its capacity to manage programs and activities will be severely limited. Hence the 2013/17 Council Plan contains a modest range of activities whilst its priorities will be focused on growing its rate base.

12. APPENDIX A PRINCIPLES FOR RATING, VICTORIAN LOCAL GOVERNMENT CONTEXT

(a) Sustainable financial management

The aggregate revenue raised by Council plus that received from grants needs to be sufficient to cover the aggregate long-run cost of delivering the services provided measured on an accrual-accounting basis. Sustainable financial management requires the application of multi-year framework to financial management, asset management, planning, spending and revenue decisions.

(b) Evaluating and setting priorities

Council is aware of and will have regard to the views of its communities with respect to the priority areas for Council services. Council will heighten the communities awareness of the short and long-term financial implications of potential service priorities and key decisions, including trade-offs between service priorities.

(c) Core Functions

Council will continue to provide a full range of municipal goods and services in accordance with its statutory and community service obligations.

Where Council engages in the provision of services, that resemble those of private sector markets, the application of competitive neutrality principles requires Council to aim to recover the full costs of a significant business activity, including the direct costs of providing goods and services, rate and tax equivalent payments and a commercial rate of return on investment.

(d) Identifying the cost of service delivery

Council will understand the cost of delivering its services as an acknowledgement that this information is useful in determining the range of services, and the level of service provision, and the corresponding structure for rates and charges.

(e) Prudent borrowings for infrastructure

Borrowings when undertaken prudently are an appropriate means for local government to finance long lived infrastructure assets as the cost of servicing of debt through rates or user charges enables the cost of the asset to be matched with the benefits from consumption of the services over the life of the asset, thereby promoting intergenerational equity.

(f) Rate setting and pricing of services

The appropriate setting of rates and prices for goods and services is essential for the efficient recovery of the costs of providing council services and Council recognises that by choosing the appropriate instrument (rates, fees, user charges) it can achieve a better indication of the willingness of the community to pay for services and minimize the economic distortions that may arise when an inappropriate instrument is used.

Council will recover costs for services directly from the users of those services if a service benefits identifiable individuals or groups. If the benefit directly cannot be identified and/or if those that benefit directly cannot be excluded from using the service the costs should be allocated to the community.

Where infrastructure costs are directly attributable to individual property owners, Council will recover those costs through the application of special charge schemes, developer charges or contributions.

Fees and charges should be applied as far as practicable to raise revenue for the provision of services that are not pure public services, with efficient pricing, to ensure that services provided by local government are supplied to those who are willing to pay the opportunity cost of supply.

Council will also take consideration of the community's ability to pay as well as the benefits derived from the provision of services.

(g) Openness and transparency

Council is accountable and responsible for the policy decisions with respect to the range of services provided, the expenditure and delivery of the services and the way services are funded and paid for by the community. Open and transparent processes for decision making of Council include the making of information openly available to people in the local community and seeking active participation by the community with respect to choices regarding the range and level of services provided and how they are funded.

(h) Providing services on behalf of other tiers of government

Effective interaction between Council and other tiers of government is important to ensure delivery of some essential services to the community. Where Council enters into the delivery of services on behalf of other tiers of government, the supply of these services should be delivered on commercial terms based on the incremental cost to Council. In situations where Council determines to provide subsidies for the delivery of these services Council will make the costs transparent and inform the community about the purpose and amount of the subsidy and how it is to be funded.

13. APPENDIX B GLOSSARY OF TERMS – DEFINITIONS

Table 18: Glossary of Terms / Definitions

TERM	DEFINITION
Adjusted operating surplus/deficit	Operating surplus/deficit less revenue from capital (non-recurrent) grants, developer contributions (i.e. assets contributed), asset revaluations, sale of assets plus expenditure from asset revaluations, WDV of assets sold and unfunded superannuation expense.
Adjusted total operating expenses	Total operating expenses as per the “Statement of financial performance” – net of asset revaluations, unfunded superannuation expense and WDV of asset sold.
Adjusted total revenue	Total revenue from “Statement of financial performance” – net of asset sales, asset contributions in kind. Capital grant funding and revaluation adjustments.
Capital grants (non-recurrent)	Capital or non-recurrent grants as disclosed in notes.
Current assets	Total current assets from “Statement of financial position”.
Current liabilities	Total current liabilities from “Statement of financial position”
Debt redemption	Debt principal’s repayments.
Debt servicing costs (interest)	Total borrowing costs or interest expense as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.
Fees and charges revenue	Total fees and charges revenue as per the “Statement of financial performance” or as disclosed in note in some councils’ statements (includes fines).
Grant income and reimbursements	Total grants revenue as per the “Statement of financial performance” or as disclosed in note in some councils’ statements (includes Vic Roads sometimes shown as “reimbursements” by some councils).
Granted assets	Total value of assets received from developers (in kind) as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.
Interest earnings	Total interest received as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.
No. of rateable properties	Number of rateable properties in municipality.
Non-current liabilities	Total non-current liabilities from “Statement of financial position”.
Proceeds from sale of non-current assets	Total proceeds from asset sales as per the “Statement of financial performance” or as disclosed in note in some council’s statements, (gross received not Written-down value).

TERM	DEFINITION
Rate revenue	Total rate revenue as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.
Rates outstanding at end of year	Rate debtor amount as disclosed in “Receivables” note.
Total assets	Total assets from “Statement of financial position”.
Total capital asset outlays	Payments for capital purchases per the “Cash flow statement”.
Total cash inflows from operations, finance and Investment Act	Total inflows per the “Cash flow statement”.
Total cash outflows from operations, finance and Investment Act	Total outflows per the “Cash flow statement”.
Total depreciation	Total depreciation expense as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.
Total depreciation on infrastructure assets	Total depreciation on infrastructure assets as disclosed in “Depreciation expense”” note.
Total debt	Total interest bearing liabilities (current and non-current) from “Statement of financial position”.
Total indebtedness	Total liabilities (current and non-current) from “Statement of financial position”.
Total infrastructure assets	Total infrastructure assets from “Statement of financial position” or as disclosed in note (Written-down value). Infrastructure includes roads, bridges, drains, road structures, other structures, playground equipment, and other like categories. Heritage assets have been deemed to be building assets. Work in progress, where not separately split, has been included as infrastructure.
Total net realisable assets	Total assets less total infrastructure assets.
Total operating expenses	Total operating expenses as per the “Statement of financial performance”.
Total revenue	Total revenue from “Statement of financial performance”
Written-down value of assets sold	Written-down value of assets sold as per the “Statement of financial performance” or as disclosed in note in some councils’ statements.

14. APPENDIX C - STANDARD FINANCIAL STATEMENTS

The Standard Statements present a full 10 year perspective (The Long term Financial Plan) of Council's financial operations and position and icludes the short to medium term perspective of the SRP (2013-2017).

The Standard Statements include the:

- Standard income statement.
- Standard balance sheet.
- Standard statement of cash flows.
- Standard statement of capital works, and
- Financial indicators.

These statements are required under Part 2 Section 5 of the Local Government (Finance and Reporting) Regulations 2004. The Regulations commenced on 20 April 2004.

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Standard income statement

Period start		1 Jul 12	1 Jul 13	1 Jul 14	1 Jul 15	1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22
Period end		**30 Jun 13**	**30 Jun 14**	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**
Revenue from Operating Activities												
Rate and Charge Revenue	$'000	14,639	**15,646**	16,585	17,580	18,635	19,753	20,938	22,194	23,526	24,938	26,434
Supplementary Rates	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Special Charges	$'000	-	**108**	-	-	-	-	-	-	-	-	-
Rate Assistance Package	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Grants - Operating (Recurrent)	$'000	3,802	**6,192**	6,369	6,552	6,739	6,932	7,131	7,335	7,546	7,762	7,985
Grants - Operating (Non-recurrent)	$'000	7,460	**1,143**	-	-	-	-	-	-	-	-	-
Grants - Capital (Recurrent)	$'000	1,717	**1,835**	1,881	1,928	1,976	2,025	2,076	2,128	2,181	2,236	2,292
Grants - Capital (Non-recurrent)	$'000	2,237	**2,689**	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Contributions (Assets)	$'000	16,035	**224**	224	224	224	224	224	224	224	224	224
Contributions (Cash)	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Reimbursements and Subsidies	$'000	122	**116**	116	116	116	116	116	116	116	116	116
User Charges	$'000	1,650	**1,436**	1,479	1,523	1,569	1,616	1,665	1,715	1,766	1,819	1,874
Statutory Fees and Fines	$'000	577	**598**	615	632	650	668	687	706	726	746	767
Waste Charges	$'000	420	**590**	649	714	785	864	950	1,045	1,150	1,265	1,391
Rates & Valuations recoup	$'000	90	**10**	90	10	90	10	90	10	90	10	90
Economic Development Contributions - YRRM	$'000	20	**20**	-	-	-	-	-	-	-	-	-
Contributions cash - Operating	$'000	60	**56**	56	56	56	56	56	56	56	56	56
Total Revenue from Operating Activities	$'000	48,829	**30,663**	29,464	30,735	32,240	33,665	35,333	36,930	38,780	40,571	42,628
Revenue from Outside of Operating Activities												
Interest Revenue	$'000	620	**256**	256	256	256	256	256	256	256	256	256
Other Revenue Outside of Operating Activities	$'000	460	**236**	234	241	248	255	263	271	279	287	296
Total Revenue from Outside Operating Activities	$'000	1,080	**492**	490	497	504	511	519	527	535	543	552
Total Revenue	$'000	49,909	**31,155**	29,954	31,232	32,744	34,176	35,852	37,456	39,315	41,114	43,180
Operating Expenses from Ordinary Activities												
Employee Benefits	$'000	(12,380)	**(11,513)**	(12,031)	(12,572)	(13,138)	(13,729)	(14,347)	(14,993)	(15,668)	(16,373)	(17,109)
Employee Benefits Provisioned	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Materials & Consumables	$'000	(16,518)	**(9,241)**	(9,541)	(9,851)	(10,172)	(10,502)	(10,843)	(11,196)	(11,560)	(11,935)	(12,323)
Utilities	$'000	-	**-**	-	-	-	-	-	-	-	-	-

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Period start		1 Jul 12	1 Jul 13	1 Jul 14	1 Jul 15	1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22
Period end		**30 Jun 13**	**30 Jun 14**	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**
Bad and Doubtful Debts	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Depreciation	$'000	(7,423)	**(7,797)**	(7,953)	(8,112)	(8,274)	(8,440)	(8,609)	(8,781)	(8,956)	(9,135)	(9,318)
Other Operating Expenses	$'000	(271)	**(279)**	(287)	(935)	(1,000)	(1,056)	(1,101)	(1,227)	(1,309)	(1,387)	(1,477)
Other Expenses	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Contributions	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Interest on Borrowings (Finance Costs)	$'000	(337)	**(336)**	(257)	(232)	(215)	(206)	(199)	(195)	(192)	(190)	(167)
Interest on Unwinding of Discount on Provisions	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Regulatory Valuation Expenses	$'000	-	**-**	(15)	(145)	(15)	(145)	(15)	(145)	(15)	(145)	(15)
Election Related Expenses	$'000	-	**-**	-	-	(85)	-	-	-	(85)	-	-
Maintenance on Gifted Assets	$'000	-	**(1,200)**	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)
Natural Disaster Fund - Non Capital - refundable	$'000	-	**(750)**	-	-	-	-	-	-	-	-	-
Interest on Borrowings (Finance Costs) - adjust	$'000	-	**-**	-	-	-	-	-	-	-	-	-
[Blank Expense Line Item 2]	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Superannuation Call	$'000	-	**-**	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Total Operating Expenses	$'000	(36,929)	**(31,116)**	(31,585)	(33,347)	(34,399)	(35,579)	(36,615)	(38,037)	(39,285)	(40,666)	(41,911)
Net Surplus/(Deficit) from Operations	$'000	12,980	**39**	(1,632)	(2,116)	(1,655)	(1,403)	(763)	(581)	30	448	1,269
Adjustments												
Net Gain/(Loss) on Disposal of Property Plant & Equipment	$'000	(304)	**-**	-	-	-	-	-	-	-	-	-
Gain on Sale of Assets Held for Resale	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Share of Net Profit/(Loss) of Associated Entity	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Unrealised Gain/(Loss on investment in Associates)	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Net Gain/(Loss) on Infrastructure Replaced	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Total Adjustments	$'000	(304)	-	-	-	-	-	-	-	-	-	-
Adjusted Operating Surplus/(Deficit)	$'000	12,676	**39**	(1,632)	(2,116)	(1,655)	(1,403)	(763)	(581)	30	448	1,269
Underlying Position	$'000	(7,009)	(4,817)	(5,137)	(5,668)	(5,255)	(5,052)	(4,463)	(4,333)	(3,775)	(3,412)	(2,647)

Figure 3: Standard Income Statement 2012/13

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Standard balance sheet

Period start Period end		1 Jul 12 30 Jun 13	1 Jul 13 30 Jun 14	1 Jul 14 30 Jun 15	1 Jul 15 30 Jun 16	1 Jul 16 30 Jun 17	1 Jul 17 30 Jun 18	1 Jul 18 30 Jun 19	1 Jul 19 30 Jun 20	1 Jul 20 30 Jun 21	1 Jul 21 30 Jun 22	1 Jul 22 30 Jun 23
Current Assets												
Cash and Cash Equivalents	$'000	13,066	**10,143**	7,522	7,404	9,013	11,052	12,257	15,178	18,705	21,205	24,452
Receivables	$'000	3,771	**2,303**	3,756	4,076	4,280	4,483	4,703	4,917	5,146	5,398	5,670
Inventory	$'000	160	**160**	160	160	160	160	160	160	160	160	160
Accrued Income	$'000	70	**50**	50	50	50	50	50	50	50	50	50
Prepayments	$'000	130	**170**	170	170	170	170	170	170	170	170	170
Financial Assets	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Assets held for resale	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Other Current Assets	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Total Current Assets	$'000	17,197	**12,826**	11,658	11,861	13,673	15,915	17,341	20,475	24,232	26,983	30,502
Non Current Assets												
Land Under Roads	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Property Plant and Equipment	$'000	29,533	**29,533**	28,292	28,303	26,836	26,236	25,522	25,383	23,899	23,792	21,894
Infrastructure Assets	$'000	268,583	**270,689**	269,812	271,035	268,918	269,637	268,139	268,378	266,146	267,764	267,052
Investment in Associates	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Trade and Other Receivables (Long Term)	$'000	50	**36**	36	36	36	36	36	36	36	36	36
Other Financial Assets	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Total Non Current Assets	$'000	298,166	**300,258**	298,140	299,374	295,791	295,910	293,697	293,797	290,081	291,592	288,982
Total Assets	$'000	315,363	**313,084**	309,798	311,235	309,463	311,825	311,038	314,273	314,312	318,575	319,484
Current Liabilities												
Payables	$'000	3,922	**2,418**	1,272	1,296	1,338	1,394	1,440	1,504	1,556	1,622	1,679
Trust Funds	$'000	808	**485**	485	485	485	485	485	485	485	485	485
Current Provisions	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Current Employee Benefits	$'000	2,746	**2,582**	2,582	2,582	2,582	2,582	2,582	2,582	2,582	2,582	2,582
Current Interest Bearing Liabilities	$'000	841	**898**	756	632	548	543	479	516	443	416	418
Total Current Liabilities	$'000	8,317	**6,383**	5,095	4,995	4,953	5,004	4,986	5,087	5,066	5,105	5,165
Non Current Liabilities												
Non Current Employee benefits	$'000	525	**494**	494	494	494	494	494	494	494	494	494
Non Current Provisions	$'000	1,242	**1,306**	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,306

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Period start		**1 Jul 12**	**1 Jul 13**	**1 Jul 14**	**1 Jul 15**	**1 Jul 16**	**1 Jul 17**	**1 Jul 18**	**1 Jul 19**	**1 Jul 20**	**1 Jul 21**	**1 Jul 22**
Period end		**30 Jun 13**	**30 Jun 14**	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**
Non Current Interest Bearing Loans and Borrowings	$'000	3,218	**2,802**	2,436	2,277	2,202	2,133	2,128	2,085	2,116	2,173	1,755
Total Non Current Liabilities	$'000	4,985	**4,602**	4,236	4,077	4,002	3,933	3,928	3,885	3,916	3,973	3,555
Total Liabilities	$'000	13,302	**10,985**	9,330	9,072	8,955	8,937	8,913	8,972	8,982	9,078	8,719
Net Assets	$'000	302,061	**302,099**	300,467	302,163	300,508	302,888	302,124	305,300	305,331	309,496	310,765
Equity												
Accumulated Surplus	$'000	136,822	**136,610**	134,919	133,465	131,455	129,651	129,717	128,633	128,125	128,998	129,654
Reserve Land Under Roads	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Public Open Space	$'000	359	**383**	383	383	383	383	383	383	383	383	383
Infrastructure Contributions - Parking	$'000	65	**65**	65	65	65	65	65	65	65	65	65
Infrastructure Reserve - Rates Contribution (2%)(Capital)	$'000	435	**684**	965	262	580	914	268	644	1,042	464	911
Infrastructure Maintenance- Gifted & Novated Assets (2013/14)	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Waste Reserve	$'000	2,847	**2,470**	2,248	2,290	2,327	2,394	2,211	2,339	2,479	2,632	2,798
Coster Street Units	$'000	28	**34**	34	34	34	34	34	34	34	34	34
Shaw Avenue Redevelopment	$'000	44	**44**	44	44	44	44	44	44	44	44	44
Alexandta community Leisure Centre	$'000	2	**-**	-	-	-	-	-	-	-	-	-
Road Maintenance Reserve	$'000	16	**16**	16	16	16	16	16	16	16	16	16
Yea Saleyards Reserve	$'000	75	**80**	80	80	80	80	80	80	80	80	80
Alexandra Saleyards Reserve	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Yea Caravan park Reserve	$'000	14	**12**	12	12	12	12	12	12	12	12	12
Marysville Caravan Park Reserve	$'000	35	**81**	81	81	81	81	81	81	81	81	81
Unfunded Superannuation - Defined Benefits	$'000	-	**300**	300	300	300	300	300	300	300	300	300
Infrastructure Maintenance - New & Expanded ($1.2 Council)	$'000	1,500	**1,500**	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Asset Revaluation Reserve	$'000	159,819	**159,820**	159,820	163,632	163,632	167,413	167,413	171,170	171,170	174,887	174,887
Total Equity	$'000	302,061	**302,099**	300,467	302,163	300,508	302,888	302,124	305,300	305,331	309,496	310,765

Figure 4: Standard Balance Sheet 2012/13

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Standard statement of cash flows

Period start		1 Jul 12	1 Jul 13	1 Jul 14	1 Jul 15	1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22
Period end		**30 Jun 13**	**30 Jun 14**	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**
Cash flows from Operating Activities												
Rates and Charges Received	$'000	14,592	**15,591**	15,774	17,398	18,518	19,635	20,809	22,067	23,388	24,784	26,267
Grants - Operational Received	$'000	11,261	**8,835**	6,058	6,484	6,697	6,891	7,087	7,293	7,501	7,714	7,934
Grants - Capital Received	$'000	8,904	**4,521**	3,121	3,294	3,355	3,405	3,455	3,508	3,560	3,613	3,668
Interest Received	$'000	644	**276**	243	253	254	254	254	255	255	254	254
User Fees Received	$'000	4,883	**3,433**	1,407	1,508	1,559	1,607	1,654	1,705	1,756	1,808	1,862
Statutory Fees and Fines Received	$'000	-	**-**	585	625	646	664	682	702	721	741	762
Other Revenue Received	$'000	-	**-**	1,089	1,125	1,287	1,293	1,466	1,489	1,681	1,723	1,937
Employee Benefits Paid	$'000	(12,365)	**(13,040)**	(12,621)	(12,561)	(13,117)	(13,701)	(14,324)	(14,960)	(15,641)	(16,338)	(17,079)
Materials and Consumables Paid	$'000	(18,471)	**(11,680)**	(10,009)	(9,842)	(10,155)	(10,480)	(10,826)	(11,171)	(11,540)	(11,910)	(12,302)
External Contracts Paid	$'000	-	**-**	(16)	(145)	(15)	(145)	(15)	(145)	(15)	(145)	(15)
Utilities Paid	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Other Expenses Paid	$'000	-	**-**	(1,875)	(2,432)	(2,581)	(2,551)	(2,597)	(2,721)	(2,889)	(2,881)	(2,972)
Net Cash flows from Operating Activities	$'000	9,448	**7,936**	3,756	5,707	6,449	6,872	7,646	8,021	8,778	9,364	10,315
Cash flows from Investing Activities												
Payment for Property Plant and Equipment and Infrastructure	$'000	(10,559)	**(10,254)**	(6,455)	(5,803)	(4,855)	(4,967)	(6,571)	(5,354)	(5,501)	(6,913)	(7,047)
Proceeds from Property Plant and Equipment and Infrastructure	$'000	1,337	**351**	844	492	389	414	399	454	485	208	562
Proceeds from/(to) Investments	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Net Cash flows from Investing Activities	$'000	(9,222)	**(9,903)**	(5,611)	(5,311)	(4,466)	(4,553)	(6,172)	(4,900)	(5,016)	(6,705)	(6,485)
Cash flows from Financing Activities												
Trust Funds and Deposits	$'000	(179)	**(323)**	-	-	-	-	-	-	-	-	-
Proceeds/(Payments) from/for Financial Assets	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Proceeds from Interest Bearing Loans and Borrowings	$'000	500	**500**	500	500	500	500	500	500	500	500	-
Repayments of Interest Bearing Loans and Borrowings	$'000	(819)	**(858)**	(1,009)	(782)	(659)	(574)	(570)	(505)	(542)	(470)	(416)
Finance Costs	$'000	(278)	**(275)**	(257)	(232)	(215)	(206)	(199)	(195)	(192)	(190)	(167)
Net Cash flows from Financing Activities	$'000	(776)	**(956)**	(766)	(514)	(374)	(280)	(269)	(201)	(235)	(160)	(583)
Net Change in Cash Held	$'000	(550)	**(2,923)**	(2,621)	(118)	1,609	2,039	1,206	2,921	3,527	2,499	3,247
Cash at Beginning of the Financial Year	$'000	13,616	**13,066**	10,143	7,522	7,404	9,013	11,052	12,257	15,178	18,705	21,205
Cash at End of the Financial Year	$'000	13,066	**10,143**	7,522	7,404	9,013	11,052	12,257	15,178	18,705	21,205	24,452

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Period start		1 Jul 12	1 Jul 13	1 Jul 14	1 Jul 15	1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22
Period end		**30 Jun 13**	**30 Jun 14**	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**
Cash and Cash Equivalents	$'000											
Unrestricted Cash	$'000	7,646	**4,473**	1,793	2,336	3,590	5,228	7,262	9,679	12,668	15,593	18,227
Restricted Cash (due to reserves)	$'000	5,420	**5,670**	5,729	5,068	5,423	5,824	4,995	5,499	6,037	5,612	6,225
Cash and Cash Equivalents	$'000	13,066	**10,143**	7,522	7,404	9,013	11,052	12,257	15,178	18,705	21,205	24,452

Figure 5: Standard Statement of Cash Flows 2012/13

Murrindindi Shire Council Strategic Resource Plan 2013 / 2017

Standard statement of capital works

Period start Period end		1 Jul 12 30 Jun 13	1 Jul 13 30 Jun 14	1 Jul 14 30 Jun 15	1 Jul 15 30 Jun 16	1 Jul 16 30 Jun 17	1 Jul 17 30 Jun 18	1 Jul 18 30 Jun 19	1 Jul 19 30 Jun 20	1 Jul 20 30 Jun 21	1 Jul 21 30 Jun 22	1 Jul 22 30 Jun 23
Land	$'000	-	**-**	4	-	-	-	117	-	-	-	48
Buildings	$'000	3,405	**2,327**	123	391	284	130	673	595	481	630	93
Roads	$'000	3,125	**614**	53	120	111	614	41	204	41	254	128
Footpaths	$'000	-	**360**	-	135	-	17	47	-	-	-	-
Bridges	$'000	1,636	**-**	420	32	-	-	163	-	-	-	-
Drainage	$'000	252	**478**	309	108	232	28	29	30	173	32	254
Works in Progress	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Heritage Assets	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Furniture & Equipment	$'000	390	**436**	-	-	-	-	-	-	-	-	-
Plant & Machinery	$'000	1,537	**608**	-	-	70	-	-	-	-	-	714
Environment	$'000	-	**800**	315	-	6	-	351	-	-	-	-
Recreation	$'000	-	**-**	391	75	28	53	29	36	110	30	124
Commerce	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Other	$'000	126	**4,502**	4,722	4,614	4,021	3,989	4,983	4,297	4,548	5,783	5,474
Kerb and Channel	$'000	-	**-**	18	-	-	5	4	24	-	6	17
Road Safety	$'000	-	**-**	31	43	55	57	58	90	93	95	117
Other Community Facilities	$'000	-	**-**	16	16	17	17	18	18	19	19	26
Library bookstock	$'000	88	**87**	-	-	-	-	-	-	-	-	-
Saleyards	$'000	-	**42**	52	269	32	57	58	60	37	63	52
Additional Renewal to Close Gap	$'000	-	**-**	-	-	-	-	-	-	-	-	-
Total Capital Works	$'000	10,559	**10,254**	6,455	5,803	4,855	4,967	6,571	5,354	5,501	6,913	7,047
Represented by:												
Renewal Investment	$'000	4,645	**4,501**	4,722	4,614	4,021	3,989	4,983	4,297	4,548	5,783	5,474
Upgrade Investment	$'000	1,844	**1,165**	897	597	321	818	815	145	290	388	381
Expansion/New Investment	$'000	4,070	**4,588**	835	592	513	160	773	912	663	742	1,192
Total Capital Works	$'000	10,559	**10,254**	6,455	5,803	4,855	4,967	6,571	5,354	5,501	6,913	7,047
Renewal Demand	$'000	4,127	**6,113**	7,170	7,142	6,175	6,068	6,221	6,719	7,279	8,391	9,164
Renewal Gap = Not Funded	$'000	(518)	**1,612**	2,447	2,528	2,154	2,079	1,238	2,422	2,731	2,608	3,690
Accumulated Renewal Gap	$'000	(992)	**620**	3,067	5,595	7,749	9,828	11,066	13,489	16,220	18,828	22,517

Figure 6: Standard Statement of Capital Works 2012/13

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