

## EXECUTIVE SUMMARY

Following extensive efforts to review the financial sustainability of the Council over several years, particularly in the last 12 months, and the adoption of a Financial Vision in September 2024, **Hepburn Shire Council is seeking a rate cap variation for the 2025/26 financial year of 7% (\$1.361 million).**

The 7% variation is in addition to the State Government announcement of a 3% rate cap to apply in 2025/26. Therefore, Hepburn Shire Council is seeking a **total rate cap variation for the 2025/26 financial year of 10%**, comprising of:

- A permanent uplift of 7% relating to the financial viability and long-term sustainability of the Council; and
- 3% being the rate cap set by the Minister for Local Government for 2025/26.

The primary driver for this variation is the Council's inability to fund essential services within the current cap. A higher cap is critical to maintaining effective and responsive service delivery and to invest in community assets across the Shire. Even with the requested rate cap variation, significant reductions in operational services and capital expenditure are required to remain financially sustainable. Council's obligation under the Local Government Act 2020 is to ensure long term financial sustainability – this rate cap variation request is necessary to ensure we comply with that obligation.

Hepburn Shire Council has been mindful of increasing financial pressures for ratepayers and has not taken the decision to apply for the rate cap variation lightly. Our current financial position has been impacted by a range of factors, including the following over the long term:

- Councils, particularly in regional and rural areas, have very limited alternate income streams to generate additional revenue, thereby heavily relying on revenue solely from rates and government funding through grants.
- Hepburn Shire has a relatively small and dispersed population with no major town as its centre – which has resulted in duplication of services and costs.
- Hepburn Shire Council has traditionally been a low-rating Council.
  - Following amalgamations (1995) Hepburn Shire Council commenced with the second lowest rate base in the State.
  - In 2024, Council ranks 60 out of 79 Councils based on 2023/2024 indicators.

In recent years our position has been further impacted by:

- State Government rate cap well below costs and CPI.
- Natural Disasters – approximately \$3.5 million unbudgeted cost to Council.
- COVID Pandemic.
- Significant increase to construction (buildings and roads in particular)
- Ambitious Council Plan 2021-25 – particularly in strategic planning to ensure appropriate housing and land protection into the future.
- Growing legislative requirements.
- Delivery of a number of key large, intergenerational capital projects (10-years plus planning) – these have come at increased cost and resulted in significant borrowings to finalise.

Without change, the current and projected financial outlook is unsustainable, with projections showing an annual cash shortfall of \$4 million from the 2025/26 financial year. If Council had not taken steps through the 2024/25 budget or developed our Financial Vision, Council would have been in a negative cash position this financial year.

The rate cap variation request is not designed to solely change our financial outlook, it is one lever that Council is implementing.

The problem of rural Victorian councils not having enough revenue sources is sector-wide, as acknowledged by both the Victorian and Federal Governments who have current parliamentary enquiries into the sector's financial sustainability and service delivery. In addition, the rate cap does not reflect increases in costs borne by Council. Like many other rural councils, we have been significantly impacted by the increased costs of service and infrastructure delivery due to inflation that far exceeds the rate cap, costs associated with recovery from natural disasters, cost shifting from other levels of government, and limited alternative revenue streams.

Financial analysis of Victorian Councils recently undertaken by FinPro for the State Parliament Committee Inquiry into Local Government Funding and Service Delivery outlined that:

- Victorian Government taxation revenue has increased by 98% over the last 10 years, 34% over the last five years compared to local government municipal rates increased only 54% over the last 10 years and 16% in the last five.
- A majority of councils have adjusted underlying deficits, with a deteriorating trend evident since 2016/17 across the council cohorts.
- There has been deterioration in the unrestricted cash position across the local government sector, consistent with Essential Services Commission (ESC) advice to the Minister that cash reserves across the sector were deteriorating.
- There is insufficient investment in the renewal of existing assets to match the consumption of assets, leading to further deterioration and increased maintenance and more costly intervention over the medium to long term.

In preparation of the 2024/25 budget, Council identified and made public to our community an annual cash shortfall of \$4 million for the 2025/26 financial year. The adopted 2024/25 Budget outlined an operating deficit of \$2.06 million, with service reductions and savings of \$1.5 million. The \$1.5 million is equal to 4.5% of operational expenditure.

The detail of the \$1.5 million is available in appendix 15. It included a reduction in Full Time Equivalent (FTE) of 9.30 (\$906,000), reduction to staff training and development, reduction to community grants, efficiencies, reduction in opening hours of swimming pool and libraries, along with a general reduction in use of external expertise. The 9.30 FTE is equal to 5.1% of Council's workforce.

Following the adoption of Council's 2024/25 budget we undertook the development and adoption of the Financial Vision. The Financial Vision 2024/27, created with significant feedback from the community, acts as a strategic guide to detail the provision of services, priorities, and projects that meet community needs, while ensuring the Council's financial stability over the next ten years. High level inclusions of the Vision include:

- That the current and projected financial outlook of Council must be a key consideration in the development of the Council Plan 2025-29 and Financial Plan 2025-34;
- That Council must consider operational savings, services changes and revenue opportunities in the development of the 2025/26 budget;
- That Council prepare and submit an application to the ESC for a rate cap variation applicable for the 2025/26 financial year of 7%;
- Subject to a successful application for a rate cap variation, the rebate on rate charges for pensioners who qualify under the State Government's Pensioner Rate Remission scheme will be doubled. This initiative will increase Council's rebate from \$21 to \$42 to assist pensioners in their rate payments;
- The Chief Executive Officer will work with Councillors to analyse all services offered by Council, to ensure that the Council Plan 2025-2029 and Budget 2025/26 identify operational saving and/or new revenue opportunities needed to realise the Financial Vision;
- That the funding of asset renewal is a priority, and that capital works expenditure is limited to effectively renewal works only. Council will actively seek State and Government funding, if new or extended assets are to be considered; and
- Creation of a 'grant funding reserve', if the rate cap variation is approved, which will mean funds will be available to allocate to government grant applications as 'matching' funds.

The rate cap variation request is based on significant and targeted engagement with our community to understand their needs and priorities to ensure we respond to their needs and can better deliver value for money. The results of this engagement informed the development of Council's Financial Vision 2024-27, a pre-cursor to the development of the Council Plan 2025-2029 and updated Financial Plan 2025-2034, which sets out a clear and financially responsible plan to ensure our long-term planning remains aligned with and delivers on our Community Vision while operating within current financial constraints.

A key question asked of stakeholders through the community engagement phase of the Financial Vision project was whether they would find a rate variation acceptable, and if so at what level. **The result of the engagement identified that 61.56% of the community were open to a rate variation** (at various percentages), when they were asked the question '*When thinking about increasing rates which of the following you would find most acceptable?*'

Council will be required to find additional savings or revenue totalling \$4 million in 2025/26 to return to surplus and meet commitments outlined in the Financial Vision 2024-27. We plan on achieving this in 2025/26 with the rate cap variation request of \$1.36 million and by an additional \$2.53 million in operational savings (or increased revenue). The \$2.53 million amounts to 7.6% and means that with the \$1.5 million in 2024/25, Council has reduced its operational expenditure permanently by \$4.04 million or 12% annually.

Before seeking a higher cap, all financial levers available were thoroughly considered. Levers implemented in the Financial Vision include:

- Disposal of surplus assets
- Capital works funding
- Borrowings
- Alternative revenue opportunities.

As part of our adopted Financial Vision 2024-27, we have committed to implementing a program of improvements targeting operational savings and ensuring our capital works program is focused on asset renewal only, with our role moving to advocacy for capital projects. We are very mindful of the impact on our community of service cuts already made and will monitor service performance over the coming financial years.

While we acknowledge the potential burden on ratepayers that a higher rate cap represents, we have balanced this against the compounding negative impact of further service cuts on our community's quality of life if a higher cap is not approved.

The decision to seek this variation is informed by our long-term financial planning and supported by plans, policies and processes that reflect that a higher rate cap is necessary to maintain operations. Without a rate cap increase and with everything else remaining the same, the compound impact of the current rate cap will cause us to fall further behind. In contrast, the compounding effect of an appropriate rate cap variation will ensure we remain as a high-functioning responsive council into the future, albeit with some service delivery impacts being required.

Council takes pride in the fact that 99% of the Financial Vision and the ESC rate Cap variation application has been developed using internal resources. This significant effort by our officers and Councillors was critical due to our thorough understanding of Hepburn Shire's unique situation, strong skill set of officers and the absence of additional funding to hire external consultants for assistance.

With the rate cap variation, although it will be a challenging path forward for us and the sector, we are confident in our ability to achieve long-term financial sustainability. Hepburn Shire Council is committed to this approach, with our Financial Vision 2024-27 providing a realistic, transparent and effective way of dealing with challenges over the next decade.

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## PROPOSED HIGHER CAP

Hepburn Shire Council is seeking a rate cap variation for the 2025/26 financial year of 10%, comprising of:

- 7% relating to the financial viability and long-term sustainability of the Council
- 3% being the rate cap set by the Minister for Local Government for 2025/26.

This follows extensive efforts to review the financial sustainability of the Council over several years, particularly in the last 12 months, and the adoption of a Financial Vision in September 2024. The 7% variation is in addition to the State Government announcement of a 3.0% rate cap to apply in 2025/26.

Originally, Council also resolved to apply to the ESC for the rate cap variation to include a component that would have transferred some waste service charges to general rates. At its February 2025 Council Meeting, Council determined to defer this element of the application due to uncertainty around the application of the guidelines. The resolution was:

*That Council:*

- 1. Defers an application to the Essential Services Commission in relation to waste service charges until greater clarity of the Ministerial Good Practice Guidelines for Local Government Service Rates and Charges is provided by State Government; and*
- 2. Continues working with peak bodies to seek a review of the guidelines.*



## REASONS FOR APPLYING

The rate cap variation is not a 'nice to have'; it is a 'must have'.

Without change, the current and projected financial outlook is unsustainable, with projections indicating an annual cash shortfall of \$4 million starting from the 2025/26 financial year. Had Council not taken proactive steps through the 2024/25 budget and the development of our Financial Vision, we would have faced a negative cash position this financial year.

Our community, following engagement, supports the application – given our financial position our community feedback was that 61.6% of respondents found a rate rise above the imposed State Government rate cap was acceptable.

### Long term financial sustainability concerns

#### Financial sustainability for small rural councils

It is now beyond doubt that the ability of councils, especially regional and rural councils, to continue operating and providing the services expected by our communities is on the knife edge.

With the very real risk of imminent service reductions (Hepburn Shire already has), deteriorating community assets and significant cost increases for service delivery and asset renewal, the financial viability of local Government has never been more challenged. This reality threatens to compromise the liveability and prosperity of many smaller and regional communities.

The Legislative Council Economy and Infrastructure Committee of the Victorian Parliament recently released a report into their Inquiry into Local Government funding and services, making a number of observations, including:

- 48 recommendations;
- concluded rising infrastructure and service delivery costs are outpacing growth in grant funding for the lowest tier of government. As a result, some services are being reduced and others stopped altogether;
- Noted local government is extremely limited in its ability to raise revenue and thereby pay for the services it is expected to provide;
- Local councils are facing increased budget pressures due to cost shifting by state and federal governments. Without substantial changes, the financial

sustainability of council operations is at risk, with some services already being reduced or discontinued entirely.

- Noted not all Victorian councils are spending enough on asset renewal to match depreciation.

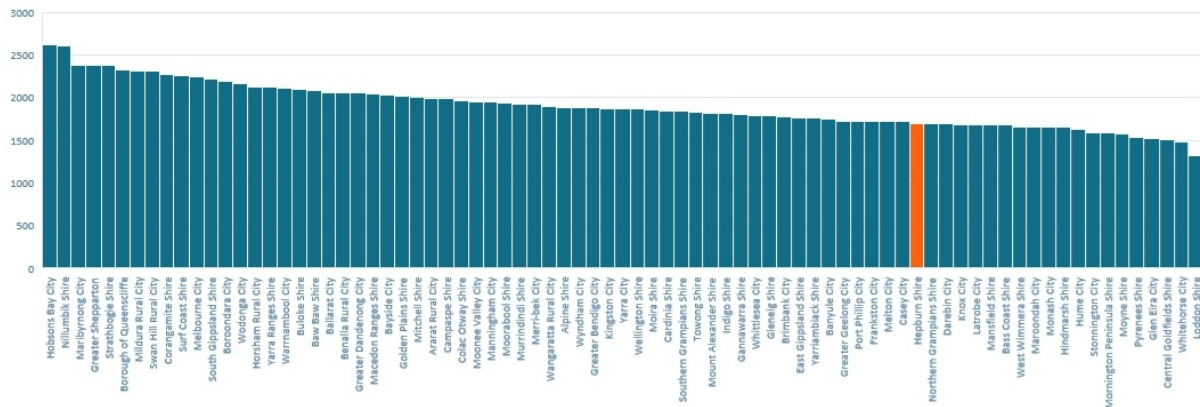
This scenario, when viewed alongside the sector's limited ability to generate additional income through alternate means, is extremely concerning. The key findings of the international report prepared by Rural Councils Victoria (RCV) titled 'Alternative Sources of Income for Local Government 2022' ([ruralcouncilsvictoria.org.au](https://www.ruralcouncilsvictoria.org.au)) details these constraints and identifies where additional income may be possible, it is limited to a very small component of the overall funding required for Councils to be financially sustainable.

In Hepburn Shire's case, we are currently managing a rapidly declining underlying result, a forecast negative unrestricted cash position and the consequent need to significantly increase revenue or decrease expenditure over the coming years as outlined within the Financial Vision 2024-27. The negative unrestricted cash position makes it very difficult to respond to natural disasters or other unforeseen circumstances.

### **Hepburn Shire has historically been a low-rate base Council**

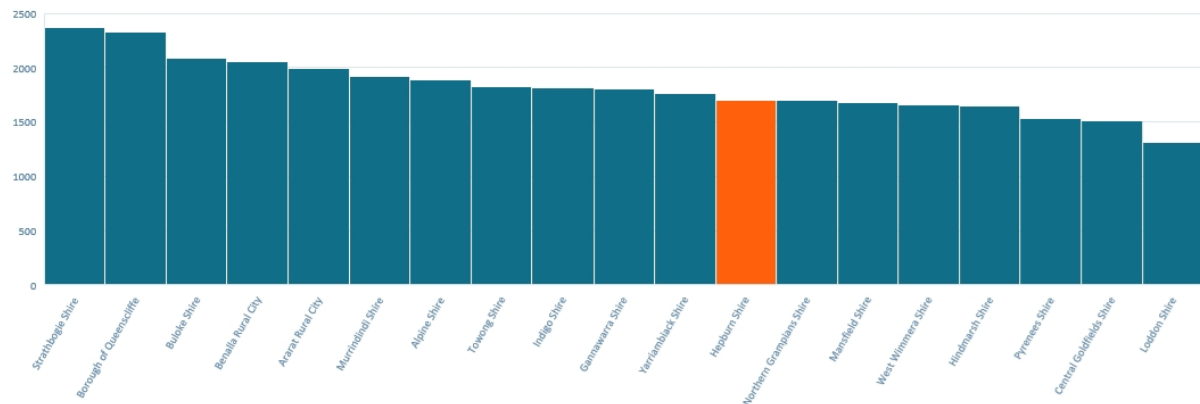
General rates and charges are Council's biggest revenue stream (66% in financial year 2024/25) and working from a historical low-rate base makes this challenging. Our low-rate base per capita is not new. At amalgamation in 1995, Council was ranked as the second lowest rate base in Victoria, and this inherited capped rate base has been an impediment to Council's ability to deliver services.

In 2023/24 we were ranked 60th out of 79 councils for average rates per property assessment. While Council has always applied the maximum Minister's cap on rate rises, we are not able to generate the income we need to deliver the services that our community needs and expects, whilst maintaining and renewing community assets to the level required .



Source: [LGPRF 2023/24](#)

When comparing against other Small Shires in Victoria, we are ranked 12th out of 19.



Source: [LGPRF 2023/24](#)

If the 7% additional rate increase was applied, Hepburn Shire’s result would place Council 46th out of the 79 councils in 2023/24, and still below the average by \$88 or 5%.

**Hepburn Shire has a widely dispersed and diverse population which creates challenges for Council, however this should not disadvantage our community.**

Our community deserves and expects reasonable levels of service and should not be disadvantaged for living in a rural shire. Our Shire covers 1,473 square kilometres. With

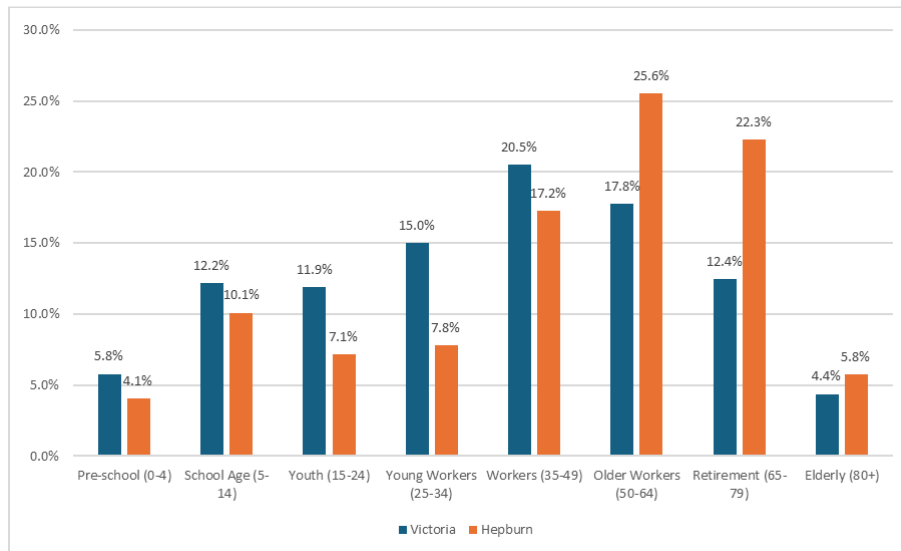
no major town, there are four distinct commercial and service centres which serve a diverse community that is spread over a wide and geographically dispersed area. With limited transport connections between communities, a duplication of services is required to ensure reasonable access by community members in line with service performance principles contained within the Local Government Act 2020 (LGA 2020): *‘services should be provided in an equitable manner and be responsive to the diverse needs of the municipal community’*. For example, we have four libraries and four aquatic facilities (including pools, splash parks and toddler pools) across the four main commercial centres to service a population of 16,604 (2021).

### ***Hepburn Shire profile at a glance***

There are 4 commercial centres - Clunes, Creswick, Daylesford/Hepburn and Trentham and various smaller rural settlements, each with their own unique character.

- 1,473 square kilometres
- 600 km of sealed roads and 700 km unsealed roads
- Population of 16,604 in 2021
- Population projected to grow to 17,700 by 2036
- 4 townships (commercial centres) *2021 Census*
  - o Clunes and surrounds: 2,202 people
  - o Creswick and surrounds: 5,207 people
  - o Daylesford, Hepburn and surrounds: 7,120 people
  - o Trentham and surrounds: 2,026 people
- Largest life stage group of “Older Workers (50-64)” representing 25.6% of the community, and an ageing population compared to the state averages.

The graph demonstrates the population percentage based on life stages, comparing Hepburn Shire and Victoria as a state. Data shows that 53.6% of Hepburn Shire’s population is 50 or older, compared to 34.6% for Victoria.



## Recent financial concerns for Hepburn Shire

Council has identified the strategic risk of Financial Sustainability as a ‘failure to maintain our long-term financial sustainability to deliver on our business objectives’, with the current residual risk identified as ‘High’. A control to bring the risk into tolerance includes the adoption of a Financial Vision to support the 10-year Financial Plan.

Council’s Audit and Risk Committee (ARC) advised that if no decisive action is taken regarding the Long-Term Financial Plan (known as the Financial Vision) in September 2024, an adjustment for the risk rating for ST1 - Financial Sustainability is required. The adoption of the Financial Vision, and application for a rate cap variation responds to these concerns.

Although financial sustainability has been an ongoing challenge for Hepburn Shire Council for decades, in recent years the impact has been greater.

- Impact of State Government rate cap well below costs and CPI;
- Natural Disasters – approximately \$3.5 million unbudgeted cost to Council;
- COVID Pandemic;
- Significant increase to construction (buildings and roads in particular);
- Ambitious Council Plan 2021-25 – particularly in strategic planning to ensure appropriate housing and land protection into the future;
- Growing legislative requirements;
- Delivery of a number of key large, intergenerational capital projects (10-years plus planning) – these have come at increased cost and resulted in significant borrowings to finalise.

## **The rate cap does not reflect increases in costs for delivering key services and community assets.**

The current method for setting the rate cap in Victoria relies heavily upon the CPI forecast set by the Department of Treasury and Finance (DTF). This CPI is not a true reflection of costs incurred by councils.

In November 2023, advice to the Minister for Local Government by the ESC noted, “In our view, the gap between the rate cap and inflation, rising construction costs, and the expectation of future wage increases have the potential to present major cost pressures on councils going forward.” These pressures are being strongly felt by Hepburn Shire Council.

## **Inflation of costs is impacting capital maintenance and delivery**

Our community expects that Council’s assets are safe to use and well maintained, that existing assets are upgraded in a timely manner and new assets are developed to meet changing needs. Council’s commitment to limit capital works to renewal only, as set out in the Financial Vision, and seek significant government funding if any upgrades or new assets, are to be included in Council’s capital works budget.

Using the Australian Bureau of Statistics Produce Price Index 6427 (output of construction industries), we have seen significant increase in the cost of construction, including buildings, roads and bridges. Source:

<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/dec-2024/6427017.xlsx>

In the four financial years ending 30 June 2024:

- The combined rate cap is an 8.75% increase - Hepburn Shire has applied this increase
- Non-residential building construction has increased by 24.6%
- Road and bridge construction has increased by 19.1%.

## **Funding of natural disaster response in our shire has left Council with significant out-of-pocket costs not covered by other levels of government.**

Extreme weather events are occurring more frequently and with more intensity across the state. Hepburn Shire is a high-risk area, and we have been impacted by three natural disasters since 2021.

- Trentham storm event June 2021
- Creswick storm event January 2022
- Shire-wide storm event October 2022

Since 2021, Council has incurred costs of over \$15 million. This has a significant impact on a small organisation, with the ability to deliver business as usual challenged while trying to assist the community respond to and recovery from disasters.

The majority of these costs have been reimbursed by State and Commonwealth Governments, however Council will remain approximately \$3.5 million out of pocket. This is the equivalent of 17.4% of the 2023/24 general rates.

A significant portion of Officer's time, outside of our emergency management response, is ensuring appropriate reimbursement claims are made by Council to the Australian Disaster Funding Relief Program, or acquitting advances provided for the purposes of emergency response.

The process of claiming reimbursements is challenging, particularly ensuring appropriate documentation is maintained during emergency responses. Reimbursement requests can be rejected due to insufficient evidence, requiring a future change in business process to ensure future emergency response reimbursement requests are not rejected.

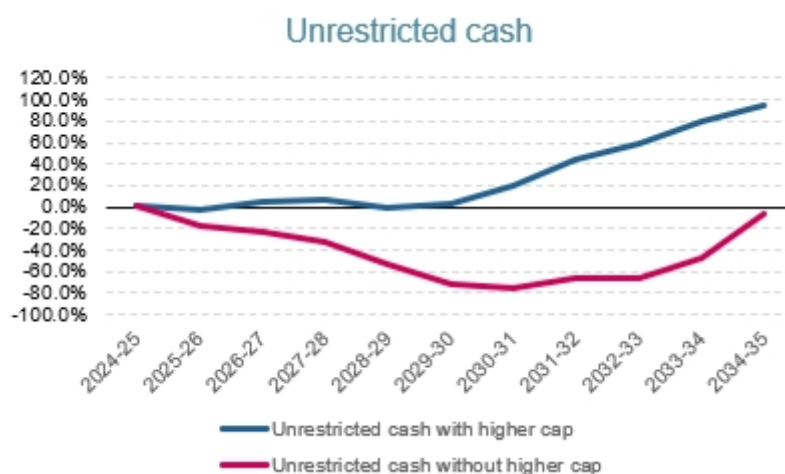
Disaster recovery funding for assets is also limited to 'like for like' rather than the betterment of assets to withstand future extreme weather events that are occurring more regularly within our region. A large proportion of assets damaged in the January 2022 natural disaster, were also damaged in January 2023. Had funding been available for the betterment of these assets, the cost to Council of repeated repairs could have been reduced, and the longevity of infrastructure improved.

## Addressing Council’s medium-term financial viability and long-term sustainability

The primary driver for seeking a rate cap variation is that we are no longer able to fund the delivery of key services and maintenance of community assets from capped revenue.

Projections show that without a rate cap variation Council would have negative unrestricted cash every year for the next 10 years. It is estimated that Council would have extremely low cash levels in June 2031 equating to \$230,000. This is not only unsustainable but would mean Council was insolvent.

With an approved rate cap variation Council can have a positive, but very modest unrestricted cash position in each of the 10-years.



### Council resolution

The Financial Vision 2024-27 was endorsed by Council at a Special Council Meeting on 10 September 2024. The Financial Vision commits Council to address the \$4 million shortfall through a range of measures which were endorsed at the Special Council Meeting. The Council resolved to:

- Authorise the Chief Executive Officer to prepare and submit an application to the Essential Services Commission for a rate cap variation applicable for the 2025/26 financial year of 10% including the applicable rate cap to be announced by the Minister for Local Government;



- *Request that the Chief Executive Officer work with Councillors to analyse all services offered by Council, so as to ensure that the Council Plan 2025-2029 and Budget 2025-26 identify operational saving and/or new revenue opportunities (estimated at \$2.44 million per annum) needed to realise the Financial Vision*
- *Take into account operational savings, services changes and new revenue opportunities in the development of the 2025/26 budget, and by 30 June 2025*

### **Grant opportunities will be key**

Advocacy has been, and will remain, a key activity of Council in seeking grant funding from other tiers of government. Often a co-contribution is required for Council to ‘match’ funding from other tiers of government. To ensure Council is able to leverage these opportunities for grant revenue, the Financial Vision 2024-2027 outlines the need for a ‘grant funding reserve’ to allocate to government grant applications. Without a higher rate cap in 2025/26, we will be unable to create this reserve, resulting in Hepburn Shire and its community not being able to leverage any potential grant opportunities, given lack of our ability to co-contribute – further disadvantaging our community.

### **A higher rate cap is in the long-term interests of our community and will set a successful future.**

If the higher cap is not approved, we will need to cut back further on our operating and capital budgets. Any further reductions to service levels will impact the equitable access to services across our communities. Having already shifted to renewals only for our capital works program, we would also have to further reduce spending on asset renewal, significantly impacting our asset renewal gap and Hepburn Shire’s future generations.

A higher cap for 2025/26 is a key lever in allowing Hepburn Shire Council to achieve its objectives outlined within the Financial Vision:

- Ensure that cash reserves are sufficient to sustain service delivery for the community and to fulfill our obligations;
- Strive to have an amount of unallocated cash to provide a buffer so that we can adequately respond to any unforeseen emergencies;
- In the long-term, establish a reserve that can provide matching funds for grants received from other tiers of government to deliver for our future generations.

## ENGAGEMENT

This application for a higher rate cap is underpinned by extensive and targeted community engagement, which played a crucial role in shaping the Hepburn Shire Council Financial Vision 2024-2027. Our community made it clear that they want to maintain reasonable levels of services, and the majority of the community were open to a rate rise above the rate cap.

### **Financial Vision Community Engagement program**

Council engaged with ratepayers and community members on matters relevant to the need for the proposed higher cap as part of this engagement program. Council aimed to raise awareness about its financial challenges and gather community views on addressing the \$4 million gap. This included understanding their preferences, needs, and priorities, regarding service delivery and funding, along with their appetite for a potential rate increase above the cap set by the Minister Local Government.

The areas Council consulted the community on included:

- The breadth and level of service delivery;
- Capital projects, specifically new infrastructure builds vs renewal;
- Trade-offs required for Council to fund services and to achieve long-term financial stability; and
- The services delivered by Council.

### **How Council engaged with ratepayers and community members**

To maximise audience reach and represent diverse community views, a variety of engagement tools and communication channels were employed, recognising the demographic and geographic diversity of our community.

An Engagement Plan and Communications Plan were developed and followed in line with the Hepburn Shire Council Community Engagement Policy which was developed through consultation with community members.

*See Appendix 3. CONFIDENTIAL Engagement Plan for full details*

### **Engagement tools**

- ‘Participate Hepburn’ – Council’s online community engagement platform
  - <https://participate.hepburn.vic.gov.au/financial-vision>

- Community drop-in sessions with Councillors and Council Staff held across the Shire
  - **Creswick:** Friday 5 July 2024, 4:30pm to 7:30pm, Creswick Town Hall.
  - **Clunes:** Saturday 6 July 2024, 9:30am to 12:30pm, Clunes Library.
  - **Glenlyon:** Monday 8 July 2024, 4:30pm to 7:30pm, Glenlyon Hall.
  - **Daylesford:** Thursday 11 July 2024, 5:00pm to 8:00pm, Daylesford Town Hall.
  - **Trentham:** Friday 12 July 2024, 4:30pm to 7:30pm, Mechanics Trentham.

See Appendix 4. *CONFIDENTIAL Communications Plan for full details*

### **Communication channels**

- Hepburn Shire Council website banners
- Social media
- Posters and flyers distributed across the Shire, including at Council Service Centres
- Media releases
- Articles published in local newspapers, 'The Local' and 'Trentham Trumpet'
- Window displays in Visitor Information Centres across the Shire: Clunes, Creswick, Daylesford, Trentham
- 'Hepburn Life' special Financial Vision edition June 2024 – Council's e-newsletter
- Email signatures

### **Timing**

Engagement for the Financial Vision commenced on 1 July 2024 following the adoption of the Annual Budget 2024/2025 and concluded on 17 July 2024. Council also undertook a large-scale community engagement exercise in 2021 'Hepburn Together' in the development of the Council Plan 2021-2025, and long-term Financial and Asset Plans.

### **Previous advocacy**

It is important to note that Council has been advocating for and communicating Council's financial position for many years. Examples have included:

- Submission to the Inquiry into Local Government Funding and Services June 2024 (*Appendix 5. HSC Submission LG Funding*)
- Submission to the Inquiry into Local Government Sustainability (*Appendix 6. HSC Submission LG Sustainability*)
- Joint submission to the Inquiry into Rural and Regional Disadvantage March 2010 (*Appendix 7. HSC Joint Submission Rural Disadvantage*)

### **Information provided to ratepayers and community members**

Information provided by Council aimed to ensure the community understood Council's current financial situation, along with provide full transparency on the costs and resources required to deliver current service levels, including potential trade-offs.

Council provided ratepayers and community members with comprehensive information and opportunities to respond to:

- Council's financial situation, the impact on Council's bottom line and the potential impact on rate rises and Council's ability to deliver services;
- The work already undertaken on available financial levers;
- Appetite for a higher rate cap; and
- Services they can influence during the engagement.

### **Information provided**

Council provided ratepayers and community members with the following materials:

- Council's Service Catalogue and map for full transparency regarding service delivery outcomes and costs (*Appendix 8. Service Catalogue*);
- Rates Information Sheet (*Appendix 9. Rates Information*);
- Chart outlining the distribution of \$100 of rates income (*Appendix 10. Rates Allocation*);
- Chart outlining the average rate per property assessment when compared to other Local Government Areas (*Appendix 11. Average Rates*);
- Link to the Know Your Council comparison dashboard and Municipal Association of Victoria rate capping information; and
- Information on why and how we deliver services, including legislated requirements and costs.

### **Survey questions**

A survey was conducted as part of the engagement and open to all community members. This survey was available on Participate Hepburn, Council's online engagement platform, and in hard copy.

The survey comprised two parts: a set of short general questions about Council's revenue, assets, and service provision, and a second section that allowed Council to understand community expectations on priorities and focus areas for future budgets.

The survey is attached as Appendix 12. Financial Vision Survey.

### Support provided

Council provided the following support:

- Using the engagement tools, including Participate Hepburn;
- Answering questions at face-to-face drop-in sessions; and
- Providing support via our Libraries and Customer Experience staff.

### Summary of the engagement program

Our community made it clear that they want to maintain reasonable levels of services, while understanding that access to services in our rural shire is not going to be as good as in a bigger centre. They also expect Council to have a planned response to natural disasters.

Statistics included:

- 315 submissions from community members
- 3,473 page views

The full engagement report can be found in Appendix 13. Financial Vision Community Engagement Report.

### Community response snapshot

- When asked about the most acceptable rate increase, **61.56% of survey respondents were open to a rate variation above the cap set by the Minister Local Government** (at varying amounts).
- 53% of respondents would prefer all capital upgrades or new capital investments to be fully funded through grant revenue.
- 47.5% of respondents were open to reduced service delivery levels if it meant the same services were provided.

### How Council considered ratepayer and community views

Feedback from the community in the Financial Vision engagement directly influenced its development, outcomes and objectives. This included:

- Ensuring that the financial outlook of Council is a key consideration in the development of the Council Plan 2025-2029 and Financial Plan 2025-2034;
- Council must consider operational savings;
- Council to prepare a rate cap variation application to submit to the Essential Services Commission;
- A doubling of Council's rebate for pensioners from \$21 to \$42;

- Review Council's service offering;
- Move to ensure capital works expenditure is restricted to renewal works only; and
- The creation of a 'grant funding reserve' to ensure any opportunity for grant funding that requires matching funds can be applied for.

### **Council's response to the issues raised during the engagement**

Council has committed to ensuring that the Financial Vision community engagement results will form part of the insights and analysis in the development of Council's long-term plans, including the Council Plan 2025-2029, Financial Plan 2025-2034 and Asset Plan 2025-2034.

Council held a Special Meeting on 10 September 2024 to receive the Draft Financial Vision 2024-2027 and hear submissions from the community regarding the Financial Vision and financial outlook of the Shire. The meeting was held at the Hepburn Shire Council Chambers, and live streamed via Council's Facebook page. The Financial Vision Community Engagement report was provided to the community in the 10 September 2024 Special Meeting Agenda.

Council determined to revise the initial Officer recommendation of a 10% higher cap application plus the applicable rate cap, to 10% including the applicable rate cap.

**Council voted unanimously for the following resolutions.** The 10 September 2024 Council Minutes are attached as Appendix 14. 10 September 2024 Minutes.

*That Council:*

1. *Expresses its appreciation of the work undertaken by Officers and Community contributions to the Financial Vision Project*
2. *Acknowledges the serious financial constraints facing Victorian Local Governments and commits to continued collaboration and advocacy with State and Federal Governments to ensure the long-term financial sustainability of the sector and Hepburn Shire Council*
3. *Notes the important role that Local Governments play in the delivery of services and infrastructure within communities*
4. *Adopts the Financial Vision as attached*
5. *Notes that the Financial Vision, the current and projected financial outlook of Council must be a key consideration in the development of the Council Plan 2025-2029 and Financial Plan 2025-2034, and that these plans must be adopted in accordance with its deliberative engagement practices and by no later than 31 October 2025 per the Local Government Act*
6. *Notes recent advocacy measures taken by Council with submissions to the recent federal and state inquires on financial sustainability for local government*

## **Revenue**

7. *Acknowledges the sensitivities inherent in any decision to increase rates, especially taking into account ratepayers' capacity to pay*
8. *Notes that property-based taxation, such as Council rates, may not be the best taxation system to take into account ratepayers' capacity to pay and requests that the Mayor and Chief Executive Officer write to the State Minister for Local Government calling for a review of the Rating and Revenue systems of Victorian Councils*
9. *Authorises the Chief Executive Officer to prepare and submit an application to the Essential Services Commission for a rate cap variation applicable for the 2025/26 financial year of 10% including the applicable rate cap to be announced by the Minister for Local Government (raising approximately \$1.56 million)*
10. *For the 2025/26 financial year and subject to a successful application for a rate cap variation, resolves to double the current rebate on rate charges for pensioners who qualify under the State Government's Pensioner Rate Remission scheme. This initiative will increase Councils rebate from \$21 to \$42 to assist pensioners in their rate payments*
11. *Undertake a communications campaign to inform ratepayers that they may be eligible for the State Government Municipal Rates Concession of 50 per cent deduction on council rates up to a yearly maximum of \$259.50 (2024-25) for those eligible, as well as the additional Hepburn Shire Council rebate*

## **Services**

12. *Requests that the Chief Executive Officer work with Councillors to analyse all services offered by Council, so as to ensure that the Council Plan 2025-2029 and Budget 2025-26 identify operational saving and/or new revenue opportunities (estimated at \$2.44 million per annum) needed to realise the Financial Vision*
13. *Take into account operational savings, services changes and new revenue opportunities in the development of the 2025/26 budget, and by 30 June 2025*

## **Other**

14. *Utilises the adopted Financial Vision as the basis for the updating of the Financial Plan*
15. *Authorise the Chief Executive Officer to make administrative amendments to the Financial Vision, if required, that does not change the intent of the document*
16. *Requests that the Mayor and Chief Executive Officer write to the Federal and State Ministers for Local Government, and the Ripon and Macedon local members detailing the outcome of this resolution.*
17. *Investigates options for managing short-term accommodation in light of proposed Short Stay Levy Bill 2024. This includes assessing potential revenue opportunities, the impacts on local housing markets and local amenity with the aim of ensuring benefits for the Hepburn Shire community*
18. *Continue to explore the leasing or sale, of available land, if any, to obtain social benefits (including social and affordable housing land use opportunities) and/or*

*financial returns for Hepburn Shire, ensuring compliance with Councils acquisition and disposal of land policy*

19. *Continue to explore options that diversifies funding sources by exploring partnerships and other models with values-aligned organisations, and additionally, examines opportunities for shared service models with neighbouring councils and other entities to increase operational efficiency*

While acknowledging not all ratepayers will be in agreement with the rate cap variation, it is pleasing to note that there has not been significant negative feedback to the decision made by Council. It should also be noted that all Councillors who re-stood at the recent Council Elections (4 councillors) were re-elected to Council even following their decision to adopt the Financial Vision and apply for the rate cap variation.

### **Feedback provided to ratepayers and community**

As part of Council's ongoing commitment to transparency, we are committed to reporting back to the community on engagement and keeping the community informed of any changes to services. Pending the outcome of this higher cap application, and any service delivery reductions required to meet the Financial Vision, further community engagement will be undertaken. The insights from the Financial Vision are also forming a core component in the development of the Council Plan 2025-2029 and other long-term plans.

Hepburn Shire Council has launched Hepburn Together 2025-2029, a major strategic planning project that will shape our community's future. As part of this project, we are developing the following key strategic plans, as required under the Local Government Act 2020:

- 10-Year Community Vision;
- 4-Year Council Plan (including the Municipal Public Health and Wellbeing Plan);
- 10-Year Financial and Asset Plans; and
- 4-Year Revenue and Rating Plan.

Council has engaged extensively with the community through the Financial Vision and Future Hepburn projects, that helped us understand broad community priorities. Now, we are taking the next step and forming a Deliberative Engagement Panel to help prioritise and refine our priorities and objectives before sharing draft documents with the wider community for feedback.

Council have brought forward the development of these plans and are currently aiming to have them adopted by 30 June 2025.

This engagement will form a key input into the decision making around where services and the budget can be reduced as part of the savings program. It is a key opportunity to



shape the future of Hepburn Shire together with officers, Councillors and our community. By working in partnership, we can ensure our strategic direction reflects the needs, aspirations, and priorities of our community.

## EFFICIENCY AND VALUE FOR MONEY

Council has a strong focus on using its resources efficiently while ensuring value for money for our community by maintaining service levels in accordance with our community's needs and expectations.

In the development of the Financial Vision 2024-27, Council carefully examined every Council service to identify potential organisational efficiencies, already achieving \$1.5 million operating savings. The \$1.5 million is equal to 4.5% of operational expenditure. As we continue this work to address the pressures on our operating budget, we will look at how we can reduce costs, with a further \$2.6 million of operating savings being required in financial year 2025/26.

At the Special Meeting of Council on 10 September 2024, Council resolved the following, and this work is well underway:

- *Request the CEO work with Councillors to analyse all services offered by Council to ensure that the Council Plan 2025-2029 and Budget 2025-2026 identify operational savings and/or new revenue opportunities (estimated at \$2.44 million per annum) needed to realise the Financial Vision*
- *Take into account operational savings, service changes and new revenue opportunities in the development of the Budget 2025-2026, and by June 2025*

### Operational efficiencies and savings

The Financial Vision sets out a plan for addressing Council's \$4 million shortfall. This includes using levers such as increased revenue (through a rate cap variation and increasing or finding new revenue streams), while also focusing on improving our operations.

### Service reviews

Council is undertaking an ongoing program of service reviews (commenced in the 2024/25 financial year) to identify operational savings, efficiencies whilst maintaining or improving service levels. The service performance principles within the Local Government Act 2020 have formed the basis of all service reviews to ensure we limit the impact to our community while also maintaining good value. Services reviews currently underway include:

- Waste services:
- Circular Economy:
- Cleaning and public toilets:

- Infrastructure operations;
- Motor vehicle use; and
- Shared service opportunities.

Council has identified and actioned operational efficiencies, covering both staffing and non-staffing costs. Results of the above service reviews will be presented to Council and any changes to services will be implemented from the 2025/26 financial year.

### **Savings achieved in the 2024-2025 Budget**

Council achieved savings of \$1,490,250, equating to 4.5% of our operating budget. *A full list of savings achieved, can be found in the Appendix. 15. CONFIDENTIAL\_HSC Savings 2425*

The savings implemented included a reduction in FTE of 9.30 (\$926,550), reduction to staff training and development, reduction to communication grants, efficiencies, reduction in opening hours of swimming pool and libraries as well as a general reduction in use of external expertise. In addition, executive and senior leadership positions have been included in the achieved and future savings thus ensuring a corresponding reduction in management as service reductions are implemented. The 9.30 FTE is equal to 5.1% of Councils workforce.

Operational area	Efficiencies implemented	Savings
Staff reductions	Reduced FTE, reduced operating hours of services	\$926,550
General expenditure	General operating efficiencies	\$563,700
<b>TOTAL SAVINGS</b>		<b>\$1,490,250</b>

The examples of some changes are detailed below, outlining how Council was able to adjust its operating model to reduce expenditure whilst maintaining service levels to community.

### **Aquatic operations**

From the start of the 2024/25 season (7 December 2024), opening hours for Shire pools were reduced from 7 days to 5 days (in non-school holiday periods). This decision was based on careful analysis of patronage data and anticipated community peak use while aiming to minimise the impact on our community.

*Media release November 2024: <https://www.hepburn.vic.gov.au/Council/News/Latest-news/Council-to-introduce-changes-to-aquatic-service-operations>*

### **Libraries**

From March 2025, Trentham and Clunes libraries will no longer open to the public on Saturday mornings. This decision was made after careful consideration of usage and borrowing rates while aiming to minimise disruption to our community. At the same time, Council received a grant to implement the Open Access Libraries initiative, allowing members to access library buildings outside of regular hours. This example details how Council will continue to review our service delivery as opportunities through grant funding arise.

*Media release January 2025: <https://www.hepburn.vic.gov.au/Council/News/Latest-news/Changes-ahead-for-library-patrons>*

### **Shared Services**

At the Special Meeting of Council on 10 September 2024, Council resolved to:

- *Continue to explore opportunities for shared service models with neighbouring councils and other entities*

In January 2025, Hepburn Shire commenced an arrangement with Mount Alexander Shire Council to consolidate our building services team into a shared services arrangement servicing both Local Government Areas. This arrangement provides an opportunity to attract quality candidates, provide professional development opportunities for staff, and reduce the cost of building services in the Hepburn Shire budget. This has resulted in a net benefit of approximately \$87,000, in year one. A full business case can be found in *Appendix 16. CONFIDENTIAL Building Shared Services*.

*Media release February 2025: [Council partners with Hepburn Shire to deliver building services Hepburn Shire Council](#)*

### **Other cost savings initiatives undertaken**

As part of the staff engagement program for the Financial Vision 2024-27, Council conducted a ‘Dollars and Sense’ initiative, inviting all staff to submit suggestions for initiatives to achieve internal operational efficiencies across the organisation. A total of 149 suggestions were received and 85 of those are currently being assessed further. Please see *Appendix 17. CONFIDENTIAL HSC Opportunities* for full listing.

The suggestions range in value (and complexities) from items such as reducing office cleaning frequency and critically reviewing corporate memberships, through to major service changes such as implementation of paid parking, and introduction of new local laws. It is pleasing to have engaged staff who are proactively providing ideas to assist in addressing Council's financial sustainability challenges.

## ALTERNATIVE FUNDING AND OFFSETS

The higher cap is a strategic measure through which the Council aims to maintain service levels and community assets identified as priorities by our community.

Before seeking a higher rate cap, Council has meticulously evaluated all available financial levers and prioritised services and expenditures under the rate cap for the 2024/25 financial year, including achieving operational efficiencies of \$1.5 million.

Council continues to prioritise all levers available, having committed to reducing the 2025-26 operating budget by \$2.6 million.

### **Why the higher cap is the most appropriate funding**

Council believes that seeking a higher cap to address the cash shortfall is in the short and long-term interests of our community. Having already made cuts to our service delivery and capital works program, while also developing a Financial Vision that considers all levers available to Council, any further reductions to service levels will significantly impact the services and assets that our community prioritises, and needs.

### **Affordability concerns associated with a higher cap**

Council acknowledges the impact of a higher cap on ratepayers and continues to actively seek ways to minimise this impact, particularly for the most vulnerable members of our community.

At the Special Meeting of Council on 10 September 2024, Council resolved to:

- *Acknowledge the sensitivities inherent in any decision to increase rates, especially taking into account ratepayers' capacity to pay.*
- *For the 2025/26 financial year and subject to this application for a rate cap variation being successful, to double the current rebate on rate charges for pensioners who qualify under the State Government's Pensioner Rate Remission scheme. This initiative will increase Council's rebate from \$21 to \$42 to assist pensioners with their rate payments and is in addition to the State Government rebate. It should be noted that very few Councils provide an additional rebate.*
- *Undertake a communications campaign to inform ratepayers that they may be eligible for the State Government Municipal Rates Concession of 50 per cent deduction on Council rates up to a yearly maximum of \$259.50 (in 2024-2025) for those eligible, as well as the Hepburn Shire Council rebate.*

Council's Financial Services team has a strong commitment to supporting ratepayers, ensuring payment plans and other supports are available to assist all ratepayers.

### **Impact on our community if higher cap is not approved**

Council is aware that the service cuts already implemented will have a negative impact on our community, and we will need to monitor service performance over the coming financial years.

If the rate cap variation is not approved in full, the Council will need to find an additional, on-going \$1.4 million of savings from our operating budget, which would be detrimental to our community – some services will need to be stopped. Council believes it is maximising efficiencies to the greatest extent possible while maintaining an appropriate level of service delivery. Section 4 (efficiency and value for money) details some of the impacts on the community that are already being felt; an unsuccessful rate cap variation would further negatively impact the community.

## **FINANCIAL LEVERS**

### **Revenue from general rates and charges**

General rates and charges are Council's biggest source of revenue by a considerable amount, accounting for 66% of our revenue in the 2024/25 financial year. Due to the rate cap imposed by the State Government, rates cannot be raised to meet the increasing demands on Council without applying for a rate cap variation. Having a historically low-rate base compounds this challenge.

Under the Local Government Performance Reporting Framework, the average rate per property assessment of all councils is calculated. Data of all councils is available (78 councils data provided) and below is based on the results for 2023/24.

Hepburn Shire results were an average rate per property assessment of \$1,708.

- This placed Council 60th out of the 78 councils, meaning 59 councils had a higher average rate than Hepburn Shire.
- Placed 12th out of 18 small rural councils

The average rate per assessment for all councils was \$1,907.66. Had Hepburn Shire's average rate been equal to the average of all councils in 2023/24, this would have generated an additional \$2.45 million in one year alone.

If the 7% additional rate increase was applied, the Hepburn Shire result would have been \$1,819.71. This would place Council 46th out of the 78 councils, and still below the average by \$88 or 5%.

Therefore, even with the rate cap variation, Hepburn Shire Council will not be a high rating Council, compared to other Victorian councils.

As part of the Financial Vision engagement, some feedback was received from the community to look at ways of charging some property types increased rates. It is important to note that changes to rating differentials does not increase the total rates received by Council, but rather just changes the distribution between all ratepayers. A Council must prepare and adopt a Revenue and Rating Plan by 30 June after a general election for a period of at least the next four financial years. Therefore, Council will be engaging with the community to adopt an updated Revenue and Rating Plan by 30 June 2025, and this engagement and decision making is where changing the rating system will be best considered, noting it will not change the financial outlook of Council.

### **Alternative revenue streams**

In preparing the Financial Vision, Council considered a range of alternative revenue sources. Although local government has limited alternate income streams, Council will continue to look at innovation and opportunities to increase revenue and limit the reduction of services. There may be opportunities in future for rental income, sustainable and environmental revenue or options to extend services delivered.

It is difficult for councils, especially rural councils, to obtain significant revenue from other sources. The 2022 international report by Rural Councils Victoria (RCV), titled 'Alternative Sources of Income for Local Government', underscores the challenges faced by small councils in generating additional income. The report reveals that despite extensive searches across Australia and overseas, no single idea or combination of ideas emerged as a substantial alternative revenue source for small councils.

In the 2023/24 financial year, Council obtained \$915,000 in statutory fees and fines, primarily from planning and building permit fees. With the majority of these fees set by State Government, there is limited ability to impact on revenue raised – however Council will continue its advocacy efforts and working with peak bodies to ensure that statutory charges adequately cover the cost of Council providing services.



Council obtained \$788,000 in user fees in 2023/24, the majority of these (87%) related to waste management fees (transfer station entries and specifically used for waste service with the annual waste charges). There were minimal other user fees obtained by Council. Council is committed to increasing revenue from other sources:

- Increasing user fees – Council will continue to investigate opportunities for increased user fees where appropriate, however given the small value of fees obtained, this will not have a material impact on Council’s financial position.
- Introducing new fees – Council is actively, as part of service reviews, looking at opportunities for the introduction of new fees. Ideas such as parking fees in high tourist areas, re-introduction of fees for swimming pools and additional fees for short stay accommodation have been raised by some parts of the community. These will be evaluated, with Council needing to ensure that any additional expenditure to collect fees would offset any revenue generated.

At the Special Meeting of Council on 10 September 2024, Council resolved to *continue to explore options that diversify funding sources by exploring partnerships and other models with values-aligned organisations.*

Advocacy to other tiers of government is a key activity of Council and assists in the funding of services and capital works. Council will continue to actively pursue government grant funding and advocate for the funding of key projects. Often a co-contribution is required for Council to ‘match’ funding government grants, and given the reduced cash position, the ability to ‘match’ funding is becoming, and will remain, difficult. The Financial Vision creates a ‘grant funding reserve’ which will mean funds will be available to allocate to government grant applications. \$200,000 ongoing and increasing will be allocated to this reserve beginning in 2026/27, subject to a successful rate cap variation.

### **Operational costs – service delivery**

Council is continuously looking at different ways it can ‘trim’ our service delivery expenditure to increase operational efficiency while maintaining service levels in accordance with our community’s expectations (as per section 4 - efficiency and value for money). Hepburn Shire Council is and has historically been a lean operating Council.

As noted, in the 2024/25 budget \$1.5 million of permanent, operational savings, were realised. The detail of the \$1.5 million in savings is available at appendix 15, however included a reduction in FTE of 9.30 (\$906,000), reduction to staff training and development, reduction to community grants, efficiencies, reduction in opening hours of swimming pool and libraries, along with a general reduction in use of external expertise. The 9.30 FTE is equal to 5.1% of Councils workforce, and included our trainee program - further cuts to staff is expected in 2025/26.

Even with the rate cap variation approved, an additional and permanent \$2.53 million in operational savings (or increased revenue) is required. \$2.53 million amounts to 7.60% and means with the \$1.5 million in 2024/25 Council will have reduced its operational expenditure permanently by \$4.04 million or 12% annually, from 2025/26 onwards. These are significant changes and is resulting in reduction of services to our community.

In 2024, Council introduced a comprehensive Service Catalogue and map, detailing the delivery of Council services, including the legislated responsibilities and performance measurement, including the State Government's Local Government Reporting Framework (LGPRF). This catalogue, designed for regular review, was released in conjunction with community engagement on the Financial Vision. The Financial Vision sets out a plan for implementing a program of improvements targeting operational savings.

### **Capital works**

Our community has told us that community assets are a priority. In preparing the Financial Vision, Council considered different ways we can reduce our capital works expenditure while ensure existing community assets are maintained at a level that the community expects.

Infrastructure maintenance costs have risen at least 10 to 30% over the past three years without corresponding income increases, forcing Council to cover shortfalls.

The Financial Vision details that the funding of asset renewal is a priority, and the capital works spend is limited to effectively renewal works only. Asset renewal focuses on managing and maintaining existing community facilities, excluding new capital works.

The Financial Vision does not include any direct allocation for new upgrades, or new assets – often referred to as generational assets. Funding of these assets would be considered on a case-by-case basis and will likely require significant government grant funding. Council would be able to utilise its reserve balances and consider borrowings to proceed this large, and complex infrastructure projects subject to positive evaluation of a comprehensive business case.

The current funding allocation of capital works in the Financial Vision and ESC submission is likely to be understated to even reach renewal spending over the 10-years. This is due in part to Council updating its asset data through 2024 and 2025 , and new asset valuation figures as at 30 June 2025 which increased the value by 30% and limited escalation allowed for over the 10-year period.

Council will develop a new Asset Plan by June 2025. This plan will provide a long-term (10-year) outlook, vision, and action plan for the management of Council’s assets and the renewal funding need will be fully understood and allowed for in its Financial Plan.

### **Borrowings**

In the previous decade, Council has historically held a relatively low level of borrowings, but has borrowed in recent years to complete key projects such as the Daylesford Town Hall roof and electrical repairs, the Djuwang Baring (Creswick Trails) project and The Mechanics Trentham .

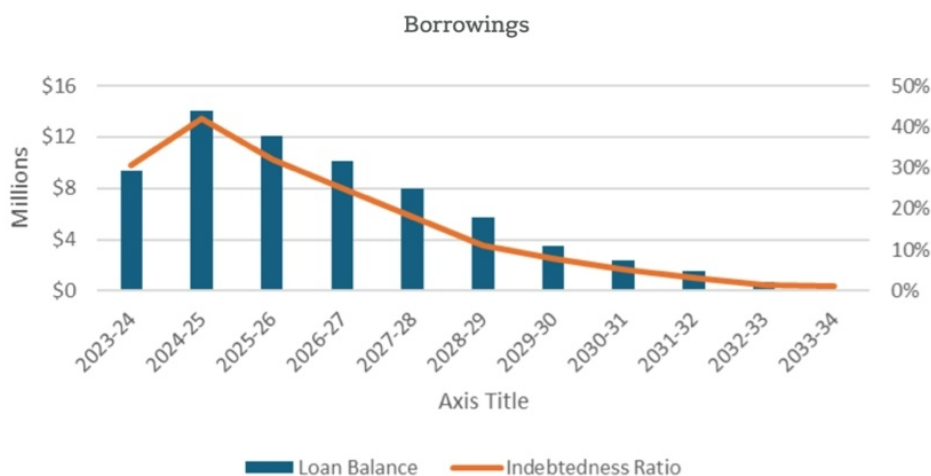
Over the last five financial years (2020/21 to 2024/25), Council has secured new borrowings of \$15.93 million. This is a significant level of borrowings for a small rural Council.

Based on the 2023/24 Local Government Performance Reporting Framework (LGPRF) data, Council had a ratio of 36% when comparing the total loans to rates. This placed Council the 9<sup>th</sup> highest and the only small rural Council in the top 20 councils. With the further budgeted borrowings in 2024/25 (\$5.53 million), the LGPRF forecast data would place Hepburn Shire the 7<sup>th</sup> highest at the end of 2024/25. Council is in a position to repay this debt and has only taken the debt out to service the construction of large, multi-generational assets. This ratio and position within the Council group indicates that Council has seriously considered borrowings as a legitimate source of funding.

In preparing the Financial Vision 2024-27, Council considered current financial reserves and debt levels along with the potential to take on new debt. The Financial Vision 2024-27 assumes no new debt from 2025-2026 onward. In any case, Council’s tight cash

environment constrains the scope of any new borrowings and Council’s capacity to service them. While debt funding will not be used to fund operational activities, it will be considered for the construction of major multi-generational asset expenditure where appropriate. Not only will this ensure the cost of these assets is spread over time, but it will also help ensure future ratepayers who will share the benefits will also share paying for the assets.

Council’s loan balance and indebtedness ratio as per projections in the Financial Vision. The indebtedness ratio compares Council’s non-current liabilities (mainly borrowings) to its own-source income. VAGO notes a ratio below 40% is a low financial risk. Council remains in the low-risk category in all years except 2024-2025 where it marginally increases to the medium-risk category (40-60%).



**Asset sales**

In preparing the Financial Vision, Council considered the disposal of surplus land and buildings assets, however it became apparent that Council has limited assets for potential disposal. The majority of land and buildings controlled by Council are on State (Crown) land and therefore not able to be sold. In addition, the few options that may become available are not likely to materially improve Council’s long term financial position.

At the Special Meeting of Council on 10 September 2024, Council resolved to:

- Continue to explore the leasing or sale of available land, if any, to obtain social benefits (including social and affordable housing land use opportunities) and/or financial returns for Council, while ensuring compliance with Council’s acquisition and disposal of land policy.*

We will continue to actively look at how we might reduce land and building assets, with Council's Asset Register subject to ongoing strategic review. Any land or building sale would be subject to requirements of the *Local Government Act 2020* and Council's Disposal and Acquisition of Land Policy 2023 which includes requirements for current valuations and community engagement.

**Trade-offs**

In preparing the Financial Vision, Council considered trade-offs. *This is covered in Section 3 – Engagement.*

## Long term planning

Council is fully committed to and compliant with the Local Government Act, particularly long-term planning requirements.

### Council Plan 2021-2025

In developing the current Council Plan (2021-25) and following an extensive community engagement exercise with contributions from over 10% of the community, Council included a key strategy to ensure long-term financial planning in its adoption.

- Key Focus Area 5 A dynamic and responsive Council
- Priority Statement 5.3 - A sustainable and agile organisation with strong corporate governance that supports excellent operations.
- Strategy 5.3.3 - Enhance long-term financial planning and forecasting through the development of the Long-term Financial Plan.

### Financial Plan 2021-2031

The Financial Plan 2021-2031, adopted by the Council at a Special Meeting on 26 October 2021, is a legislative document required under the Local Government Act 2020. Numerous briefings were conducted with Councillors and officers in developing the Plan, and the Council undertook community engagement on the 10-year Financial Plan to seek refinements before adopting the final version.

Council applied many of the assumptions within the Financial Plan when developing its Financial Vision.

The Financial Plan is currently being updated – with a revised version 2025-34 expected to be considered by Council by 30 June 2025. It will be based on the Financial Vision.

### Financial Vision 2024-2027

Although not a mandatory document under the Local Government Act, the Financial Vision has been proactively developed to support the Council's obligations towards financial sustainability. It outlines parameters for the next Council to develop the Council Plan and Financial Plan.

The Financial Vision 2024-2027:

- Illustrates that a comprehensive review of services must be completed.
- Outlines actions that will ensure responsible financial management through evidence-based cost controls and resources management.

- Does not determine the scope or quality of service delivery, but instead provides a plan for substantial reforms to achieve financial sustainability.

The Financial Vision 2024-27 is a key input to the Integrated Strategic Planning process currently being undertaken to develop the new Council Plan, Revenue and Rating Plan, and long-term plans including the Financial Plan and Asset Plan.

The Financial Vision 2024-27 is contained within *Appendix. 1. HCS\_Financial-Vision*.

## Legislative Requirements

Section 9(2)(g) states that a Council must, in performing its role, give effect to the overarching governance principles, including ensuring the ongoing financial viability of the Council. The Financial Vision ensures this requirement is met, and that Hepburn Shire Council can continue to be financially viable. The rate cap variation is a key component of the Financial Vision and should be supported to ensure the short, medium, and long-term viability of the Council.

The table below demonstrates a summary of how the Financial Vision and the rate cap variation apply to the overarching governance principles:

Governance Principles	Application
<b>Council decisions are to be made, and actions taken in accordance with the relevant law;</b>	The Financial Vision and rate cap variation is fully compliant with all legislation.
<b>Priority is to be given to achieving the best outcomes for the municipal community, including future generations;</b>	The Financial Vision has considered all financial levers available to Council, and ensured a mix is implemented.
<b>The economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;</b>	Environmental sustainability is considered through the review of Council services and model reviews, and alignment to existing adopted strategies is considered throughout the budget process – this continues post Financial Vision. If the rate cap variation is approved, a ‘grant funding’ reserve will be created that will assist council plan for and implement with other tiers of government initiatives to ensure economic, social and environmental considerations, including that climate change risks can be funded.
<b>The municipal community is to be engaged in strategic planning and strategic decision making.</b>	Significant community engagement and consultation was undertaken through the Council term and part of the Financial Vision development. The adoption of the Financial Vision occurred in an ‘open’ meeting of Council.

<p><b>Innovation and continuous improvement is to be pursued; and Collaboration with other Councils and Governments and statutory bodies is to be sought.</b></p>	<p>Required per Council Resolution when the Financial Vision was adopted. <i>That Council Continue to explore options that diversifies funding sources by exploring partnerships and other models with values-aligned organisations, and additionally, examines opportunities for shared service models with neighbouring councils and other entities to increase operational efficiency.</i></p>
<p><b>Regional, state and national plans and policies are to be taken into account in strategic planning and decision making.</b></p>	<p>Development of the Financial Vision includes data and analysis of trends within Victoria, and referenced recent advocacy measures taken by Council with submissions to the recent federal and state inquires on financial sustainability for local government.</p>
<p><b>The transparency of Council decisions, actions and information is to be ensured.</b></p>	<p>The adoption of the Financial Vision occurred in an ‘open’ meeting of Council. A copy of this application will be placed on Councils website and the outcome of the application will be made public.</p>

Section 101 of the Local Government Act details financial management principles that are to be followed. The table below demonstrates a summary of how the Financial Vision and the rate cap variation applies with these principles.

Financial management Principles	Application
<p><b>Revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans.</b></p>	<p>Hepburn Shire has been subject to annual audit and reporting by the Victorian Auditor Generals Office – with no material adverse findings – giving community and the ESC confidence of Council’s financial management.</p>
<p><b>Financial risks must be monitored and managed prudently having regard to economic circumstances;</b></p>	<p>Council has identified the strategic risk of Financial Sustainability as a ‘failure to maintain our long-term financial sustainability to deliver on our business objectives’, with the current residual risk identified as ‘High’. A control to bring the risk into tolerance includes the adoption of a Financial Vision to support the 10-year Financial Plan.</p> <p>This has been supported by Council’s Audit and Risk Committee.</p>
<p><b>Financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial</b></p>	<p>The Financial Vision details that following a successful rate cap variation for the 2025/26 financial, no additional variation above the rate cap is required.</p>



<p><b>impact on the municipal community.</b></p>	
<p><b>Accounts and records that explain the financial operations and financial position of the Council must be kept.</b></p>	<p>Hepburn Shire has been subject to annual audit and reporting by the Victorian Auditor Generals Office – with no material adverse findings – giving community and the ESC confidence of Council’s financial management.</p>

## Council Plan 2025-29

In developing the Council Plan, the Council is implementing deliberative engagement practices in accordance with the requirements of the Local Government Act 2020 and our Community Engagement Policy. This process will ensure that the community has a meaningful role in shaping the strategic direction of the Council through informed discussions and collaborative decision-making. A dedicated deliberative engagement panel will be established, providing a representative group of community members with the necessary information and resources to contribute effectively. A key focus for the panel will be understanding the financial projections and outlook of the Council, ensuring that recommendations align with the Council’s long-term financial sustainability while addressing community priorities.

At the 10 September 2024 Special Council Meeting, in the context of future long-term planning, Council resolved to:

- *Note that the Financial Vision, the current and projected financial outlook of Council must be a key consideration in the development of the Council Plan 2025-2029 and Financial Plan 2025-2034, and that these plans must be adopted in accordance with its deliberative engagement practices and by no later than 31 October 2025 per the Local Government Act;*
- *Take into account operational savings, services changes and new revenue opportunities in the development of the 2025/26 budget, and by 30 June 2025;*
- *Utilise the adopted Financial Vision as the basis for the updating of the Financial Plan.*