CITY OF PORT PHILLIP

STRATEGIC RESOURCE PLAN

2010/2011 - 2013/2014

OVERVIEW

The Strategic Resource Plan (SRP) is a four year plan of the financial and human resources Council requires to implement the actions and deliver the goals and objectives set out in the Council Plan 2009 – 2013.

COUNCIL'S GOALS & STRATEGIES

In pursuit of its objectives, Council holds central the need for sustainability by ensuring continued operating viability, a positive cash flow, a growing asset base, support of its human resources and strengthening of its service culture. The SRP goal embodies four financial objectives supported by 12 strategies and one non-financial objective supported by two strategies, as detailed below:

Objective	Strategies
1. CoPP will have an ongoing balanced budget and ideally a small surplus.	1. Expenditure on operating activities will be in line with or lower than income from operating activities, producing a surplus. Any surplus achieved will be carried over to subsequent years. 2. Rate revenue will remain at a constant percentage of total revenue (target less than 60% of total revenue) and other revenue will be strengthened over the medium term to reduce reliance on rate revenue. 3. Services will be expanded where the expansions are sustainable within operating revenue, or funded by extra revenue.
2. The CoPP asset base will be maintained, enhanced and expanded	4. The total pool of assets will increase in value each year – excluding the effect of any revaluation adjustments. 5. Assets will be managed in accordance with community need, optimum utilisation and long-term efficiency. 6. Capital expenditure on existing assets (asset renewals and enhancements) will be higher than depreciation. 7. Debt will be managed prudently so that the cost of debt servicing can be redirected into service delivery, where appropriate.
3. Liquidity will be maintained at levels that assure adequate working capital without the need to resort to borrowings or a bank overdraft.	8. General reserves will be maintained at levels sufficient to ensure operational liquidity. 9. Council will consider new loans for funding community capital works projects that will be supported by other cost efficiencies, supplemented by revenue streams, enhanced service delivery, or provide benefits to future generations. 10. Investments will be based on increasing reserves to fund periodic large capital expenditure items.
4. Capital works will address community needs without ignoring long term financial impacts.	11. CoPP's capital assets will be enhanced and preserved to ensure that Council's service delivery capabilities are maintained and improved where possible. 12. CoPP will provide new assets in a way that assists in clustering community assets for social, service delivery and financial effectiveness.
5. CoPP will proactively lead, develop and build organisational culture based on the provision of same day service and a work life balance.	13. CoPP will provide leadership and learning to its staff that builds relationships and where core learning objectives will focus on customer service, the provision of same day service, technical skills, leadership and innovation. 14. CoPP will support the development of policy and practice in the workplace and community to increase organisational effectiveness.

NON FINANCIAL RESOURCES

OUR CULTURE

At the City of Port Phillip we believe that "the difference is working together". The relationships developed with our customers, stakeholders and each other assist us to achieve our goal where service to our community is the key driver. Our vision is to be the best city in the best place for all. Our culture is based on the principles of ethics, openness, honesty, integrity and our job is to make the community a better place. We need to be flexible and adaptable and work together to use our combined skills to deliver our services. Our "3 Simple Rules" – care for yourself, care for others and care for this place provide the framework for the way we work together and deliver our services.

OUR PEOPLE

Our people are our most valued resource. We have a diverse workforce of committed individuals with an extensive range of skills and experience. We aspire to be an employer of choice and to operate collectively as one organisation focused on the achievement of the Council Plan initiatives. Our commitment to professional development, mentoring, open communication, feedback and a safe and respectful working environment enables us to do this. Through our Enterprise Agreement we are committed to a work and life balance where the needs of our people are maintained and embedded in the way we work.

The following chart shows the Equivalent Full Time (EFT) staff Council employs to deliver services by Division as at March 2010. The EFT changes and associated costs for these staff are shown and a plan of costs for the next four years if staffing numbers were to remain constant

Equivalent Full Time (EFT) Employment by Division and associated costs *

	EFT as at March 2010	Projection of costs 2009-2010 $000	Increase in EFT from Prior Year Budget	Budget 2010-2011 $000	Budget 2011-2012 $000	Budget 2012-2013 $000	Budget 2013-2014 $000
CEO	3.00	571	1.00	585	611	639	667
City & Infrastructure Services	77.03	6,965	4.10	7,549	7,889	8,244	8,615
Corporate Services	126.27	11,570	15.50	11,710	12,237	12,788	13,364
Cultural & Community Development	273.46	19,635	(18.90)	20,895	21,835	22,818	23,845
Environment & Planning	131.08	10,764	1.00	11,984	12,523	13,086	13,675
Sub Total	**610.84**	**49,504**	**2.70**	**52,723**	**55,096**	**57,575**	**60,166**

* Cost assumption is that staffing numbers will remain constant with the 2010-2011 numbers in the Plan years.

FINANCIAL RESOURCES

The Strategic Resource Plan achieves a sustainable financial position for the Council. The plan generates a neutral budget position which shows that Council can meet its day to day expenditure from recurrent income. The Plan includes the following assumptions:

INCOME STATEMENT

- CPI of 3.0 per cent each year
- Rates income increases following budget year are 4.0 per cent with growth of 1.0 per cent each year
- Parking revenue from ticket machines will increase by CPI after the budget year
- Parking revenue from fines will remain constant
- User fees and charges will increase by CPI after the budget year
- Open space contributions will remain constant
- Government grants (operating) will increase by CPI after the budget year
- Government grants (capital) will match the 5 year Capital Works program. A notional amount of $500K has been provided each year.
- Interest income will remain constant
- Other income will increase by CPI after the budget year
- Employee benefits will increase by 4.5 per cent after the budget year being 4.0 per cent for EBA increases and 0.5 per cent for banding increases and reclassified positions
- Contract services will increase by CPI after the budget year
- Provision has been made for a one off increase for contract services (parks management) in 2011/12 (new contract) and CPI thereafter
- Utility costs will increase by CPI plus 2.0 per cent after the budget year
- Materials and other costs will increase by CPI after the budget year
- Professional services will increase by CPI after the budget year
- Borrowing costs and loan repayments will increase in 2012/13 in accordance with Council's borrowing strategy (refer below notes).
- Depreciation will increase by $400K each year to cover new assets constructed and vested in Council
- Capital works expenditure will match the 5 year Capital Works program
- Capital expenditure will increase by CPI plus 2.0 per cent after the budget year

BALANCE SHEET

- Payables have increased in 2009/10 and 2010/11 to account for the settlement of the St Kilda triangle development. $5M is payable broken down as follows - $1.5M in 2009/10, $2.0M in 2010/11 and $1.5M in 2011/12.
- $2.6M is being borrowed in June 2012 and is to be repaid over ten years at an anticipated interest rate of 6.50 per cent.

RATING STRATEGY

Council's rating strategy is supported by the following principles:

- Local government taxes (rates) are levied in accordance with a ratepayer's capacity to pay as measured by the Net Annual Value (NAV) of property owned within the municipality. Rates levied are therefore directly proportional to the NAV of individual properties. Other measures such as concessions, deferral of rate payments and other discounts to fees and charges will be applied by Council to address equity and access issues.
- Universal services are funded from the broadest forms of income, rates and parking revenue.
- Fees for broadly used subsidised services provided by Council in a contestable market such as childcare and aged care will be based on a clearly articulated policy position and these services will be funded through a mix of user charges, government grants and rates and aim to achieve equitable outcomes.
- Specific individual regulatory services such as but not limited to animal licences, parking permits and planning permits will be funded, where possible, through user charges (some may be set by statute) and otherwise through rates.
- Special rates are levied against retail tenants in various shopping precincts and this rate income is then distributed to centralised trader associations to spend on the improvement of the shopping strip for the benefit of all traders.

Council's main revenue source is derived from assessment rates on properties in the municipality. Given the magnitude of Council's rates revenue (approximately 57% of total revenue) it is vital that it plans properly for future rate increases.

The current forward financial plan has assumed an annual growth of 5% in rates revenue which is made up of two components, price – 4% and growth arising from new properties – 1%. In addition to this the current and future budgets have made provision for supplementary rate revenue of $600K per annum.

Port Phillip has adopted the Net Annual Value (NAV) rating system. Municipalities which have a relatively large commercial property base (i.e. inner city Councils) have tended to remain on NAV due to the fact that it offers protection to residential ratepayers through an in built differential and this obviates the need for high transparent differential rates for commercial properties. Under NAV rating, property rates are determined in accordance with the rental yield and this is always assessed as being 5% of the Capital Improved Value (CIV) for residential properties and at a higher rate (typically 7% to 9%) for commercial and industrial properties. Councils that use CIV rating typically have differential rates in place for commercial and industrial properties.

Council provides for rate concessions for recreational land. Under the Cultural and Recreational Lands Act 196, provision is made for a Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. There are 25 recreational properties in Port Phillip that are rated under the Cultural and Recreational Lands Act and rate concessions ranging from 20% to 85% are provided.

Council provides rate concessions to pensioners. Port Phillip is one of a few Councils that provide a Council pensioner rate rebate in addition to the State Government pensioner rate rebate. The 2010/2011 Budget proposes an increase in the Council pensioner rate rebate to $103.00 which may be claimed on top of the State Government rebate of $187.60.

Council also offers self funded retirees the option to defer 50% of their rates until the settlement of their estate. In addition to this, there is a 50% discount on the penalty interest that accrued over the period for which their rates were deferred.

BORROWINGS STRATEGY

Council's borrowings strategy is supported by the following principles:

- Borrowings will not be used to fund ongoing operations.
- A prudent and fiscally responsible approach will be applied in considering any proposals for new debt to deliver Council objectives.
- Where debt is increased, the servicing costs ideally need to be funded from future revenue streams or cost savings that can be expected from the investment of the funds raised.
- Borrowings are also appropriate for the purpose of funding large non-recurrent capital works projects that can be expected to provide benefits to future generations.
- Debt levels will be reduced progressively to enable the cost of debt servicing to be redirected into service delivery or building up cash backed reserves.

Details of current and proposed loan borrowings by Council are provided below.

- Council borrowed $6.400M in June 1999 to assist in funding its defined benefits superannuation liability. This loan was taken out at a fixed interest rate of 6.15% and is to be fully repaid by April 2014.
- Council is budgeting to borrow another $2.600M in June 2012 to fund the Library and Heritage Centre. It is anticipated that these funds will be borrowed at an interest rate of 6.50 per cent with the loan to be repaid over ten years.

INFRASTRUCTURE AND ASSET MANAGEMENT STRATEGY

Council's infrastructure and asset management strategy is supported by the following principles:

- Council's investment and asset management strategies, purchasing arrangements and other financial tools should encourage environmental responsibility.
- Council is committed to spending between 20 and 25 percent of its total revenue budget on capital works and capital expenditure. This represents the baseline or floor that is required for Council to renew and enhance its asset base to ensure their ongoing fitness for use. It takes into account expected asset deterioration, increased asset utilisation (capacity requirements) and technology development.
- Replenishment (renewal) of existing assets is generally funded from the depreciation expense that is provided each year. This needs to be applied to the different asset subsets (drainage, roads, buildings and land improvements) to ensure consistency across the entire network of assets that Council manages.
- Maintenance of capital expenditure at levels that will replenish existing assets is a higher priority than debt reduction and investment in new assets, as asset funding shortfalls will transfer the liability to future generations.
- Asset acquisitions and capital works projects are funded from either rate revenue, sales of existing assets, government grants or external borrowings.

FINANCIAL STATEMENTS

Budgeted Standard Income Statement converted to Cash

For the four years ending 30 June 2014

	Forecast Actual 2009/10 $'000	**Budget 2010/11 $'000**	Strategic Resource Plan Projections 2011/12 $'000	2012/13 $'000	2013/14 $'000
OPERATING RESULT					
Revenues from ordinary activites					
Rates	78,193	**82,401**	86,491	90,786	95,295
Parking revenue	21,364	**23,900**	24,227	24,564	24,912
User fees & charges	13,669	**14,414**	14,846	15,292	15,751
Open space contributions	1,200	**1,200**	1,200	1,200	1,200
Grants - operating	8,512	**9,128**	9,402	9,684	9,974
Grants - capital	5,920	**3,430**	500	500	500
Interest received	1,800	**1,000**	1,000	1,000	1,000
Other income	9,252	**8,662**	8,922	9,190	9,465
	139,910	**144,135**	146,588	152,216	158,097
Expenses from ordinary activities					
Employee benefits	49,504	**52,723**	55,096	57,575	60,166
Contract services	35,344	**37,041**	39,361	40,545	41,759
Utilities	2,144	**2,685**	2,819	2,960	3,108
Materials & other expenses	19,101	**19,724**	20,316	20,925	21,553
Professional services	4,158	**4,734**	4,876	5,022	5,173
Borrowing costs	161	**130**	97	225	175
St Kilda Triangle settlement	5,000	**0**	0	0	0
Depreciation	14,500	**16,652**	17,052	17,452	17,852
Total Expenditure	129,912	**133,689**	139,617	144,704	149,786
Operating surplus (deficit) for the year	9,998	**10,446**	6,971	7,512	8,311
CONVERSION TO CASH					
Less cash costs not included in the operating result					
St Kilda Triangle settlement (cash costs)	(3,500)	**2,000**	1,500	0	0
Capital works program	27,666	**26,548**	23,695	22,793	23,853
Capital works carry over	7,710	**11,865**	0	0	0
Capital works program underspend	(13,865)	**0**	0	0	0
Capital expenditure - IT, parking machines & other	2,808	**1,584**	1,663	1,746	1,834
Loan - Library & Heritage Centre	0	**0**	(2,600)	0	0
Loan repayments	495	**526**	559	785	836
Transfers to/(from) statutory reserves	(262)	**(500)**	(300)	(300)	(300)
Transfers to/(from) general reserves	(1,531)	**(1,060)**	(435)	(60)	(60)
	19,521	**40,963**	24,082	24,964	26,163
Plus non cash costs included in operating result					
Depreciation	14,500	**16,652**	17,052	17,452	17,852
Surplus/(deficit) for the year	4,977	**(13,865)**	(59)	0	0
Accumulated position brought forward					
Carry Over Surplus/(Deficit)	1,907	**59**	59	0	0
B/Fwd Capital Works Surplus to fund Capital Works Car	7,040	**13,865**	0	0	0
Surplus/(Deficit) Carried Forward	13,924	**59**	0	0	0

Budgeted Standard Balance Sheet

For the four years ending 30 June 2014

	Forecast Actual 2010 $'000	**Budget 2011 $'000**	Strategic Resource Plan Projections 2012 $'000	2013 $'000	2014 $'000
Current assets					
Cash and cash equivalents	37,507	**22,082**	21,287	20,927	20,568
Receivables	10,075	**10,075**	10,075	10,075	10,075
Accrued income	407	**407**	407	407	407
Prepayments	1,340	**1,340**	1,340	1,340	1,340
Total current assets	49,329	**33,904**	33,109	32,749	32,390
Non-current assets					
Other financial assets	6,468	**6,468**	6,468	6,468	6,468
Property, infrastructure, plant & equipment	1,835,306	**1,858,651**	1,866,957	1,874,044	1,881,879
Total non-current assets	1,841,774	**1,865,119**	1,873,425	1,880,512	1,888,347
Total assets	1,891,103	**1,899,023**	1,906,534	1,913,261	1,920,737
Current liabilities					
Payables	12,954	**12,454**	10,954	10,954	10,954
Trust funds and deposits	1,776	**1,776**	1,776	1,776	1,776
Provisions	7,221	**7,221**	7,221	7,221	7,221
Interest-bearing liabilities	526	**559**	785	834	217
Total current liabilities	22,477	**22,010**	20,736	20,785	20,168
Non-current liabilities					
Payables	1,500	**0**	0	0	0
Provisions	1,437	**1,437**	1,437	1,437	1,437
Interest-bearing liabilities	1,786	**1,227**	3,041	2,206	1,989
Total non-current liabilities	4,723	**2,664**	4,478	3,643	3,426
Total liabilities	27,200	**24,674**	25,214	24,428	23,594
Net assets	1,863,903	**1,874,349**	1,881,320	1,888,833	1,897,143
Equity					
Accumulated surplus	577,612	**589,618**	598,324	606,197	614,867
Asset revaluation reserve	1,261,737	**1,261,737**	1,261,737	1,261,737	1,261,737
Other reserves	24,554	**22,994**	21,259	20,899	20,539
Total equity	1,863,903	**1,874,349**	1,881,320	1,888,833	1,897,143

Budgeted Standard Cash Flow Statement

For the four years ending 30 June 2014

	Forecast Actual 2008/09 $'000 Inflows (Outflows)	**Budget 2009/10 $'000 Inflows (Outflows)**	Strategic Resource Plan Projections 2010/11 $'000 Inflows (Outflows)	2011/12 $'000 Inflows (Outflows)	2012/13 $'000 Inflows (Outflows)
Cash flows from operating activities					
Receipts					
Rates and garbage charges	78,193	**82,401**	86,491	90,786	95,295
Parking fees and fines	21,364	**23,900**	24,227	24,564	24,912
User charges and other fines	13,669	**14,414**	14,846	15,292	15,751
Grants	14,432	**12,558**	9,902	10,183	10,474
Contributions	1,200	**1,200**	1,200	1,200	1,200
Interest	1,800	**1,000**	1,000	1,000	1,000
Other revenue	9,252	**8,662**	8,922	9,190	9,465
	139,910	**144,135**	146,588	152,215	158,097
Payments					
Employee costs	(36,345)	**(37,041)**	(39,362)	(40,543)	(41,760)
Contract Services	(49,504)	**(52,723)**	(55,096)	(57,575)	(60,166)
Materials and other expenses	(20,045)	**(22,409)**	(23,135)	(23,886)	(24,661)
Professional services	(4,158)	**(4,734)**	(4,876)	(5,022)	(5,173)
St Kilda Triangle settlement	(1,500)	**(2,000)**	(1,500)		
	(111,552)	**(118,907)**	(123,969)	(127,026)	(131,760)
Net cash provided by operating activities	28,358	**25,228**	22,619	25,189	26,337
Cash flows from investing activities					
Proceeds from property, plant and equipment	1,200	**0**	0	0	0
Payments for property, plant and equipment	(24,318)	**(39,997)**	(25,357)	(24,539)	(25,687)
Payments for investments	(200)	**0**	0	0	0
Net cash used in investing activities	(23,318)	**(39,997)**	(25,357)	(24,539)	(25,687)
Cash flows from financing activities					
Finance costs	(161)	**(130)**	(97)	(225)	(175)
Proceeds from borrowings	0	**0**	2,600	0	0
Repayment of borrowings	(495)	**(526)**	(559)	(786)	(834)
Net cash provided by (used in) financing activities	(656)	**(656)**	1,944	(1,011)	(1,009)
Net decrease in cash & cash equivalents	4,384	**(15,425)**	(794)	(361)	(359)
Cash & cash equivalents at beginning of year	33,123	**37,507**	22,082	21,288	20,927
Cash & cash equivalents at end of year	37,507	**22,082**	21,288	20,927	20,568

Budgeted Standard Capital Works Statement

For the four years ending 30 June 2014

	Forecast Actual 2009/10 $'000	**Budget 2010/11 $'000**	Strategic Resource Plan Projections 2011/12 $'000	2012/13 $'000	2013/14 $'000
Capital works areas					
Roads	10,558	**10,630**	8,590	9,290	10,520
Parks & open space	5,686	**4,966**	5,417	2,370	7,075
Buildings	3,504	**8,965**	7,828	7,973	5,128
Signage & street furniture	200	**790**	660	660	730
South Melbourne Market	675	**950**	1,200	2,500	400
Planning, implementation & other	888	**247**	0	0	0
	21,511	**26,548**	23,695	22,793	23,853
Capital expenditure areas					
Plant & Equipment	2,808	**1,584**	1,663	1,746	1,834
TOTAL CAPITAL	24,319	**28,132**	25,358	24,539	25,687
Represented by:					
Asset renewal	10,187	**11,875**	10,090	10,630	11,885
New assets - capital works	5,456	**10,276**	10,196	9,063	7,818
Asset expansion/upgrade	4,980	**4,150**	3,409	3,100	4,150
Planning & implementation	888	**247**	0	0	0
New assets - capital expenditure	2,808	**1,584**	1,663	1,746	1,834
TOTAL CAPITAL	24,319	**28,132**	25,358	24,539	25,687

Reconciliation of net movement in property, plant and equipment

	Forecast Actual 2009/10 $'000	**Budget 2010/11 $'000**	Strategic Resource Plan Projections 2011/12 $'000	2012/13 $'000	2013/14 $'000
Capital works	21,511	**26,548**	23,695	22,793	23,853
Capital expenditure	2,808	**1,584**	1,663	1,746	1,834
Capital works carried forward		**12,165**	0	0	0
	24,319	**40,297**	25,358	24,539	25,687
Asset revaluation increment	0	**0**	0	0	0
Depreciation & amortisation	-14,500	**-16,652**	-17,052	-17,452	-17,852
Written down value of assets sold	0	**0**	0	0	0
Granted assets	0	**0**	0	0	0
Recognition of previously unrecognised assets	0	**0**	0	0	0
Net movement in property, plant & equipment	9,819	**23,645**	8,306	7,087	7,835

Budgeted Statement of Investment Reserves

For the four years ending 30 June 2014

	Forecast Actual	**Budget**	Strategic Resource Plan Projections		
	2010	**2011**	2012	2013	2014
	$'000	**$'000**	$'000	$'000	$'000
Statutory					
Car parking	980	**980**	980	980	980
Infrastructure	335	**135**	135	135	135
Resort and recreation	5,287	**4,987**	4,687	4,387	4,087
Total statutory reserves	6,602	**6,102**	5,802	5,502	5,202
Discretionary					
General purpose	2,353	**2,353**	2,353	2,353	2,353
Remediation	5,535	**4,535**	4,535	4,535	4,535
Southport Nursing Home	3,000	**3,000**	3,000	3,000	3,000
Sustainable transport	1,053	**1,053**	1,053	1,053	1,053
Station Pier	810	**810**	810	810	810
South Melbourne Central	1,013	**953**	893	833	773
Middle Park Beach ongoing maintenance	1,750	**1,750**	1,750	1,750	1,750
Other	2,438	**2,438**	2,063	2,063	2,063
Total discretionary reserves	17,952	**16,892**	16,457	16,397	16,337
Total reserves	24,554	**22,994**	22,259	21,899	21,539

FINANCIAL SUSTAINABILITY INDICATORS

Underlying Result

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) adjustments

Forecast	Budget	Strategic Resource Plan Projections			Trend
2009/10	2010/11	2011/12	2012/13	2013/14	+/o/-
7.21%	7.31%	4.79%	4.98%	5.30%	-

Overal Risk Rating: LOW

Liquidity

This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there is more cash and liquid assets than short-term liabilities.

Forecast	Budget	Strategic Resource Plan Projections			Trend
2009/10	2010/11	2011/12	2012/13	2013/14	+/o/-
2.19	1.54	1.60	1.58	1.61	-

Overal Risk Rating: LOW

Self Financing

Measures the ability to replace assets using cash generated by their operations. The higher the percentage, the more effectively this can be done.

Forecast	Budget	Strategic Resource Plan Projections			Trend
2009/10	2010/11	2011/12	2012/13	2013/14	+/o/-
17.78%	19.05%	16.59%	16.68%	16.79%	o

Overal Risk Rating: MEDIUM

Indebtedness

Comparison of non-current liabilities (mainly comprised of borrowings) to own sourced revenue. The higher the percentage, the less able to cover non-current liabilities from the revenues the 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.

Forecast	Budget	Strategic Resource Plan Projections			Trend
2009/10	2010/11	2011/12	2012/13	2013/14	+/o/-
3.80%	2.04%	3.31%	2.59%	2.34%	+

Overal Risk Rating: LOW

Investment Gap

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.

Forecast	Budget	Strategic Resource Plan Projections			Trend
2009/10	2010/11	2011/12	2012/13	2013/14	+/o/-
2.44	2.31	1.39	1.31	1.34	-

Overal Risk Rating: **LOW**

Renewal Gap

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.

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.

Forecast	Budget	Strategic Resource Plan Projections			Trend
2009/10	2010/11	2011/12	2012/13	2013/14	+/o/-
1.05	0.96	0.79	0.79	0.90	-

Overal Risk Rating: **MEDIUM**