

# **CITY OF PORT PHILLIP**



## **STRATEGIC RESOURCE PLAN**

**2011/12 – 2014/15**

## 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 place a high store on the importance of developing relationships with our customers, stakeholders and each other to assist us to achieve the goal of providing the community with prompt and courteous service.

Our culture is based on the following five key staff values and related behaviours which are intended to provide a framework that reinforces and supports this goal.

### **Working together**

- I collaborate and actively participate
- I support my colleagues and respect our differences
- I actively build relationships across the organisation

### **Creative and Strategic thinking**

- I strive to be innovative
- I am open to new ideas and new ways of doing things
- I enquire, listen, research and collaborate

### **Personal Growth and Performance**

- I support the growth of others
- I seek and give effective and respectful feedback
- I seek learning and development opportunities

### **Accountability**

- I strive to do things better
- I find solutions in a collaborative and timely way
- I accept accountability for taking action and delivering on promises

### **Courage and Integrity**

- I act with courage and integrity
- I work in the best interest of the organisation
- I am passionate about the City of Port Phillip and take pride in my work

## 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 Full Time Equivalent (FTE) staff Council employs to deliver services by Division. The FTE 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 (FTE) Employment by Division and associated costs \*

	Approved Budget 2010-2011	Projection of costs 2010-2011 \$000	Increase in EFT from Prior Year Budget	Approved Budget 2011-2012	Budget 2011-2012 \$000	Budget 2012-2013 \$000	Budget 2013-2014 \$000	Budget 2014-2015 \$000
CEO	2.92	505	0.00	2.92	535	562	590	620
City & Infrastructure Services	81.50	7,756	4.56	86.06	8,353	8,771	9,209	9,670
Corporate Services ( <i>Note</i> )	127.56	13,298	2.59	130.15	14,884	15,628	16,410	17,230
Cultural & Community Development	291.12	20,915	9.35	300.47	22,509	23,633	24,815	26,056
Environment & Planning	142.40	11,800	7.42	149.82	12,977	13,626	14,307	15,022
<b>Sub Total</b>	<b>645.50</b>	<b>54,274</b>	<b>23.92</b>	<b>669.42</b>	<b>59,258</b>	<b>62,220</b>	<b>65,331</b>	<b>68,598</b>

\* Cost assumption is that staffing numbers will remain constant with the 2011-2012 numbers in the Plan years.

Note: Corporate Services includes an amount of \$2.661M in salaries for the year 2011-12 for the Streetsahead program. This is fully funded through contract income and is cost neutral to council.

## 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 revenue increases by 6% each year with price movements of 4.5 per cent and growth of 1.5 per cent each year
- Parking revenue from ticket machines will increase in line with CPI of 3% and volume movements.
- Parking revenue from fines will increase by 2% each year
- User fees and charges will increase by CPI of 3%
- Open space contributions will remain constant at \$1.2 million per annum
- Government grants (operating) will increase by CPI of 3%
- Government grants (capital) will match the 5 year Capital Works program. A notional amount of \$1.500M has been provided each year.
- Interest income will remain constant at \$1.5 million each year
- Other income will increase by CPI of 3%
- Employee benefits will increase by 5.0 per cent after the budget year being 4.5 per cent for EBA increases and a provision for banding increases and reclassified positions
- Contract services will increase by CPI of 3%
- Utility costs will increase by 5% each year.
- Materials and other costs will increase by CPI of 3%
- Professional services will increase by CPI of 3%
- Borrowing costs and loan repayments will increase in 2012/13 in line with Council's decision to borrow \$5 million to fund the St Kilda family and children's centre project.
- 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

### BALANCE SHEET

- Payables have decreased in 2010/11 to account for the settlement of the St Kilda triangle development of \$1.5M
- \$5.0M is being borrowed in June 2012 and is to be repaid over ten years at an anticipated interest rate of 7.00 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 59% 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 6% in rates revenue which is made up of two components, price – 4.5% and growth arising from new properties – 1.5%. 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 2011/2012 Budget proposes an increase in the Council pensioner rate rebate to \$136.00 which may be claimed on top of the State Government rebate of \$193.40.

Council also offers self funded retirees the option to defer their rates until the settlement of their estate. In addition to this, there is a 50% discount on the penalty interest that accrues over the period for which their rates are 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 \$5.0M in June 2012 to fund the St Kilda Family and Children's Centre. It is anticipated that these funds will be borrowed at an interest rate of 7.00 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 2015

	Forecast Actual 2010/11 \$'000	Budget 2011/12 \$'000	Strategic Resource Plan Projections		
			2012/13 \$'000	2013/14 \$'000	2014/15 \$'000
<b>OPERATING RESULT</b>					
<b>Revenues from ordinary activities</b>					
Rates	82,401	<b>88,438</b>	93,804	99,396	105,324
Parking revenue	23,782	<b>24,880</b>	25,490	26,116	26,757
User fees & charges	14,540	<b>14,484</b>	14,919	15,367	15,828
Open space contributions	1,200	<b>1,200</b>	1,200	1,200	1,200
Grants - operating	9,068	<b>9,395</b>	9,677	9,967	10,266
Grants - capital	3,430	<b>3,730</b>	1,500	1,500	1,500
Interest received	2,300	<b>1,809</b>	1,500	1,500	1,500
Other income	8,487	<b>8,613</b>	8,815	9,079	9,351
Profit on sale of assets	0	<b>1,300</b>	0	0	0
	<b>145,208</b>	<b>153,849</b>	<b>156,905</b>	<b>164,125</b>	<b>171,726</b>
<b>Expenses from ordinary activities</b>					
Employee benefits	54,418	<b>59,258</b>	59,426	62,398	65,517
Contract services	37,493	<b>35,551</b>	40,486	41,700	42,951
Utilities	2,379	<b>2,532</b>	2,659	2,792	2,932
Materials & other expenses	22,466	<b>21,504</b>	21,326	21,966	22,625
Professional services	1,854	<b>5,486</b>	4,892	5,039	5,190
Borrowing costs	130	<b>206</b>	401	337	285
Depreciation	16,652	<b>17,362</b>	17,452	17,852	18,252
<b>Total Expenditure</b>	<b>135,392</b>	<b>141,899</b>	<b>146,642</b>	<b>152,084</b>	<b>157,752</b>
<b>Operating surplus (deficit) for the year</b>	<b>9,816</b>	<b>11,950</b>	<b>10,263</b>	<b>12,041</b>	<b>13,974</b>
<b>CONVERSION TO CASH</b>					
<b>Less cash costs not included in the operating result</b>					
St Kilda Triangle settlement (cash costs)	2,000	<b>1,500</b>	0	0	0
Capital works program	26,650	<b>31,968</b>	26,000	26,780	27,583
Capital works carry over	12,055	<b>0</b>	0	0	0
Capital expenditure - IT, parking machines & other	1,884	<b>2,989</b>	3,079	3,171	3,266
Borrowings	0	<b>(5,000)</b>	0	0	0
Loan repayments	526	<b>559</b>	952	1,016	412
Transfers to/(from) statutory reserves	(500)	<b>(1,760)</b>	(1,900)	(1,200)	600
Transfers to/(from) general reserves	(1,527)	<b>(445)</b>	(400)	150	300
	<b>41,088</b>	<b>29,811</b>	<b>27,731</b>	<b>29,917</b>	<b>32,161</b>
<b>Plus non cash costs included in operating result</b>					
Depreciation	16,652	<b>17,362</b>	17,452	17,852	18,252
<b>Surplus/(deficit) for the year</b>	<b>(14,620)</b>	<b>(499)</b>	<b>(16)</b>	<b>(24)</b>	<b>65</b>
<b>Accumulated position brought forward</b>					
Carry Over Surplus/(Deficit)	1,332	<b>809</b>	310	294	270
B/Fwd Surplus to fund Capital Works Carry Over	14,097	<b>0</b>	0	0	0
<b>Surplus/(Deficit) Carried Forward</b>	<b>809</b>	<b>310</b>	<b>294</b>	<b>270</b>	<b>335</b>



## Budgeted Standard Balance Sheet

For the four years ending 30 June 2015

	Forecast	<b>Budget</b>	Strategic Resource Plan		
	Actual		Projections		
	<b>2010/11</b>		2011/12	2012/13	2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents	27,852	<b>26,138</b>	24,178	23,130	24,125
Receivables	9,178	<b>9,178</b>	9,178	9,178	9,178
Accrued income	858	<b>858</b>	858	858	858
Prepayments	919	<b>919</b>	919	919	919
<b>Total current assets</b>	<b>38,807</b>	<b>37,093</b>	<b>35,133</b>	<b>34,085</b>	<b>35,080</b>
<b>Non-current assets</b>					
Other financial assets	5,774	<b>5,774</b>	5,774	5,774	5,774
Property, infrastructure, plant & equipment	1,866,370	<b>1,882,975</b>	1,894,602	1,906,701	1,919,298
<b>Total non-current assets</b>	<b>1,872,144</b>	<b>1,888,749</b>	<b>1,900,376</b>	<b>1,912,475</b>	<b>1,925,072</b>
<b>Total assets</b>	<b>1,910,951</b>	<b>1,925,842</b>	<b>1,935,509</b>	<b>1,946,560</b>	<b>1,960,152</b>
<b>Current liabilities</b>					
Payables	13,543	<b>12,043</b>	12,043	12,043	12,043
Trust funds and deposits	2,352	<b>2,352</b>	2,352	2,352	2,352
Provisions	7,529	<b>7,529</b>	7,529	7,529	7,529
Interest-bearing liabilities	560	<b>595</b>	989	384	412
<b>Total current liabilities</b>	<b>23,984</b>	<b>22,519</b>	<b>22,913</b>	<b>22,308</b>	<b>22,336</b>
<b>Non-current liabilities</b>					
Payables	1,285	<b>1,285</b>	1,285	1,285	1,285
Provisions	0	<b>0</b>	0	0	0
Interest-bearing liabilities	2,286	<b>6,691</b>	5,702	5,318	4,906
<b>Total non-current liabilities</b>	<b>3,571</b>	<b>7,976</b>	<b>6,987</b>	<b>6,603</b>	<b>6,191</b>
<b>Total liabilities</b>	<b>27,555</b>	<b>30,495</b>	<b>29,900</b>	<b>28,911</b>	<b>28,527</b>
<b>Net assets</b>	<b>1,883,396</b>	<b>1,895,347</b>	<b>1,905,609</b>	<b>1,917,649</b>	<b>1,931,625</b>
<b>Equity</b>					
Accumulated surplus	574,402	<b>588,558</b>	601,120	614,210	627,286
Asset revaluation reserve	1,285,519	<b>1,285,519</b>	1,285,519	1,285,519	1,285,519
Other reserves	23,475	<b>21,270</b>	18,970	17,920	18,820
<b>Total equity</b>	<b>1,883,396</b>	<b>1,895,347</b>	<b>1,905,609</b>	<b>1,917,649</b>	<b>1,931,625</b>

## Budgeted Standard Cash Flow Statement

For the four years ending 30 June 2015

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2010/11	2011/12	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)	(Outflows)
<b>Cash flows from operating activities</b>					
<i>Receipts</i>					
Rates and garbage charges	82,401	<b>88,438</b>	93,804	99,396	105,324
Parking fees and fines	23,782	<b>24,880</b>	25,490	26,116	26,757
User charges and other fines	14,540	<b>14,484</b>	14,919	15,367	15,828
Grants	12,498	<b>13,125</b>	11,177	11,467	11,766
Contributions	1,200	<b>1,200</b>	1,200	1,200	1,200
Interest	2,300	<b>1,739</b>	1,500	1,500	1,500
Other revenue	8,487	<b>9,858</b>	8,815	9,079	9,351
	<u>145,208</u>	<u><b>153,724</b></u>	<u>156,905</u>	<u>164,125</u>	<u>171,726</u>
<i>Payments</i>					
Payments to suppliers	(37,493)	<b>(39,306)</b>	(40,486)	(41,700)	(42,951)
Payment to employees	(54,418)	<b>(56,596)</b>	(59,426)	(62,398)	(65,517)
Other Payments	(26,700)	<b>(28,722)</b>	(28,878)	(29,798)	(30,746)
St Kilda Triangle settlement	(2,000)	<b>(1,500)</b>	0	0	0
	<u>(120,611)</u>	<u><b>(126,124)</b></u>	<u>(128,790)</u>	<u>(133,896)</u>	<u>(139,214)</u>
Net cash provided by operating activities	<u>24,597</u>	<u><b>27,600</b></u>	<u>28,115</u>	<u>30,229</u>	<u>32,512</u>
<b>Cash flows from investing activities</b>					
Payments from property, plant and equipment	(40,589)	<b>(34,957)</b>	(29,079)	(29,951)	(30,849)
Proceeds for property, plant and equipment	0	<b>1,300</b>			
Payments for investments	0	<b>0</b>	0	0	0
Net cash used in investing activities	<u>(40,589)</u>	<u><b>(33,657)</b></u>	<u>(29,079)</u>	<u>(29,951)</u>	<u>(30,849)</u>
<b>Cash flows from financing activities</b>					
Finance costs	(130)	<b>(97)</b>	(401)	(337)	(285)
Proceeds from borrowings	0	<b>5,000</b>	0	0	0
Repayment of borrowings	(525)	<b>(560)</b>	(595)	(989)	(384)
Net cash provided by (used in) financing activities	<u>(655)</u>	<u><b>4,343</b></u>	<u>(996)</u>	<u>(1,326)</u>	<u>(669)</u>
<b>Net decrease in cash &amp; cash equivalents</b>	(16,647)	<b>(1,714)</b>	(1,960)	(1,048)	994
Cash & cash equivalents at beginning of year	44,499	<b>27,852</b>	26,138	24,178	23,131
<b>Cash &amp; cash equivalents at end of year</b>	<u>27,852</u>	<u><b>26,138</b></u>	<u>24,178</u>	<u>23,130</u>	<u>24,125</u>

## Budgeted Standard Capital Works Statement

For the four years ending 30 June 2014

	Forecast	<b>Budget</b>	Strategic Resource Plan		
	Actual		Projections		
	<b>2010/11</b>	<b>2011/12</b>	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Capital works areas</b>					
Roads	10,630	<b>10,680</b>	8,453	8,651	8,855
Parks & open space	4,976	<b>6,245</b>	2,526	6,012	4,772
Buildings	10,254	<b>14,003</b>	14,286	11,707	13,531
Signage & street furniture	790	<b>1,040</b>	735	410	425
	<u>26,650</u>	<u><b>31,968</b></u>	<u>26,000</u>	<u>26,780</u>	<u>27,583</u>
<b>Capital expenditure areas</b>					
Plant & Equipment	1,584	<b>2,988</b>	3,079	3,171	3,266
<b>TOTAL CAPITAL</b>	<u>28,234</u>	<u><b>34,956</b></u>	<u>29,079</u>	<u>29,951</u>	<u>30,849</u>
<b>Represented by:</b>					
Asset renewal	12,224	<b>13,688</b>	12,222	13,454	12,284
New assets - capital works	10,276	<b>12,980</b>	11,940	7,900	1,945
Asset expansion/upgrade	4,150	<b>5,300</b>	1,838	5,426	13,354
New assets - capital expenditure	1,584	<b>2,988</b>	3,079	3,171	3,266
<b>TOTAL CAPITAL</b>	<u>28,234</u>	<u><b>34,956</b></u>	<u>29,079</u>	<u>29,951</u>	<u>30,849</u>

## Reconciliation of net movement in property, plant and equipment

	Forecast	<b>Budget</b>	Strategic Resource Plan		
	Actual		Projections		
	<b>2010/11</b>	<b>2011/12</b>	2012/13	2013/14	2014/15
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital works	26,650	<b>31,968</b>	26,000	26,780	27,583
Capital expenditure	1,584	<b>2,988</b>	3,079	3,171	3,266
Capital works carried forward	0	<b>0</b>	0	0	0
	<u>28,234</u>	<u><b>34,956</b></u>	<u>29,079</u>	<u>29,951</u>	<u>30,849</u>
Asset revaluation increment	0	<b>0</b>	0	0	0
Depreciation & amortisation	(16,652)	<b>(17,052)</b>	(17,452)	(17,852)	(18,252)
Written down value of assets sold	0	<b>0</b>	0	0	0
Granted assets	0	<b>0</b>	0	0	0
Recognition of previously unrecognised assets	0	<b>0</b>	0	0	0
<b>Net movement in property, plant &amp; equipment</b>	<u>11,582</u>	<u><b>17,904</b></u>	<u>11,627</u>	<u>12,099</u>	<u>12,597</u>

# 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 2010/11	Budget 2011/12	Strategic Resource Plan Projections			Trend +/o/-
		2012/13	2013/14	2014/15	
6.82%	7.83%	6.59%	7.39%	8.19%	-
<b>Overall Risk Rating:</b>		<b>LOW</b>			

## 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 2010/11	Budget 2011/12	Strategic Resource Plan Projections			Trend +/o/-
		2012/13	2013/14	2014/15	
1.62	1.65	1.53	1.53	1.57	-
<b>Overall Risk Rating:</b>		<b>LOW</b>			

## 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 2010/11	Budget 2011/12	Strategic Resource Plan Projections			Trend +/o/-
		2012/13	2013/14	2014/15	
18.47%	19.34%	18.06%	18.55%	19.06%	o
<b>Overall Risk Rating:</b>		<b>MEDIUM</b>			

## 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 they generate themselves. Own sourced revenue is used (rather than total revenue) because it does not include capital grants, which are usually tied to specific projects.

Forecast 2010/11	Budget 2011/12	Strategic Resource Plan Projections			Trend +/o/-
		2012/13	2013/14	2014/15	
2.72%	5.72%	4.83%	4.36%	3.90%	+

**Overall 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 2010/11	Budget 2011/12	Strategic Resource Plan Projections			Trend +/o/-
		2012/13	2013/14	2014/15	
2.32	1.84	1.49	1.50	1.51	-

**Overall 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 2010/11	Budget 2011/12	Strategic Resource Plan Projections			Trend +/o/-
		2012/13	2013/14	2014/15	
0.98	1.09	0.81	1.06	1.40	-

**Overall Risk Rating:** **MEDIUM**