Long Term Financial Plan
2020-21 to 2029-30
Contents

1. EXECUTIVE SUMMARY ........................................................................................................................................ 1
   1.1 Financial management obligations ........................................................................................................ 1
   1.2 Long term financial plan objectives ....................................................................................................... 2

2. YARRA RANGES - BACKGROUND .................................................................................................................. 3
   2.1 Background .............................................................................................................................................. 3
   2.2 Key factors influencing the financial position ......................................................................................... 3
   2.3 Rates ........................................................................................................................................................ 4

3. FINANCIAL SUSTAINABILITY ........................................................................................................................... 5
   Financial performance ....................................................................................................................................... 6
   3.1 Operating position ................................................................................................................................... 6
   3.2 Liquidity ................................................................................................................................................... 7
   3.3 Obligations ............................................................................................................................................... 9
   3.4 Stability .................................................................................................................................................. 13
   3.5 Efficiency ................................................................................................................................................ 15
   Sustainable capacity ........................................................................................................................................ 18
   Capacity ........................................................................................................................................................... 18

4. RELATIONSHIP TO THE SUSTAINABILITY FRAMEWORK ............................................................................. 23

5. CURRENT FINANCIAL POSITION ................................................................................................................. 24
   5.1 Source of Funds ..................................................................................................................................... 24
   5.2 Expenditure ........................................................................................................................................... 25
   5.3 Debt position ......................................................................................................................................... 25
   5.4 Capital Expenditure ............................................................................................................................... 26
   5.5 Cash Position ......................................................................................................................................... 26

6. KEY CHALLENGES ....................................................................................................................................... 27
   6.1 Infrastructure ......................................................................................................................................... 27
   6.2 Environment .......................................................................................................................................... 29
   6.3 Risk management requirements ............................................................................................................ 29
   6.4 Service delivery and growing community expectations ........................................................................ 29
   6.5 Government funding ............................................................................................................................. 29
   6.6 Municipal emergency planning and preparedness .............................................................................. 30
   6.7 Accessibility ........................................................................................................................................... 30

7. Addressing the challenges – our strategy ....................................................................................................... 31
1. EXECUTIVE SUMMARY

The Long Term Financial Plan (LTFP) is the key financial planning document of Council which is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. It establishes the financial framework upon which sound financial decisions are made.

Rate capping was introduced in 2016-17. At the present time, the rate cap is based solely on CPI, and there are no longer term projections from the State Government as to what the rate cap may be in future years. This makes Council’s financial planning for the future very difficult.

This LTFP for 2020-21 to 2029-30 has been prepared taking into consideration longer term impact that COVID-19 will have on the economy and Yarra Ranges Council.

For the purpose of this year’s LTFP, Council is assuming a commitment to meet the rate cap of 2% for 2020-21, and that the rate cap will be 2.0% thereafter.

Council generally bases its longer term rate increase projections based on advice from the Department of Treasury and Finance. The estimates released in December 2019, had CPI projecting at 2.25% in 2021-22 and 2.5% in 2022-23 (Victorian Department of Treasury and Finance 2019-20 Budget Update). However, this may be over-stated due to the impact that COVID-19 has had on the economy and Australia going into a recession based on the GDP results of the March quarter. As such, Council has used a conservative estimate of 2% to estimate the future years’ rate income.

If the State Government changes the structure of the rate cap, or CPI is different to what is projected, Council's future financial outcomes may be significantly affected.

In addition, Council has obligations under a defined benefit superannuation scheme (operated by Vision Super) that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. The call will be made by Vision Super based on the performance of its Vested Benefits Index (VBI) which is linked to the performance of financial markets especially the share market. Due to the impact that COVID-19 has had on the share market and other financial markets, Council has factored in a defined benefits call in 2022-23 of $14 million. The latest advice from Vision Super is that it is unlikely a call will be made, however if there is another economic downturn similar to what was experienced this year, a call will be made to Councils to top up the super defined unfunded liability fund.

1.1 Financial management obligations

Council has a legislative requirement to comply with the principles of sound financial management as detailed in section 136 of the Local Government Act 1989, these are:

- Prudently manage financial risks having regard to economic circumstances. These risks include:-
  - The level of Council debt;
  - The management, maintenance and renewal of infrastructure assets;
  - The management of current and future liabilities;
  - Sustainable revenue streams;
  - Changes in the structure of rates and charges base;
  - The commercial or entrepreneurial activities of Council.

- Pursue spending and rating policies that are consistent and with a reasonable degree of stability in the level of the rates burden.
Long Term Financial Plan 2020-21 to 2029-30

- Ensure that decisions made and actions taken have regard to their financial effects on future generations.

- Ensure full, accurate and timely disclosure of financial information relating to the Council.

A key component of sound financial management is the preparation of longer term financial strategies, plans and budgets. Council has prepared forward budgets for the ten years from 2020-21 to 2029-30, which includes a detailed ten year capital expenditure program.

The Long Term Financial Plan, including the financial strategies, does not have to be re-created each year. They are reviewed annually and modified as Council’s priorities change. While this can still be achieved with rate capping, it means assumptions will have to be made about the rate cap on a year by year basis, and therefore assumptions will need to be made regarding revenue, expenditure, and other funding strategies.

1.2 Long term financial plan objectives

The 2020-21 to 2029-30 LTTP is intended to achieve the following objectives in the ten year time frame:

- Maintain core services, while retaining the capacity to respond to emerging service demands. This is challenging for Yarra Ranges in the rate capping regime;
- Maintain a strong cash position, ensuring Council remains financially sustainable in the long term. Again, this will pose some challenges in the future years of the LTTP under rate capping;
- Achieve operating statement surpluses after adjustments for one-off (non-recurring) events;
- Reduce debt percentage levels and debt dollar levels, in consideration with the infrastructure strategy;
- Maintain long term financial sustainability indicators within the target bands of the Local Government Performance Reporting Framework, and the low-medium risk levels as defined by the Victorian Auditor General’s Office (VAGO) sustainability indicators;
- Maintain existing assets and replacement at a rate consistent with their consumption and condition;
- Addressing the funding gap for asset renewal as per Council’s capital works expenditure strategy;
- Address unexpected expenditure such as defined benefits superannuation unfunded liabilities;
- Actively manage staff numbers; and
- Maintain Council’s user fees and charges structure which addresses the various objectives with consideration to the level of rate burden.
2. YARRA RANGES -BACKGROUND

2.1 Background

Meeting the rate cap has a significant impact on Council's revenue over the life of the LTFP and the financial sustainability indicators. While still financially sustainable, Council will face cash flow and liquidity challenges in the middle to later years of the plan and efficiency targets have been put in to manage these challenges. This will need to be carefully monitored over future years.

Council will continue to deliver an effective range of capital projects, and remains dedicated to addressing its renewal gap. To balance the needs of the capital program, the renewal gap strategy was lengthened from 10 years to 15 years and will now close by 2030-31.

Council remains committed to its vision of creating a better future for Yarra Ranges, supported by a high performing organisation providing great service to its communities.

2.2 Key factors influencing the financial position

There are a number of notable characteristics of Yarra Ranges that heavily influence the current and future financial position. These factors include:

- The geographic size of Yarra Ranges compared with other metropolitan municipalities, and the consequential increase in unit cost for the delivery of many services and renewal of assets.
- The different demands and expectations of the urban and rural areas of the municipality place additional pressure on funding to meet issues such as protecting the environment and recognising the identity of diverse townships.
- The relatively static population of the municipality compared with many other interface Councils where high growth and development is being experienced.
- A growing expectation from the community and other levels of Government that Council will provide an increasing range of services at an increasing standard or quality.
- Ageing infrastructure that requires significant maintenance and re-investment.
- An ongoing emphasis by Council on providing environmental leadership to the Yarra Ranges municipality by reducing or offsetting emissions and promoting environmental education programs.
- Increasing legislative obligations imposed by the State Government and the continued erosion of the real value of specific purpose grants that do not keep pace with providing services.
- Capping of statutory fees by the State Government leaves Councils unable to recover the true cost of delivering services.
- An ageing population, placing increasing demand on direct care service provision.
- Increasing costs of service delivery – particularly costs of fuel and utilities and renewal of assets.
- Rate capping may have an impact on Yarra Ranges' ability to continue to deliver services at the same level and meet the infrastructure needs of our community in the longer term.
These factors set the scene for Yarra Ranges operating within an inherently restricted financial context and with increasing demand for services and capital expenditure in a number of areas.

2.3 Rates

Council has been successful in keeping its rate increase in line with the rate cap announced by the State Government under the Fair Go Rates System (FGRS) since its introduction in 2016-17 through driving cost efficiencies and reduction in expenditure.

In 2020-21, to help ease the financial burden for our rate payers, Council has proposed to hold rates at last year’s level, by providing rate payers a special ‘COVID-19 Rates Relief Assistance’ credit for the full amount of any increase to their rates. In addition, Council has expanded its hardship policy for rates assistance where, for those residents and businesses that are facing hardship, payment of rates will be deferred with no penalty interest being charged.

An ongoing problem for Yarra Ranges is that our urban residents have a direct comparison of rating levels with the adjoining municipalities of Knox and Maroondah where rates for similar properties are lower. Yarra Ranges’ location on Melbourne’s eastern fringe at the urban/rural interface presents a distinct contrast to our urban neighbours. This is highlighted by our unique combination of conspiring factors including fire and emergency management, complex land use planning, vegetation management, vast open space/bushland reserve management responsibilities, extensive and dispersed rural infrastructure base and low levels of growth in rateable properties limiting funding.

Rates per head of population is an increasingly more useful measure of local government rates as the services provided by Yarra Ranges are predominantly human-based services, and Council is not experiencing significant growth in its rateable assessments.

The rate capping framework pegs rates to CPI currently. The rising cost of delivering a large number of council services is not reflected in the Consumer Price Index (which calculates price movements for a series of common household goods and services such as food, petrol and utility costs) due to the majority of Council spending being driven by labour, materials and construction costs. The Local Government Cost Index calculated by Municipal Association Victoria (MAV) in the past (using a combination of construction, materials and wages indices to measure the sector’s expenditure profile) has consistently shown that costs continue to rise faster than CPI. Council has to meet higher expenses just to maintain its current position. This is what makes rate capping challenging when it is pegged to CPI.

Funding capital works programs and overcoming declining grants from other levels of government is also now more difficult. Adding to Council’s cost pressures, the State and Commonwealth continue to link indexation of many grants to CPI as a maximum, despite this being a largely irrelevant benchmarking tool for real cost movements.

The fiscal challenge for Council will be to continue to fund service delivery, capital expenditure and renewal of assets, in addition to defined benefits superannuation funding shortfalls in the future without relying on modest rate increases. Borrowings are still required to complete the capital works program, and may be needed at a higher level in the future.
In distributing rates across the municipality, Council distinguishes between the different purposes for which properties are used – commercial/industrial properties are rated at 150% of the residential value, whereas farming properties are at 70% of the residential value. Since Yarra Ranges has a higher than average proportion of farm assessments, and a lower than average proportion of residential assessments, residential properties have received a relatively higher share of the rate burden than the outer metro council average. The higher than average cost per unit of service delivery due to the various physical attributes of the municipality also exacerbates this. However, to shift the share of rates from residential properties to farming properties would have a minimal impact on residential properties but, a significant impact on the smaller proportion of farming properties.

3. FINANCIAL SUSTAINABILITY

The Victorian Government has a reporting framework to ensure that all Councils are measuring and reporting on their performance in a consistent way. The framework became mandatory from 1 July 2014. The framework is made up of 59 quantitative measures and 24 qualitative measures which build a comprehensive picture of Council performance. Council’s LTFP focuses on the Financial Performance Indicators (of which there are 11 quantitative measures) and the Sustainability Indicators (of which there are 4 quantitative measures). The measures reflect an acceptable target band, rather than low, medium, or high risk. In the graphs depicted below, officers have reflected a green column if the indicator is within the target band, an amber and the red column if it is outside of the target band.

The Financial Performance Indicators provide relevant information about the effectiveness of financial management and an overall assessment of the long term financial sustainability of Council.

The Sustainability Indicators provide relevant information about whether we have the capacity to meet the agreed service and infrastructure needs of our community and absorb foreseeable changes and unexpected financial shocks into the future.

The performance reporting framework indicators as a whole do not provide an overall financial sustainability result; however Council performance is, in the main, within the target levels. With Council’s rate revenue accounting for 72.22% of Council’s revenue, the change to meet the rate cap of 2% has triggered a review of our LTFP strategies and objectives.

Council has also previously forecast its financial sustainability on the Victorian Auditor-General’s Office (VAGO) indicators, and will continue to do so, as they provide another level of financial sustainability assurance.

The Financial Performance indicators from the framework are outlined below, with the ten year outlook modelled in graph form, including a commentary on each measure.
Financial performance

3.1 Operating position

<table>
<thead>
<tr>
<th>Definition</th>
<th>Measures whether a council is able to generate an adjusted underlying surplus.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>Generate an adjusted underlying surplus</td>
</tr>
<tr>
<td>Indicator</td>
<td><strong>Adjusted underlying result</strong></td>
</tr>
<tr>
<td>Rationale</td>
<td>Indicator of the broad objective that an adjusted underlying surplus should be</td>
</tr>
<tr>
<td></td>
<td>generated in the ordinary course of business. A surplus or increasing surplus</td>
</tr>
<tr>
<td></td>
<td>suggests an improvement in the operating position.</td>
</tr>
</tbody>
</table>

Measure 1

**Adjusted underlying surplus (or deficit)**

<table>
<thead>
<tr>
<th>Definition</th>
<th>Defined as the underlying surplus (or deficit) as a percentage of adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>underlying revenue</td>
</tr>
<tr>
<td>Computation</td>
<td>Adjusted underlying surplus (or deficit) /</td>
</tr>
<tr>
<td></td>
<td>Adjusted underlying revenue</td>
</tr>
</tbody>
</table>

Target

Target band:
- Adjusted underlying result: > 0%

Analysis

Council’s adjusted underlying result is negative in 2020-21, mainly due to the return of the 2% increase of general rate revenue, early receipt of 50% of the VGC Commission funding allocation for 2020-21 in 2019-20 and the establishment of a $4.1 million COVID-19 recovery fund to assist the Community. The indicator is forecasted to improve in 2021-22 but, is lower again in 2022-23 due to the LTFP factoring in a super defined benefit call of $14 million as a result of predicted economic downturn that may trigger a call to top up the unfunded liability.
### 3.2 Liquidity

<table>
<thead>
<tr>
<th>Definition</th>
<th>Measures whether a council is able to generate sufficient cash to pay bills on time.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>Generate sufficient cash to pay bills on time</td>
</tr>
<tr>
<td>Indicator</td>
<td>Working capital</td>
</tr>
<tr>
<td>Rationale</td>
<td>Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity.</td>
</tr>
</tbody>
</table>

#### Measure 2 (LI) Current assets compared to current liabilities

<table>
<thead>
<tr>
<th>Definition</th>
<th>Defined as current assets as a percentage of current liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computation</td>
<td>Current assets / Current liabilities</td>
</tr>
<tr>
<td>Target/s</td>
<td>Target bands:</td>
</tr>
<tr>
<td></td>
<td>• working capital: 1 - 4</td>
</tr>
</tbody>
</table>

![Working capital chart](image)

**Current assets compared to current liabilities**

**Analysis**

Council’s working capital is maintained at 1.1 with increased borrowings to fund its capital works program. To ensure that Council’s working capital is above acceptable levels, Council has also factored in borrowings and also efficiency measures in the middle to the latter years of the LTFP to continue to maintain liquidity at 1.1.
Indicator **Unrestricted cash**

**Rationale**
Indicator of the broad objective that sufficient cash which is free of restrictions is available to pay bills as and when they fall due. High or increasing level of unrestricted cash suggests an improvement in liquidity.

**Measure 3 (L3)** **Unrestricted cash compared to current liabilities**

**Definition**
Defined as unrestricted cash as a percentage of current liabilities

**Computation**
Unrestricted cash / Current liabilities

**Target/s**
Target bands:
- unrestricted cash: 10% - 300%

**Unrestricted cash compared to current liabilities**

**Analysis**
Whilst this indicator is within the target band, it flags that Council will need to keep a watch on its unrestricted cash reserves in the medium term. The main restricted cash items are public open space contributions, trust funds and capital works carry forwards. The indicator is trending upwards in the longer term due to borrowings that have been factored in to the Long Term Financial Plan to maintain working capital at 1.1.
### 3.3 Obligations

**Definition**  
Measures whether the level of debt and other long term obligations is appropriate to the size and nature of the Council’s activities.

**Objective**  
Appropriate level of long term obligations

**Indicator**  
Loans and borrowings

**Rationale**  
Indicator of the broad objective that the level of interest bearing loans and borrowings should be appropriate to the size and nature of a council’s activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations.

**Measure 4 (O2) Loans and borrowings compared to rates**

**Definition**  
Defined as interest bearing loans and borrowings as a percentage of rate revenue.

**Computation**  
\[
\text{Interest bearing loans and borrowings} / \text{Rate revenue}
\]

**Target/s**  
Target bands:
- indebtedness: 0% - 70%

---

**Analysis**  
Borrowings continue to form an important part of Council’s funding strategy to meet its capital works funding needs, and are well within the target band for this measure. The indicator will peak in 2025-26 at 53.9% and will trend downwards subsequently. Council needed to factor in additional borrowings due to $52.4 million worth of work that will be carried out sealing Councils unsealed road network, for which land owners will contribute through a special charge scheme. The repayment of the special charge scheme is over 10 years.
Measure 5 (O3) Loans and borrowings repayments compared to rates

Definition
Defined as interest and principal repayments on interest bearing loans and borrowings as a percentage of rate revenue.

Computation
Interest and principal repayments on interest bearing loans and borrowings / Rate revenue

Target/s
Target bands:
- debt commitments: 0% - 10%

Analysis
The target range for this indicator is 10% or less. Council is well within the target band with the current borrowing profile except in the final years of the LTFP. This indicator is expected to improve, once the debt incurred to deliver on special charges schemes are repaid over the longer term.
Long Term Financial Plan 2020-21 to 2029-30

**Indicator**  
**Indebtedness**

**Rationale**  
Indicator of the broad objective that the level of long term liabilities should be appropriate to the size and nature of a Council’s activities. Low or decreasing level of long term liabilities suggests an improvement in the capacity to meet long term obligations.

**Measure 6 (O4) Non-current liabilities compared to own source revenue**

**Definition**  
Defined as non-current liabilities as a percentage of own source revenue

**Computation**  
Non-current liabilities / Own source revenue

**Target/s**  
Target bands:
- long term obligations: 2% - 70%

**Analysis**  
Similar to the total loans and borrowings to rate revenue graph detailed earlier, Council is well within the target range of 70% for this indicator. The indicator peaks over the medium term due to the additional borrowings that needed to be factored in for the $52.4 million worth of work that will be carried out sealing Council's unsealed road network, for which land owners will contribute through a special charge scheme that will be paid back over 10 years.
Indicator: Asset renewal

Rationale: Indicator of the broad objective that assets should be renewed as planned. High or increasing level of planned asset renewal being met suggests an improvement in the capacity to meet long term obligations.

Measure 7 (O1) Asset renewal compared to depreciation

Definition: Defined as asset renewal expenses as a percentage of depreciation

Computation: Asset renewal expenses / Asset depreciation

Target/s: Target bands:
- Asset renewal: 40% - 130%

Asset renewal compared to depreciation

Analysis: Council’s renewal ratio continues to reflect the dedicated funds to closing asset renewal gap. Council aims to close its renewal gap by 2030-31. Council’s renewal gap data is constantly being refined and updated.
3.4 Stability

**Definition**
Measures whether a council is able to generate revenue from a range of sources

**Objective**
Generate revenue from a range of sources

**Indicator**
Rates concentration

**Rationale**
Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability.

**Measure 8 (S1) Rates compared to adjusted underlying revenue**

**Definition**
Defined as rate revenue as a percentage of adjusted underlying revenue

**Computation**
Rate revenue / Adjusted underlying revenue

**Target/s**
Target bands:
- rates concentration: 30% - 80%

**Analysis**
While still within the target band for this ratio, Council’s reliance on rate revenue is ever-increasing. Whilst Council continues to seek other sources of revenue (e.g. surplus asset rationalisation) and cost and efficiencies savings, to maintain services and deliver a robust capital program and renew our assets, the reliance on rate revenue continues to increase. This is very challenging in a rate capping environment.
## Indicator

**Rates effort**

### Rationale

Indicator of the broad objective that the rating level should be set based on the community’s capacity to pay. Low or decreasing level of rates suggests an improvement in the rating burden.

### Measure 9 (S2) Rates compared to property values

#### Definition

Defined as rate revenue as a percentage of the capital improved value of rateable properties in the municipality

#### Computation

Rate revenue / Capital improved value of rateable properties in the municipality

#### Target/s

Target bands:
- rates effort: 0.15% - 0.75%

### Analysis

Council remains in the target band for this ratio. Councils rates are projected to increase at 2% however, a conservative 1% annual increase in CIV of properties has been assumed over the ten year plan. The indicator dips in 2020-21 due to Council’s decision to maintain rates at 2019-20 levels.
3.5 Efficiency

**Definition**
Measures whether a council is using resources efficiently

**Objective**
Use resources efficiently

**Indicator**
*Expenditure level*

**Rationale**
Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency.

**Measure 10 (E2)** *Expenses per property assessment*

**Definition**
Defined as total expenses per property assessment

**Computation**
Total expenses /
Number of property assessments

**Targets**
Target bands:
- expenditure level: $2,000 - $5,000

**Analysis**
Council is within the target band. The LGPRF indicates that a decreasing trend indicates operational efficiency. Unless Council decreases its services, it is unlikely this measure will decrease. Being a service delivery organisation, Council will always have significant operating expenses as labour is one of our main expenses. Council is making a concerted effort to hold expenditure as low as reasonably possible and make savings where it can. The indicator peaks in 2022-23 as a super define call of $14 million has been factored into the LTFP.
## Indicator

**Revenue level**

Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency.

### Measure 11 (E1)

**Average residential rate per residential property assessment**

#### Definition

Defined as residential rate revenue per residential property assessment.

#### Computation

Residential rate revenue / Number of residential property assessments

#### Targets

Target bands:
- **rates level**: $700 - $2,000

### Analysis

The LGPRF indicate that a decreasing trend indicates an improvement in the rating burden. Regardless of property assessments, Council still has the same services to provide and the same infrastructure to deliver in addition to addressing the renewal gap.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Workforce turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationale</td>
<td>Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of workforce turnover suggests an improvement in organisational efficiency.</td>
</tr>
<tr>
<td>Measure 12 (E3)</td>
<td><strong>Resignations and terminations compared to average staff</strong></td>
</tr>
<tr>
<td>Definition</td>
<td>Defined as the number of permanent staff resignations and terminations as a percentage of the average number of permanent staff</td>
</tr>
<tr>
<td>Computation</td>
<td>Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year</td>
</tr>
<tr>
<td>Targets</td>
<td>Target bands:</td>
</tr>
<tr>
<td></td>
<td>• staff turnover: 5% - 20%</td>
</tr>
</tbody>
</table>

**Note**
Council will not be projecting the resignations and terminations compared to average staff due to the unknown nature of these denominators.
### Sustainable capacity

<table>
<thead>
<tr>
<th><strong>Capacity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
</tr>
<tr>
<td><strong>Objective</strong></td>
</tr>
<tr>
<td><strong>Indicator</strong></td>
</tr>
<tr>
<td><strong>Rationale</strong></td>
</tr>
</tbody>
</table>

#### Measure 1 (C4) Own source revenue per head of municipal population

| **Definition** | Defined as own source revenue per head of municipal population |
| **Computation** | Own source revenue / Municipal population |
| **Targets** | $700 - $2,000 |

**Analysis**

Council’s own source revenue is trending positively, however it should be noted that the majority of this revenue is rate revenue, which is subject to uncertainty due to the rate capping framework.
## Indicator

**Recurrent grants**

## Rationale

Indicator of the broad objective that revenue should be generated from a range of sources in order to fund the delivery of Council services to the community. High or increasing level of recurrent grant revenue suggests an improvement in capacity.

## Measure 2 (C5)

**Recurrent grants per head of municipal population**

### Definition

Defined as recurrent grants per head of municipal population.

### Computation

\[
\text{Recurrent grants} / \text{Municipal population}
\]

### Targets

$100 - $2,000

### Analysis

The trend upwards in later years is a conservative estimate of Council’s other recurrent grants slowly incrementing. The indicator dips in 2020-21 due to the early payment of 50% of 2020-21 Grants Commission funding allocation in 2019-20.
### Indicator: Population

**Rationale:** Indicator of the broad objective that population is a key driver of a Council’s ability to fund the delivery of services to the community. High or increasing level of population (size, density) suggests an improvement in capacity.

### Measure 3 (C1): Expenses per head of municipal population

<table>
<thead>
<tr>
<th><strong>Definition</strong></th>
<th>Defined as total expenses per head of municipal population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computation</strong></td>
<td>Total expenses / Municipal population</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>$800 - $4,000</td>
</tr>
</tbody>
</table>

#### Expenses per head of municipal population

**Analysis:** Again, Council’s expenses will continue to increase, however note the difference ‘per head of municipal population’ compared to the ‘expenses per property assessment’. This measure is much more reflective of the service based nature of Council’s expenditure. The indicator peaks in 2022-23 due to factoring in the super defined benefits call.
Measure 4  
**Infrastructure per head of municipal population**

**Definition**  
Defined as the value of infrastructure per head of municipal population

**Computation**  
Value of infrastructure / Municipal population

**Targets**  
$3,000 to $40,000

---

The increasing trend reflects that Council’s robust capital program continues to be funded, despite the pressures arising from rate capping. Contributing to this increase is the pledge of $150 million funding over 10 years from the Federal Government to seal Council's unsealed road network and the $52.4 million which will be paid by the land owners through a special charge scheme that will be recovered over a period of 10 years that has been factored into Council's 10 year capital works expenditure program.
### Measure 5 (C3) Population density per length of road

<table>
<thead>
<tr>
<th><strong>Definition</strong></th>
<th>Defined as municipal population per kilometre of local road</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computation</strong></td>
<td>Municipal population / Kilometres of local roads</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>1.00 to 300.00 people</td>
</tr>
<tr>
<td><strong>Notes</strong></td>
<td>Council will not be projecting the population density per length of road due to the ‘hard to project’ nature of this measure.</td>
</tr>
</tbody>
</table>

### Indicator Disadvantage

| **Rationale** | Indicator of the broad objective that disadvantage is a key driver of a Council’s ability to fund the delivery of services to the community. Low or decreasing level of disadvantage suggests an improvement in capacity. |

### Measure 6 (C6) Relative socio-economic disadvantage

<table>
<thead>
<tr>
<th><strong>Definition</strong></th>
<th>Defined as the relative Socio-Economic Disadvantage of the municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computation</strong></td>
<td>Index of Relative Socio-economic Disadvantage by decile</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>1 – 10 deciles</td>
</tr>
<tr>
<td><strong>Notes</strong></td>
<td>Council will not be projecting the relative socio-economic disadvantage due to the ‘hard to project’ nature of this measure</td>
</tr>
</tbody>
</table>
4. RELATIONSHIP TO THE SUSTAINABILITY FRAMEWORK

Supporting the achievement of the Vision 2036 ("Vision 2036") is the explicit focus of all Council activities. Vision 2036 is the shared vision of the Yarra Ranges community and is a statement about the kind of community, economy and environment our community wishes to have in the future.

The four year Council Plan was prepared in the 2017-18 year. Five strategic objectives lead to the sustainability of our community and our organisation. The achievement of these objectives will be supported by a combination of organisational values which guide our behaviour and sustainability principles, which inform our decision-making in achieving these objectives. It is through this framework, that we strive to deliver high quality services to our community. All organisational policies and strategies, including this Long Term Financial Plan, are developed within this framework and are guided by the values and sustainability principles.

Council’s strategic objectives are presented below:
Quality Infrastructure and Liveable Places has been identified by Council as one of its strategic objectives that contributes to Council being a sustainable community. This is underpinned by long term financial management which is a key action for the high performing organisation strategic objective that contributes to Council being a sustainable organisation. Council’s financial strategies are set out in broad terms in its Strategic Resource Plan, which form part of the Council Plan 2017-18 to 2020-21.

This Long Term Financial Plan sets out in further detail the financial strategies to be employed which support the achievement of the Council Plan.

The Long Term Financial Plan is reviewed and updated each year to take into account changes in circumstances and to ensure it continues to address the dynamic environment in which Council operates. The Plan is then formally adopted by Council.

5. CURRENT FINANCIAL POSITION

5.1 Source of Funds
The following table sets out the major sources of Council’s 2020-21 budgeted revenue and provides an indication of how much control we have over each source:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>$’000</th>
<th>% of Total</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates and Charges</td>
<td>146,053</td>
<td>72.22%</td>
<td>Low</td>
</tr>
<tr>
<td>Grants</td>
<td>41,340</td>
<td>20.44%</td>
<td>Low</td>
</tr>
<tr>
<td>Fees and Charges</td>
<td>8,925</td>
<td>4.41%</td>
<td>Medium</td>
</tr>
<tr>
<td>Contributions</td>
<td>4,165</td>
<td>2.06%</td>
<td>Low</td>
</tr>
<tr>
<td>Other</td>
<td>1,752</td>
<td>0.87%</td>
<td>Low</td>
</tr>
<tr>
<td>Total</td>
<td>202,235</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As demonstrated in the table above, Yarra Ranges has a very high reliance on property rates and charges. The State Government rate capping program means Council has low control over rate revenue. Council is limited in its ability to control income from the majority of other sources.

Loan borrowings are another source of funds available to Council. However, as per Council’s Borrowing Strategy, it can be sourced only to fund capital works; and debt must be repaid with interest which reduces the funds available for future years. In this sense borrowings allow Council to do more now but reduce the capacity for future expenditure until the debt is repaid.
5.2 Expenditure

On the expenditure side, there are three major components of expenditure:

1. Recurrent service delivery and asset maintenance costs
2. Discretionary funds for new services or service enhancements
3. Capital Works and renewal

In addition to the above, the budget for 2020-21 includes a COVID-19 Community Recovery Fund of $4.1 million which will be used to provide specific assistance to targeted groups, businesses and activities in our community to help rebuild after the pandemic.

Recurrent service costs relate to 120 services provided by Council and the ongoing costs of maintaining assets such as roads, drainage and buildings. Increases in these costs are largely driven by labour costs, contract price increases and other inputs such as fuel. Labour costs in particular generally increase at a level greater than that of standard CPI increases; hence Council is required to ensure that sources of income are matched to at least increases in the costs of providing these services.

Recurrent costs can be contained or reduced by limiting the range or quantity of services provided or through achieving efficiencies in delivery methods.

Capital Works and renewal expenditure is funded by a mix of Council funds, Government grants, community contributions to specific facilities and borrowings if required.

Funding is required to maintain and renew existing infrastructure as well as to provide for new facilities to meet emerging demands. Like most Councils in Victoria, Yarra Ranges Council has not put sufficient resources to renewing existing infrastructure. This has created a backlog known as the ‘renewal gap’.

Demands for new infrastructure continue to grow and far outweigh Council’s funding ability. The allocation of capital funds requires careful consideration to ensure that maximum value is achieved.

Loan borrowings can fund a short term boost in capital funding however, the repayments of interest increase the recurrent expenditure profile.

5.3 Debt position

Council has worked hard to reduce its debt, and continues to keep its debt levels as low as possible.

Council has a low level of indebtedness, however, this is likely to change with the VAGO indebtedness ratio (total non-current liabilities / own source revenue) peaking at 46.9% in 2025-26. This is due to the Council continuing to deliver on its robust capital works program despite the reduction of its rate revenue due to the rate cap. In this year’s LTFP, Council has also factored in additional borrowings to fund $52.4 million worth of additional road sealing, which will be paid by
the benefiting property owners through a special charge scheme that will be recovered over a period of 10 years.

The 10-year capital works program of $750 million will address the asset renewal gap and also cater for new infrastructure including upgrade and expansion needs. The program will also deliver new purpose-built community, cultural and recreational facilities and along the way and will stimulate construction in the region and help support local jobs and tourism.

Borrowings can be accommodated within the financial model without compromising the overall financial sustainability of the organisation.

New borrowings of $189 million have been factored into the LTFP with outstanding debt of $78 million at the end of the 10 year period. Of the $189 million, $43.5 million relates to the additional borrowing that is needed for the $52.4 million special charges schemes. This debt will be paid back by the benefiting land owners and not utilising general rate revenue.

5.4 Capital Expenditure
Council’s infrastructure challenges are significant and have been a key focus now for several years. Funding from increased rates and previous debt repayments have been redirected into the 10-year capital works program budget. This has enabled Council to significantly increase the funding it contributes to the capital works program in recent years and into the future program. Council’s capital works program includes both capital expenditure (forming assets and upgrading assets) and major maintenance and renewal of assets.

Council’s asset management planning process has a significant impact on shaping the composition of the 10-year capital works program, the Long Term Financial Plan and the flow-on funding needs arising from the capital works program. In accordance with good practices, Council prepares an Asset Management Strategy and Asset Management Plans for core asset classes.

5.5 Cash Position
Council’s cash position in recent years has been very strong and this cash has been utilised and dedicated to retiring debt, funding additional capital works as part of dealing with the infrastructure renewal, new capital works and other initiatives.

Council’s cash and short term investment balances are projected to be $15.71 million as at 30 June 2021. Some of these cash reserves are required to meet obligations such as developer contributions for public open spaces works and refund of trust funds and deposits. 2020-21 will be a challenging year for Council, as it is anticipated that several rate payers facing financial hardship will pay rates late or enter into a payment arrangement. In addition, to assist struggling businesses, Council has accelerated the payments to suppliers rather than paying them based on the usual payment terms of 30 days.

Throughout the year the cash balance fluctuates significantly with a low point in January followed by large cash receipts in February from payments of rates in full. This cyclical nature of cash flows limits the amount of cash that can be made available to fund works and services.
To boost Council’s reducing cash reserves, borrowings of $22.05 million has been budgeted for in 2020-21.

6. KEY CHALLENGES

This section provides an overview of the key challenges Council is facing with a likely financial impact.

6.1 Infrastructure

Throughout the local government sector, there has been a significant focus on the level of spending on infrastructure, and particularly the level of funding available to renew existing infrastructure as distinct from creating new assets. Measuring the actual renewal gap, that is, the difference between the allocated funds to replace existing assets at the end of their useful life and the actual funding that is required to achieve this is inherently subjective as community expectations and desired levels of service influence end of life and renewal decisions. What is clear is the fact that protection and renewal of existing infrastructure is a key long-term issue for local government and that Council’s Capital Expenditure Program should be structured accordingly.

The Capital Works budget has increased over the last few years and has helped to address immediate issues, however the existing standard and extent of assets within the municipality remains a significant issue. The tension between allocating funds to new asset development versus renewal and protection of existing assets remains.

Council’s ageing infrastructure requires significant investment if it is to meet the rising expectations of the community, and become multi-use facilities that ensure value for money for the community.

Ensuring that the networks of roads, footpaths, bridges and drainage are maintained and renewed into the future is also a key challenge for a municipality such as Yarra Ranges due to the geographic spread and topography of the area.

Council’s asset management strategy is focused on adopting a centralised approach, building organisational maturity and meeting the asset related requirements of Council services.

The Capital Expenditure Program is reviewed annually to ensure the current base program of capital works is in-line with existing asset management plans and expected service delivery. This recommended base program can be delivered within funding available in the Long Term Financial Model and is in line with the strategies outlined in this Long Term Financial Plan. Also, other strategies are outlined to support the reduction of the asset renewal gap.

It is important to continue to close the renewal gap to ensure assets are well maintained to meet the service needs of current and future generations and ensure the organisation’s long term financial sustainability.

Council renewal models and forecasts are built on asset related data. This data about assets, such as condition, useful life and their fitness for service have varying degrees of accuracy and validity depending upon the asset class. The modelling assumptions and data are reviewed and improved with each iteration of asset management plans. There is no doubt that a renewal gap does exist.
Long Term Financial Plan 2020-21 to 2029-30

and further asset management modelling is required to better understand the renewal issue with increasing confidence. It is anticipated that asset renewal estimates will change in the future based on more informed asset data and changes in service levels.

The graph below presents Councils 2030-31 renewal strategy. The long life nature of infrastructure assets means changes typically occur slowly over time, therefore updates to this strategy are presented bi-annually. The data presented here aligns with Councils adopted 2019-20 Strategic Asset Management Plan.

At present, Council is similar to many municipalities in that it is unable to fully fund asset renewal requirements in the short term. However, it is now in a reasonable position to manage and reduce the renewal gap over the longer term due to activities in asset management planning and the implementation of the Asset Renewal Reserve to fund the shortfall in renewal budgets.

The above graph illustrates the comparison of the estimated asset renewal demand to the renewal budget over the next 12 years. It shows Council is increasingly funding more renewal works that will reduce the growth in the renewal gap over the short term, halt the growth of the gap in the medium term and actively reduce the gap to manageable levels in the outer years of the strategy.

The current 2030-31 renewal strategy has been delayed in response to changes in the Long Term Financial Plan as a result of the economic impact of the COVID-19 pandemic. The cumulative renewal demand is anticipated to now reach $417 million over the remaining years of the strategy. Over the 10 year period of this budget the cumulative renewal demand is $331 million. An update on the renewal strategy will be provided in the 2021-22 Budget.

Renewal demand is forecast to spike in 2020-21 as assets are no longer able to meet their required levels of service. The 2020-21 spike predominately relates to a significant quantum of aged aquatic assets in Councils portfolio and deferred renewal work. These assets despite operating below optimum levels are still in service and hence do not represent a backlog of renewal but rather deferred renewal work or residual/unfunded renewal demand. This deferred renewal work will be linked with lower service levels and a higher risk of failure over the short to medium term due to the age and condition of associated infrastructure. Council manages this risk through regular monitoring and remedial works and holding treatments.

As Council matures in its asset planning practice and continues to develop more detailed and robust plans in each asset category the renewal demand will continue to be refined and changes to
the strategy may eventuate as a response to this increase in knowledge about asset performance and budget requirements.

6.2 Environment
Yarra Ranges is one of Victoria’s largest, most varied and scenic municipalities. It balances a mixture of urban and rural communities. One of the most defining features of the Yarra Ranges is its natural environment. Boasting remarkable mountain ranges, rich valley floors, extensive waterway networks and vast tracts of high rainfall temperate forest, the municipality contains areas of high environmental importance and scenic value. The municipality is also home to a considerable diversity of plant and animal species and ecosystems.

Some of the environmental issues faced within the Yarra Ranges municipality and surrounds include energy supply, declining river health, land degradation and erosion, loss of native vegetation and faunal habitat, spread of environmental and noxious weeds and feral pests. Council currently has a number of programs in place to tackle some of these environmental issues. In addition, the increased frequency and severity of extreme weather events, such as storms, floods, drought and fire, also pose a significant risk to operational budgets.

All of the issues mentioned above have significant implications for Council’s Long Term Financial Plan. The cost of service provision for on-ground works (e.g. maintenance, response etc.) and community education continues to rise. In addition, the expectations of the community for Council to take a lead role in tackling local, regional, national and global issues is ever increasing. The legislative landscape around environmental issues (particularly climate change) is largely uncertain, which creates both challenges and opportunities for Council. Other agencies also place great expectations on local government to deliver national strategies and programs.

6.3 Risk management requirements
Council continues to focus on managing and reducing risk and occupational health and safety matters, and costs passed on by contractors in their meeting of similar obligations. Increased financial pressure on risk management is likely to continue to increase into future years. However, these costs should be offset by improvement in the reduction of claims and subsequent management. Collaboration with the sector on premium consolidation will also help reduce the insurance burden.

6.4 Service delivery and growing community expectations
The community demands and expectations on Council services are increasing. There are high levels of socio economic disadvantage across various areas in the municipality, and access to and the provision of services in the outer areas of the municipality creates additional costs for service delivery. The priorities of existing and potential new services needs to be continually reviewed, particularly in light of funding trends in future years and changes in community and demographics.

6.5 Government funding
The largest source of government funding to Council is through the annual Victorian Grants Commission (VGC) allocation. The level of State and Commonwealth government funding toward recurring services has remained relatively flat resulting in a further reliance on rates revenue to meet service delivery expectations. There is no doubt that Local Government has, over a number of years, been impacted by decisions of government to shift costs. Yarra Ranges continues to argue that the difficulties of providing services to a dispersed community on the urban/rural fringe are not fully reflected in the Grants Commission methodology.
6.6 Municipal emergency planning and preparedness

Council's budget addresses the significant costs of emergency planning and preparedness, including bushfire preparation works. The increased frequency and severity of extreme weather events also continues to have a significant impact on Council's financial resources. Increased financial pressure in this area will continue as state-wide Emergency Management legislative reform shifts greater expectations on Local Government and its role in Emergency Management. State and Commonwealth grant funding opportunities have also been utilised to offset new programs and further test and advance community safety initiatives across the municipality.

6.7 Accessibility

It is our plan to make Yarra Ranges a place where residents can continue to engage in the community as they grow older, where their contribution to the day-to-day life of the community is valued, their experience and wisdom are respected, their advice sought and active participation in community life is ongoing.

Across Yarra Ranges, the number of people aged over 65 years continues to grow, due to increasing life expectancy and the effect of the 'baby boomer' generation moving into the older age groups. According to the Australian Bureau of Statistics, the Yarra Ranges population aged 65 and over is projected to rise from 26,352 in 2020 to 32,646 in 2026 and to 39,418 in 2041. This is an overall increase of 69 per cent between 2020 and 2041. By 2041 one in every five Yarra Ranges resident will be over the age of 65.

With a growing older population there are increasing pressures on a number of our services. There are currently funding challenges arising from both an increase in demand for services coupled with government policy changes around service delivery. Without commensurate additional investment from the State and Commonwealth Governments, access to services for those who are most vulnerable will be compromised.
7. Addressing the challenges – our strategy

Council’s financial strategy aims to support the achievement of Council Plan objectives balanced with a sustainable financial framework. The overriding financial challenge facing Council is the allocation of resources between recurrent services, new capital works and renewal / rehabilitation of existing assets, in addition to debt reduction and source funds for unfunded defined benefits superannuation liabilities. This challenge is highlighted through factors such as growing customer expectations and a stronger focus on Council’s role in community and township development.

The decisions on service delivery and capital funding help drive and in turn are influenced by the financial framework within which Council operates. The recommended strategy surrounding this framework is outlined below, expressed in terms of the major income and expenditure items forming the financial equation.

Income items

The major sources of funds available to Council are rates, government funding, fees and charges, borrowings and existing cash balances. Each of these is addressed in turn.

7.1 Rates

Rates revenue is Council’s largest income stream and the one Council used to control. This has changed now, with the introduction of the Fair Go Rates System (FGRS) by State Government. Prior to introduction of FGRS, rate increases over recent years were consistently above CPI primarily for the following reasons:

- to address existing infrastructure issues;
- to compensate for the cost shifting imposed by other levels of government;
- to cover wage increases which have generally exceeded the inflation rate;
- to cover significant externally imposed costs such as the superannuation liability from the defined benefits scheme, occupational health and safety increases and waste management costs;
- to fund new initiatives with a recurrent budget impact and other one-off costs.

Rates must be struck at a fair and reasonable level sufficient to provide funding for required service levels and capital work activities. The Local Government Act requires that Council pursue a rating policy that is consistent with a reasonable level of stability in the level of the rates burden.

In setting rates, Council makes a distinction within the property value component of rates based on the purpose for which the property is used, that is, whether the property is used for residential, commercial/industrial, or farming purposes. This distinction is based on the concept that commercial/industrial businesses should pay a fair and equitable contribution to rates taking into account the benefits those businesses derive from the Council services provided in that area. Farm land is rated at a lower amount to encourage the continuation of farming pursuits on rural land.

A separate rating component based on the principle of ‘user pays’ is determined specifically for the provision of waste management services.

Within Yarra Ranges a number of properties are held by their owners in prime locations and are currently undeveloped. It appears they are being land banked for a future development opportunity.
or sale. Council has adopted land use strategies through master plans and the Yarra Ranges Planning Scheme to facilitate appropriate development; however, this is dependent upon the owner and their willingness / ability to act.

**Strategy:**

7.1.1 The average general rate increase will meet the cap for the life of the 2020-21 to 2029-30 LTFP, and savings will be generated firstly through efficiencies, then through reduction in recurrent services, and if recurrent service savings cannot be found, through reduction in capital, or increased borrowings, to fund capital.

7.1.2 While average rates will increase, Council will be conscious of the need to continue to monitor expenditure, and will maintain an ongoing focus on operating efficiencies and cost savings.

7.1.3 The waste management service charge (a separate rate component) will be structured to reflect the cost of providing waste services to the community, and waste charges will reflect full cost recovery.

7.1.4 Differential rates will be applied to ensure appropriate allocation of rates considering the use of land and will include; residential land, vacant sub-standard land, farm land, commercial land and industrial land.

7.1.5 There will be no Municipal Charge.

7.1.6 In order to maintain a rate structure that addresses the various long term objectives and maintain a reasonable degree of stability in the level of the rates burden, Council will endeavour to meet the rate cap each year, without reducing capital or increasing borrowings, however some services may be reduced or ceased in order to achieve this objective.

7.2 **Government funding**

General funding through specific Government funding for services provided by Council has been generally declining in real terms. This necessitates a greater reliance on other revenue sources (primarily rates) or an unavoidable reduction in level of service provided.

**Strategy:**

7.2.1 Council will continue to strongly advocate for a more equitable distribution of Commonwealth and State Government funding, particularly for funding currently only available to rural designated Councils.
7.3 Fees and charges
Council’s fees and charges comprise 4.41% of total income in the 2020-21 budget ($8.92 million).

While many of the fees and charges are set through legislation, Council does have discretion over the amounts charged for a large number of services. As such, it is important that fees are set at appropriate levels.

**Strategy:**

7.3.1 Fees and charges will be reviewed annually for appropriateness as part of Council’s budget process. This review should involve consideration of the cost of the service, the price charged by comparable service-providers (where applicable), and the extent to which Council is prepared to invest in the service at less than full-cost recovery to reflect community and social benefits. Where appropriate, these reviews will be done every two to three years rather than annually.

7.4 Loan borrowings
The issue of borrowings is complex and the decision to borrow will depend on a number of important factors.

Debt reduction had been a key financial strategy over the last decade. This has enabled former loan repayments to be injected into the capital works program on an ongoing basis. Reducing debt also increased Council’s flexibility to respond to unforeseen events and provided the capacity to fund large capital projects required in the future.

**Benefits and costs of borrowing**

The main advantage of borrowing to fund asset purchases is to enable the community to enjoy the benefit of an asset now, with the cost being repaid over a period of time.

Borrowing in government has different consequences from borrowing in the private sector. In the private sector, the planned rate of return on assets purchased might exceed the cost of borrowing, and so the private entity may ultimately benefit financially as a result. In Local Government, some assets may bring a specific financial return to Council but the majority will provide non-financial benefits to the community (e.g. social, environmental).

The cost of borrowing today is the future repayment of principal and interest, which reduces the total funds available for other purposes in future years. The extent of this cost, and any future financial pay-back to Council, needs to be clearly understood when considering any borrowing decision.
Borrowing may be appropriate to assist in funding very large capital work items, where the magnitude of a given project simply prohibits its funding from ongoing income sources. In assessing any such projects, consideration needs to be given to factors including:

- The impact of the borrowing on recurring expenditure in future years;
- Any additional income projected from the asset being financed;
- The community's willingness to pay for the asset through either reduced recurring expenditure or increases in rates;
- The total level of outstanding borrowings and interest burden which Council is prepared to bear the impact of; and
- The ongoing whole of life costs of the asset.

Council’s current level of indebtedness is very small for an organisation of this size and there is capacity to undertake borrowings at financially sustainable levels of debt in coming years.

Resident Schemes

Bank borrowings have in the past been utilised successfully in funding Resident Special Charge Schemes where the property owners contribute to the loan repayments. In such cases there is no net cost to Council through taking out the borrowing.

**Strategy:**

7.4.1 Borrowings will be considered as an option to fund the acquisition of assets where a detailed business case analysis factoring in actual and opportunity costs indicates that borrowing is the most economical funding method and that recurrent operating and maintenance costs can be met in the operating budget.

7.4.2 That the cost of capital works under Resident Special Charge Schemes will be funded through borrowings (if required) to the extent that property owners are responsible for the cost of repayment.

7.4.3 That borrowing will not be utilised as an option to fund ongoing operational expenditure.

7.4.4 That borrowing be undertaken to support funding of capital items identified as part of the approved extended 10-year capital works program that could not otherwise be funded from ongoing income sources.

7.4.5 That the overall borrowing limit will be set at a financially sustainable level.
7.5 Cash
Council’s cash position is discussed in section 5.5. The cash flow pattern is subject to fluctuation during the year resulting from key revenue and expenditure payment dates.

Strategy:

7.5.1 Cash flow will be managed bearing in mind the known fluctuations across the financial year and that cash surplus to immediate requirements will continue to be invested appropriately in order to generate interest returns to Council.

7.5.2 Surplus cash will be used to assist in funding the capital works program to the extent possible without compromising Council’s cash position.

7.5.3 Council will support small businesses through provision of favorable payment terms.

Expenditure items

Council’s expenditure can be split into recurrent operating items, new initiatives / additional cost pressures, renewal/rehabilitation of existing assets and spending on new capital works. Each of these elements is addressed in turn.

7.6 Recurrent operating expenditure
Providing ongoing services and activities efficiently and to a high quality standard is the key to achieving Council’s Vision.

Strategy:

7.6.1 Funding available for recurrent operating expenditure will be increased annually in line with the rate cap and contracts, subject to savings and efficiencies. Other recurrent operating expenditure will only be increased annually where there is a contractual obligation to do so, or costs are increasing in delivering the service.

7.6.2 Services provided by Council will continue to be reviewed in light of community expectations and shifting demand for services within the context of the rate capping framework.

7.6.3 Areas of ‘discretionary’ cost will be reviewed and separately targeted in terms of efficiency gains and cost reduction each year as part of the annual budget process.

7.6.4 Service delivery issues identified within this Plan will be specifically considered during business planning and budgeting processes in terms of their priority and required funding in order that both short and long term financial forecasts can accurately reflect the funding requirements and internal reallocations required above normal growth factors.

7.6.5 Collaborative service provision in the form of shared services will be further pursued to seek further efficiencies in service expenditure.
7.7 New initiatives and cost pressures
While ongoing activities will form the key part of Council’s services, it is important that Council is able to respond to needs for one-off funding, new initiatives and additional cost pressures (i.e. over and above cost escalation provided). Funding for these cost pressures will need to be sourced from within the organisation through efficiencies or a reallocation of resources.

7.8 Capital works expenditure
A basic principle of a well-balanced and sustainable capital works program should be the protection of the existing asset base as the first priority, with new works funded from remaining resources.

A significant amount of work has been conducted to identify the required level of asset maintenance / protection spending on different asset classes based on various modelling scenarios.

A major thrust of the financial strategy is to address the problems relating to ageing infrastructure through the extended capital works program which is targeted at purpose built community infrastructure in various strategic locations around the municipality.

As part of Council’s core systems review, a project is underway with the objective of upgrading the Corporate Asset System to ensure more accurate asset data is maintained to support robust long term financial planning.

Ongoing education and increased awareness has been initiated as part of Council’s asset management planning process to understand service level requirements and formulate asset strategies and asset management plans that address the service requirements.

**Strategy:**

7.8.1 Over time the overall size of the capital expenditure program will increase through the following strategies:
- Maintain the size of the Council's baseline contribution to the Capital Expenditure Program budget;
- Increase the size of Capital Expenditure Program above baseline though CPI indexation, other Council funding streams and third parties funding such as Grant funding, Land sales, Public Open Space Funding and Special Charge Schemes.
- Savings achieved during delivery of works will be returned to future years of the Capital Expenditure Program to fund additional work.

7.8.2 The renewal gap will be managed to closure by 2030-31 through the dedication and allocation of sufficient resources to renew the existing asset base over the long term as the first priority in the Capital Works Program.

7.8.3 Remaining funds available for capital works will be allocated to spending on new and improved assets, if required.
7.8.4 Asset realisation, rationalisation and de-commissioning will be considered as a method of reducing recurrent investment needs and funding required for improvements and new assets, particularly relating to community facilities.

7.8.5 The impact of new and improved assets on the ongoing operating budget will be identified and considered when assessing proposals for funding new assets and improvements.

7.8.6 Application for external funding for both new and renewal projects will be undertaken for all capital projects where available, however if matching funding is required, budget considerations will need to be taken into account.

7.8.7 Service level requirements will be established to achieve a closer alignment between budgets and asset service requirements.
Appendix 1 – Financial Statement Projections

The following pages contain Council’s projected financial information following the completion of the 10-year Financial Statements, 10-year Capital Works Program and 4-year Strategic Resource Plan.

Comprehensive Income Statement

This statement shows what is expected to happen in terms of revenue and expenses over the 10-year period. The bottom line result essentially represents the change in the net worth of Council’s assets during each financial year.

Balance Sheet

Balance Sheet presents Council’s balance sheet across the 10-year period, showing the expected movement in assets and liabilities by major category.

Statement of Cash Flows

The statement of cash flows shows the expected cash inflows and outflows across the 10-year period and is split into three main categories of cash flow:

- **Operating activities** - the normal service delivery functions of Council;
- **Investing activities** - the enhancement/creation of infrastructure and other assets; and
- **Financing activities** - the financing of Council’s functions.

Statement of Capital Works

The statement of capital works shows the expenditure that will be incurred across the 10-year period on Council assets. This expenditure is split by asset category and also by renewal, upgrade, expansion and new.
## Comprehensive Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Forecast</th>
<th>Strategic Resource Plan</th>
<th>Future Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30-Jun-20</td>
<td>30-Jun-21</td>
<td>30-Jun-22</td>
</tr>
<tr>
<td></td>
<td>30-Jun-23</td>
<td>30-Jun-24</td>
<td>30-Jun-25</td>
</tr>
<tr>
<td></td>
<td>30-Jun-26</td>
<td>30-Jun-27</td>
<td>30-Jun-28</td>
</tr>
<tr>
<td></td>
<td>30-Jun-29</td>
<td>30-Jun-30</td>
<td></td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Rates and charges</td>
<td>145,733</td>
<td>146,053</td>
<td>156,123</td>
</tr>
<tr>
<td></td>
<td></td>
<td>168,749</td>
<td>177,876</td>
</tr>
<tr>
<td>Statutory fees and fines</td>
<td>2,353</td>
<td>3,051</td>
<td>3,397</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,331</td>
<td>3,364</td>
</tr>
<tr>
<td>User fees</td>
<td>6,504</td>
<td>5,874</td>
<td>7,411</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,593</td>
<td>7,744</td>
</tr>
<tr>
<td>Grants - Operating</td>
<td>31,586</td>
<td>19,515</td>
<td>27,365</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27,782</td>
<td>28,143</td>
</tr>
<tr>
<td>Grants - Capital</td>
<td>11,215</td>
<td>21,825</td>
<td>24,081</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24,081</td>
<td>27,706</td>
</tr>
<tr>
<td>Contributions - monetary</td>
<td>2,708</td>
<td>1,977</td>
<td>1,868</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,778</td>
<td>1,777</td>
</tr>
<tr>
<td>Contributions - non-monetary assets</td>
<td>2,206</td>
<td>2,188</td>
<td>2,170</td>
</tr>
<tr>
<td>Share of net profits/(losses) of associates and joint ventures</td>
<td>294</td>
<td>312</td>
<td>330</td>
</tr>
<tr>
<td>Other income</td>
<td>2,091</td>
<td>1,440</td>
<td>1,847</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,782</td>
<td>1,680</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>204,690</td>
<td>202,235</td>
<td>225,299</td>
</tr>
<tr>
<td></td>
<td></td>
<td>238,092</td>
<td>250,801</td>
</tr>
<tr>
<td></td>
<td></td>
<td>251,142</td>
<td>256,745</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Employee costs</td>
<td>63,999</td>
<td>69,266</td>
<td>70,098</td>
</tr>
<tr>
<td></td>
<td></td>
<td>85,247</td>
<td>72,850</td>
</tr>
<tr>
<td>Materials and services</td>
<td>82,400</td>
<td>80,208</td>
<td>79,772</td>
</tr>
<tr>
<td></td>
<td></td>
<td>81,822</td>
<td>83,977</td>
</tr>
<tr>
<td>Bad and doubtful debts</td>
<td>269</td>
<td>312</td>
<td>311</td>
</tr>
<tr>
<td></td>
<td></td>
<td>312</td>
<td>314</td>
</tr>
<tr>
<td>Depreciation</td>
<td>29,376</td>
<td>29,444</td>
<td>30,033</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30,364</td>
<td>31,246</td>
</tr>
<tr>
<td>Amortisation - intangible assets</td>
<td>500</td>
<td>525</td>
<td>536</td>
</tr>
<tr>
<td>Amortisation - right of use assets</td>
<td>1,731</td>
<td>1,738</td>
<td>602</td>
</tr>
<tr>
<td>Net gain/(loss) on disposal of property, infrastructure, plant and equipment</td>
<td>1,940</td>
<td>2,050</td>
<td>2,090</td>
</tr>
<tr>
<td>Borrowing costs</td>
<td>780</td>
<td>1,087</td>
<td>1,554</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,238</td>
<td>2,751</td>
</tr>
<tr>
<td>Finance Costs - leases</td>
<td>199</td>
<td>116</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Other expenses</td>
<td>7,826</td>
<td>7,857</td>
<td>8,191</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,526</td>
<td>8,714</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>189,020</td>
<td>192,603</td>
<td>193,226</td>
</tr>
<tr>
<td></td>
<td></td>
<td>211,601</td>
<td>211,601</td>
</tr>
<tr>
<td></td>
<td></td>
<td>206,524</td>
<td>207,582</td>
</tr>
<tr>
<td></td>
<td></td>
<td>211,661</td>
<td>215,259</td>
</tr>
<tr>
<td><strong>Surplus/(deficit) for the year</strong></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td></td>
<td>15,670</td>
<td>9,632</td>
<td>32,073</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26,491</td>
<td>48,090</td>
</tr>
<tr>
<td></td>
<td></td>
<td>44,618</td>
<td>49,163</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>Items that will not be reclassified to surplus or deficit in future periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net asset revaluation increment/(decrement)</td>
<td>357</td>
<td>30,013</td>
<td>1,533</td>
</tr>
<tr>
<td><strong>Total comprehensive result</strong></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>
## Balance Sheet

<table>
<thead>
<tr>
<th>Forecast</th>
<th>Strategic Resource Plan</th>
<th>Future Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>27,480</td>
<td>15,710</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>40,139</td>
<td>34,532</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,724</td>
<td>2,767</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>70,343</td>
<td>53,029</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,785</td>
<td>1,711</td>
</tr>
<tr>
<td>Investments in associates and joint venture</td>
<td>5,192</td>
<td>5,033</td>
</tr>
<tr>
<td>Property, infrastructure, plant &amp; equipment</td>
<td>1,099,633</td>
<td>1,174,179</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,416</td>
<td>2,076</td>
</tr>
<tr>
<td>Right of use asset</td>
<td>2,642</td>
<td>964</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,110,668</td>
<td>1,184,433</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,181,011</td>
<td>1,237,462</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>22,126</td>
<td>21,964</td>
</tr>
<tr>
<td>Trust funds and deposits</td>
<td>1,886</td>
<td>1,933</td>
</tr>
<tr>
<td>Provisions</td>
<td>16,333</td>
<td>17,711</td>
</tr>
<tr>
<td>Lease Liabilities</td>
<td>1,693</td>
<td>602</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>45,691</td>
<td>48,012</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease Liabilities</td>
<td>1,019</td>
<td>417</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>10,133</td>
<td>24,945</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>15,238</td>
<td>29,723</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>60,929</td>
<td>77,735</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,120,082</td>
<td>1,159,727</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td>556,123</td>
<td>565,783</td>
</tr>
<tr>
<td>Reserves</td>
<td>563,959</td>
<td>593,944</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,120,082</td>
<td>1,159,727</td>
</tr>
</tbody>
</table>
### Statement of Cash flows

<table>
<thead>
<tr>
<th></th>
<th>Forecast</th>
<th>Strategic Resource Plan</th>
<th>Future Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates and charges</td>
<td>135,170</td>
<td>151,919</td>
<td>159,863</td>
</tr>
<tr>
<td>Statutory fees and fines</td>
<td>2,353</td>
<td>3,051</td>
<td>3,397</td>
</tr>
<tr>
<td>User fees</td>
<td>5,871</td>
<td>6,064</td>
<td>7,677</td>
</tr>
<tr>
<td>Grants - capital</td>
<td>11,297</td>
<td>21,984</td>
<td>24,969</td>
</tr>
<tr>
<td>Contributions - monetary</td>
<td>3,955</td>
<td>1,998</td>
<td>7,677</td>
</tr>
<tr>
<td>Interest received</td>
<td>1,537</td>
<td>1,304</td>
<td>1,516</td>
</tr>
<tr>
<td>Other receipts</td>
<td>1,403</td>
<td>15,015</td>
<td>15,186</td>
</tr>
<tr>
<td>Employee costs</td>
<td>(62,412)</td>
<td>(67,623)</td>
<td>(68,315)</td>
</tr>
<tr>
<td>Materials and services</td>
<td>(100,451)</td>
<td>(95,428)</td>
<td>(96,767)</td>
</tr>
<tr>
<td>Other payments</td>
<td>(10,883)</td>
<td>(8,828)</td>
<td>(9,130)</td>
</tr>
<tr>
<td>Net cash provided by/(used in) operating activities</td>
<td>32,842</td>
<td>49,250</td>
<td>68,160</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for property, infrastructure, plant and equipment</td>
<td>(67,866)</td>
<td>(75,526)</td>
<td>(78,776)</td>
</tr>
<tr>
<td>Proceeds from sale of property, infrastructure, plant and equipment</td>
<td>743</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Net cash provided by/(used in) investing activities</td>
<td>(67,123)</td>
<td>(75,026)</td>
<td>(78,276)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>(780)</td>
<td>(1,086)</td>
<td>(1,553)</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>-</td>
<td>22,050</td>
<td>24,500</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(3,475)</td>
<td>(5,089)</td>
<td>(7,916)</td>
</tr>
<tr>
<td>Interest paid - lease liability</td>
<td>(199)</td>
<td>(116)</td>
<td>(39)</td>
</tr>
<tr>
<td>Repayment of lease liabilities</td>
<td>(1,661)</td>
<td>(1,753)</td>
<td>(621)</td>
</tr>
<tr>
<td>Net cash provided by/(used in) financing activities</td>
<td>(6,115)</td>
<td>14,006</td>
<td>14,891</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash &amp; cash equivalents</td>
<td>(40,396)</td>
<td>(11,770)</td>
<td>4,775</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td>67,876</td>
<td>27,480</td>
<td>15,710</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the financial year</td>
<td>27,480</td>
<td>15,710</td>
<td>20,485</td>
</tr>
</tbody>
</table>
**Statement of Capital Works**

<table>
<thead>
<tr>
<th></th>
<th>Forecast</th>
<th>Strategic Resource Plan</th>
<th>Future Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings improvements</td>
<td>2,537</td>
<td>3,208</td>
<td>3,483</td>
</tr>
<tr>
<td>Building</td>
<td>18,451</td>
<td>26,033</td>
<td>16,490</td>
</tr>
<tr>
<td><strong>Total buildings</strong></td>
<td>20,988</td>
<td>29,241</td>
<td>19,973</td>
</tr>
<tr>
<td><strong>Total property</strong></td>
<td>20,988</td>
<td>29,241</td>
<td>19,973</td>
</tr>
<tr>
<td><strong>Plant and equipment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant, machinery and equipment</td>
<td>2,831</td>
<td>2,730</td>
<td>3,357</td>
</tr>
<tr>
<td>Fixtures, fittings and furniture</td>
<td>25</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Computers and telecommunications</td>
<td>1,632</td>
<td>1,455</td>
<td>617</td>
</tr>
<tr>
<td><strong>Total plant and equipment</strong></td>
<td>4,488</td>
<td>4,209</td>
<td>3,992</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td>11,423</td>
<td>13,585</td>
<td>16,016</td>
</tr>
<tr>
<td>Bridges</td>
<td>367</td>
<td>279</td>
<td>459</td>
</tr>
<tr>
<td>Footpaths and cycleways</td>
<td>3,105</td>
<td>3,379</td>
<td>1,764</td>
</tr>
<tr>
<td>Drainage</td>
<td>1,739</td>
<td>1,236</td>
<td>1,360</td>
</tr>
<tr>
<td>Recreational, leisure and community facilities</td>
<td>7,873</td>
<td>3,889</td>
<td>8,607</td>
</tr>
<tr>
<td>Parks, open space and streetscapes</td>
<td>11,549</td>
<td>10,190</td>
<td>15,896</td>
</tr>
<tr>
<td>Off street car parks</td>
<td>1,264</td>
<td>647</td>
<td>470</td>
</tr>
<tr>
<td>Other infrastructure</td>
<td>5,070</td>
<td>8,871</td>
<td>10,039</td>
</tr>
<tr>
<td><strong>Total infrastructure</strong></td>
<td>42,390</td>
<td>42,076</td>
<td>54,811</td>
</tr>
<tr>
<td><strong>Total capital works expenditure</strong></td>
<td>67,866</td>
<td>75,526</td>
<td>78,776</td>
</tr>
</tbody>
</table>

Represented by:

- **New asset expenditure** 18,153 15,962 17,634 9,986 2,997 3,186 3,780 2,557 2,688 3,403 3,505
- **Asset renewal expenditure** 22,330 29,175 29,260 34,774 34,523 38,273 34,893 35,695 38,570 34,516 38,061
- **Asset expansion expenditure** 7,771 8,210 6,525 2,164 1,777 1,941 2,512 2,440 2,569 3,279 3,380
- **Asset upgrade expenditure** 19,612 22,179 25,357 29,414 44,155 40,199 40,851 39,396 38,577 10,270 10,905

**Total capital works expenditure** 67,866 75,526 78,776 76,358 83,452 83,599 82,036 80,088 82,404 51,468 55,851
Appendix 2 - Overall financial sustainability risk assessment – VAGO

While Council is required to report on the Local Government Performance Reporting Framework indicators outlined above, Yarra Ranges Council will also maintain reporting on the Victorian Auditor-General’s Office (VAGO) indicators as there are slight differences between the two, and the VAGO indicators are more conservative, particularly in regards to Indebtedness.

VAGO determines the overall financial sustainability risk assessment using the ratings determined by the 6 indicators presented below.

![Financial sustainability risk indicators—risk assessment criteria]

Source: VAGO.
High risk of short-term and immediate sustainability concerns indicated by either:
- **red** underlying result indicator or
- **red** liquidity indicator.

Medium risk of longer-term sustainability concerns indicated by either:
- **red** self-financing indicator or
- **red** indebtedness indicator or
- **red** capital replacement indicator or
- **red** renewal gap indicator.

Low risk of financial sustainability concerns—there are no high-risk indicators.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result (Net result / Total revenue)</td>
<td>%</td>
<td>7.66%</td>
<td>4.76%</td>
<td>14.24%</td>
<td>11.13%</td>
<td>19.17%</td>
<td>17.77%</td>
<td>19.15%</td>
<td>19.13%</td>
<td>19.05%</td>
<td>9.32%</td>
<td>9.92%</td>
</tr>
<tr>
<td>Liquidity (Total current assets / Total current liabilities)</td>
<td>1.54</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
</tr>
<tr>
<td>Internal financing (Net operating cash flow / Net capital expenditure)</td>
<td>%</td>
<td>48.93%</td>
<td>65.64%</td>
<td>87.08%</td>
<td>71.25%</td>
<td>92.59%</td>
<td>94.09%</td>
<td>103.52%</td>
<td>109.87%</td>
<td>110.18%</td>
<td>130.79%</td>
<td>124.34%</td>
</tr>
<tr>
<td>Capital replacement (Cash outflow for fixed assets / depreciation)</td>
<td>2.31</td>
<td>2.57</td>
<td>2.62</td>
<td>2.49</td>
<td>2.67</td>
<td>2.62</td>
<td>2.52</td>
<td>2.42</td>
<td>2.44</td>
<td>1.49</td>
<td>1.59</td>
<td></td>
</tr>
<tr>
<td>Indebtedness (Total non-current liabilities / Own sourced revenue)</td>
<td>%</td>
<td>9.71%</td>
<td>18.96%</td>
<td>26.86%</td>
<td>38.00%</td>
<td>41.41%</td>
<td>46.55%</td>
<td>46.90%</td>
<td>44.71%</td>
<td>42.55%</td>
<td>37.73%</td>
<td>32.95%</td>
</tr>
<tr>
<td>Renewal gap (Renewal + upgrade) / (Depreciation))</td>
<td>1.43</td>
<td>1.74</td>
<td>1.82</td>
<td>2.10</td>
<td>2.52</td>
<td>2.46</td>
<td>2.33</td>
<td>2.26</td>
<td>2.28</td>
<td>1.30</td>
<td>1.39</td>
<td></td>
</tr>
</tbody>
</table>
Yarra Ranges Council’s overall financial sustainability risk assessment -

The overall financial sustainability risk assessment per VAGO’s ratings indicate that Yarra Ranges Council is at the low risk level, based on the projections in the current LTFP. However, as a result of the rate cap gap, Council’s liquidity and capital replacement indicators do start to diminish in the medium term of the plan, and these results may impact on rating and service decisions in the future.
Yarra Ranges Council
PO Box 105
Lilydale VIC 3140

Telephone: 1300 368 333

Email: mail@yarraranges.vic.gov.au
Website: yarraranges.vic.gov.au

Share and Connect

Like us on Facebook
facebook.com/yrscouncil

Follow us on Twitter
twitter.com/yrscouncil

Watch our YouTube Channel
youtube.com/user/yarrarangescouncil

Subscribe to e Newsletter
yarraranges.vic.gov.au/subscribe

National Relay Service
133 677 - for callers who have a hearing, speech or communication impairment and for Text Telephone or modern callers
1300 555 727 - for callers using Speech to Speech relay
9658 9461 - TTY

Translation and Interpreting Service
131 450 Translating and Interpreting Services (TIS) National. An interpreting service is available if required.

Chinese Simplified (Mandarin)
如需要，可拨打全国翻译服务处(TIS)的电话
131 450 提供口译服务。

Chinese Traditional (Cantonese)
如需要，可拨打全国翻译服务处(TIS)的电话
131 450 提供口译服务。

Chin Hakha
Hohllet na herh ah cun Translating and Interpreting Services (TIS) kha 131450 ah chawnh in hlohleh rian tuawn nak kha hman khawh a si

Dutch
Indien nodig kunt u onze tolken- en vertaaldienst Translating and Interpreting Services (TIS) bellen op 131 450 om met een tolk te spreken

Italian
Un servizio di interpretariato è disponibile, se richiesto, contattando i Servizi di traduzione e interpretariato nazionali (TIS) al numero 131 450

Community Links

Lilydale
15 Anderson Street

Healesville
110 River Street

Monbulk
21 Main Road

Yarra Junction
2442-2444 Warburton Highway

Upwey
40 Main Street

This document is available in text format online at yarraranges.vic.gov.au