10 Year
Financial Plan

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Contents

Executive Summary

The Latrobe City Council 10 Year Financial Plan is a high level planning document to provide guidance to future financial decision making. A sound financial strategy will provide the foundation for realising the Community's Vision, Latrobe 2026, and provides the basis for enabling the implementation of the four year Council Plan.

This financial plan provides a context for funding both operational and capital budgets, and documents objectives and strategies in the areas of rating, grants, fees and charges, operations and services, human resources, asset management, liquidity, borrowings and reserves.

The 10 year plan will provide a comprehensive outlook, vital in ensuring that the Council has sufficient resources to meet the community's expectations for infrastructure renewal, service provision and the inclusion of a number of key capital projects.

The plan will also enable Council to prepare for impacts and opportunities that arise from the broader economic context including the introduction of the Federal Governments Clean Energy package and a price on carbon from 1 July 2012.

The plan was developed by modelling ten years of financial data based on the 2011/12 adopted budget. The business as usual case was modelled and options explored to determine the most financially sustainable outcome for Council for the ten years going forward. Rating, borrowings, fees and charges, service profile, infrastructure renewal and major capital projects were all key considerations in determining the financially sustainable position.

The plan provides for maintaining the current range of services, along with maintaining infrastructure renewal expenditure across the ten years and reducing the overall debt levels after allowing for potential new borrowings for three identified significant capital projects. Rating increases have been maintained at a moderate base level of 5% per year, made possible due to the increase in the garbage charge over the first three years to cover the full cost of Council's waste operations.

The plan will be reviewed every four years following Council elections and updated annually to incorporated changes identified through the budget process.

Introduction

The Latrobe City Council 10 Year Financial Plan is a high level planning document to provide guidance to future financial decision making. A sound financial strategy will provide the foundation for realising the Community's Vision, Latrobe 2026, and provides the basis for enabling the implementation of the four year Council Plan.

Latrobe City Council currently has a five year financial plan which expires in 2013. Extending the plan from 5 years to 10 years will provide a more comprehensive outlook, vital in ensuring that the Council has sufficient resources to meet the community's expectations, in particular the inclusion of a number of key capital projects. The plan will assist the Council to monitor and maintain the continued viability of the Council's finances and through that, the sustainability of service and infrastructure provisions.

This financial plan provides a context for funding both operational and capital budgets, and documents objectives and strategies in the areas of rating, grants, fees and charges, operations and services, human resources, asset management, liquidity, borrowings and reserves.

Goal

The goal of the plan is to implement principles of sound financial management by ensuring all aspects of Council's operations are financially sustainable over the next 10 years and to develop mechanisms to ensure that future decision making responsibly considers any long term financial implications.

Objectives

The Local Government Act 1989 mandates that "A council must implement the principles of sound financial management, which include that a Council must;

a) manage financial risks faced by the Council prudently, having regard to economic circumstances;
b) pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden; and
c) ensure that decisions are made and actions are taken having regard to their financial effects on future generations.

This 10 Year Financial Plan is intended to achieve the following objectives over the term of the plan:

1. Ensure that delivery of services is financially sustainable while being affordable for members of the Latrobe City Community.
2. Develop rating, pricing and borrowing strategies for the next 10 years.
3. Ensure funding and delivery of Council's strategies, plans and policies over the specified timeframe.
4. Understand the financial capacity to deliver major new capital projects such as the Moe Civic Precinct, Performing Arts Centre and Traralgon Indoor Aquatic Centre over the next 10 years.
5. Develop the tools and mechanisms to assist Council with future annual budget preparation and financial implications of major decisions.
6. Use this plan as the basis for each four year Strategic Resource Plan as required by the Local Government Act 1989 and to guide the development of each annual budget.

Background and Context

Strategic Context

Latrobe 2026: the Community Vision for Latrobe Valley

"In 2026 the Latrobe Valley is a liveable and sustainable region with collaborative and inclusive community leadership."

Latrobe 2026 is our community's vision and defines the aspirations local residents hold for the future of the region by exploring the aspects residents most value and those they would most like to change about life in the Latrobe Valley. The community vision was generated after identifying three broad concepts shared by the Latrobe Valley community – Liveability, Sustainability and Leadership. To achieve these three concepts a range of actions need to be taken by the many agencies, organisations, groups and individuals – of which Latrobe City Council is one.

Council Plan 2012-2016: 'Council's response to Latrobe 2026

The Council Plan is Council's commitment to the achievement of Latrobe 2026. In working towards the achievement of the community vision, Council identified four priority themes which will shape the future of Latrobe City:

- **Gippsland's Regional City**

Strengthening our profile
Latrobe City is recognised as one of the four major Victorian Regional Cities and one of the fastest growing non metropolitan centres in Australia. Latrobe City is known for excellence in education and training, health care and as the business and cultural centre

of the Gippsland region. Along with our Gippsland neighbours, we are well positioned to support Victoria's population growth and are the first choice for lifestyle within an easy commute to Melbourne. Latrobe City Council is continuing to work hard to make investment and living in Latrobe City easy. We continue to play a lead role in delivering priority projects for the Gippsland Region and strengthening Latrobe City's profile.

- **Positioned for a Low Carbon Future**

Advancing industry and innovation
Latrobe City Council is working collaboratively with our community, local business and government stakeholders at local, state and federal levels to progress delivery of the "Positioning Latrobe City for a Low Carbon Emission Future" policy. This policy is a first for local government in Australia and its implementation is a vital step for the future of Latrobe City and the Gippsland region. Latrobe City is proud of its history as a coal and energy based community; and will now maximise our strengths and leverage new opportunities with both state and federal governments to transition to a low carbon emissions future. Council continue to lead our community's transition to a low carbon future to ensure that innovation is supported within industry; that our economy is diversified; employment and jobs growth remains strong and that Latrobe City responds to and is prepared for the challenges and opportunities ahead.

- **An active, connected and caring community**

Supporting all
Latrobe City is a vibrant, multicultural and diverse community. Council continues to respond to the changing needs and aspirations of our diverse community by providing facilities, services and opportunities that promote an inclusive and connected community. The health and well-being of the community is a key priority. Council continues to work with our partners to create a safe and supportive environment promoting healthy lifestyle choices for people of all ages and abilities. Council is committed to ensuring our services remain accessible, responsive, equitable and inclusive for all members of our diverse community.

- **Attract, retain, support**

Enhancing opportunity, learning and lifestyles
Latrobe City offers world class educational and skills training facilities. Council supports and continues to work closely with our partners to attract and retain young people as students, apprentices and employees. Latrobe City has emerged as the place where young people want to live, work and study. Council values and ensures that diverse educational, employment and recreational opportunities are available to our community and the broader Gippsland region. Council continues to deliver initiatives that improve our recreation, retail, entertainment and transport facilities and infrastructure which positively impact the liveability of our region and the experience of our youth.

Together, these will drive Councils strategic planning, major initiatives and service delivery over the next four years.

Strategic Resource Plan

As part of our strategic planning and budgetary processes, Council is required to prepare a Strategic Resource Plan (SRP) under Section 126 of the Local Government Act 1989.

The purpose of the SRP is to:

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

While compliance with the legislation can be achieved with the development of medium term (four year) financial statements, the ten year approach proposed by Council in the future will be more comprehensive.

Annual Budget

The preparation and adoption of the annual Budget is one of the major responsibilities undertaken by local governments. The Annual Budget outlines the allocation of resources required to deliver the services and initiatives outlined in the Council Plan.

Latrobe City Context

Latrobe City is recognised as one of Victoria's four major regional centres, along with Ballarat, Bendigo and Geelong. Located approximately 70 minutes from the outskirts of Melbourne, Latrobe City has a population of over 75,000 residents and boasts all of the recreational and cultural facilities of a large diverse regional centre.

The region is the central hub of Gippsland and is made up of four major urban centres: Churchill, Moe/Newborough, Morwell and Traralgon, and seven smaller townships of Boolarra, Glengarry, Toongabbie, Tyers, Traralgon South, Yallourn North, and Yinnar.

Economy

The broader Gippsland region is rich in natural resources, including forests, fertile land for agriculture, water, natural gas and brown coal. Historically, brown coal electricity generation has been the backbone of the local economy but the economy has diversified to include a range of industries including forestry and paper, manufacturing, agribusiness, retail, hospitality, aviation, health and education. Latrobe City is now home to Australia's largest yoghurt manufacturing facility, the largest pulp and paper manufacturer in Australia, the only regional "Group of Eight" university in Victoria and the only manufacturer of passenger aircraft in Australia.

In recent years, there has been significant investment in Latrobe City with major developments including:

a) Australian Paper pulp mill upgrade
b) International Power 2030 Project
c) Latrobe Community Health Centre headquarters
d) Gippsland Water factory

A significant amount of capital investment is also in the planning pipeline as demonstrated by the following projects:

a) National Foods $55 million expansion
b) Mahindra $22 million investment for an approximate 75% share in ownership of GippsAero
c) TRUenergy Combined Cycle Gas Turbine (CCGT) Power Station (capital cost unknown)
d) HRL Clean Coal Power Station $750 million

Latrobe City offers new investors: a skilled labour force, strong road and rail transport links, access to abundant natural resources, established electricity transmission and generation infrastructure, locally based educational institutions and affordable land prices. The total employment for workers in Latrobe City as of November 2010 is estimated at 40,335 jobs, which represents an annualised growth rate of 5.0% since the November 2006 Census. (Source: Compelling Economics, Employment by industry report: Nov 2006-Nov 2010 City of Latrobe).

A number of current and emerging factors are likely to have significant impact on the economy of Latrobe City into the future. These challenges and opportunities include:

a) Existing and anticipated Victorian and Australian government policy and legislation to combat climate change and a price on carbon from 1 July 2012
b) The value of the Latrobe City coal resource and emerging technologies that may enable sustainable use
c) Changing workforce demographics, in particular an ageing workforce
d) Globalisation and the growing profile of the Latrobe region domestically and internationally

e) The emergence of government policies aimed at supporting community development and economic growth in regional areas
f) An increasingly mobile society enabling easy access to Latrobe City from Melbourne metropolitan area and beyond
g) Forecast population growth in Victoria

Population

The population of Latrobe City is growing at an increasing rate. Between 2001 and 2006, the region experienced population growth of 1.9%. Since then, preliminary estimates show strong population growth of greater than 1% each year. By 2023, it is anticipated that the population will grow by 8,560 residents, at an average of approximately 570 residents per annum (or 0.7% pa) (Source: Informed Decisions, Latrobe City Summary of current population and economic characteristics)

Latrobe City is predominantly a family area, with more family households, and hence more children, than the Victorian average. The age structure chart shows that the main differences are in the school age groups, with more primary (5-11) and secondary (12-17) school age children.

Cultural diversity

Latrobe City is a culturally diverse and vibrant community with a growing population of indigenous and non-English speaking background residents. In 2006, the total population born in a NESB country was 7.3%. Whilst this is low compared to the Victorian percentage, it is high in comparison to other regional cities in Victoria (6.1%). India, Sudan, the Philippines and China were the largest groups of permanent settler arrivals in the last 5 years. The region also has a significant indigenous community with Aboriginal and Torres Strait Islander people making up 1.3% of the population.(Source: Informed Decisions, Latrobe City Summary of current population and economic characteristics).

Latrobe City Council Service Profile

Latrobe City Council provides the following services;

Economic Development
Business Development
Tourism Development
Latrobe Regional Airport
Regional Development
Landfill Services
Waste Services
Performing Arts
Visual Arts
International Relations
Hall and Venue Management
Events
Leisure Facilities
Outdoor Maintenance

Environmental Sustainability
City Planning
Infrastructure Development
Infrastructure Maintenance
Home and Community Care
Social Support
Public Health Services
Child and Family Services
Community Development
Emergency Management
Library Services
Community Information Services
Caravan Parks
Traffic School
Council Operations – Legal Council
Risk and Compliance
Executive Office
Financial Services
Risk Management
Property and Statutory
Corporate Strategy
Community Relations
Local Laws
Corporate Strategy

Latrobe City Council Financial Sustainability – Current Position and History

Latrobe City Council's current and past financial sustainability can be captured by the range of ratios and results published by the Victorian Auditor General over the past five years. Latrobe City Council falls into the Regional City category, so it is useful to compare the five year mean ratio results with the average of all other regional cities in Victoria.

The table of results indicates that Latrobe City Council has performed well, maintaining excellent financial sustainability over the past five years, recording better results than the Regional Cities average on all ratios except for indebtedness. The indebtedness ratio includes loans and other non-current liabilities. In Latrobe City Council's case, this includes a significant provision for the future rehabilitation of landfill, a reasonably new item to be brought to account, and at the time of writing, not being accounted for by all Victorian Councils.

Indicator	Calculation	Explanation	Latrobe Results 2010/2011	Latrobe Five Year Mean	Regional Cities Five Year Mean
Underlying result	**Adjusted net surplus/total underlying revenue**	**Adjusted net surplus is calculated by removing non-cash developer contributions and one-off items from statement of income and expenditure.**	**12.07%**	**7.96%**	**6.68%**

Indicator	Calculation	Explanation	Latrobe Results 2010/2011	Latrobe Five Year Mean	Regional Cities Five Year Mean
Liquidity	Current Assets/Current Liabilities	Measure of ability to pay existing liabilities within 12 months.	1.94	2.04	2.32
Indebtedness	Non-current liabilities/own sourced revenue	Compares non-current liabilities (including loans and landfill provisions) to own source revenue. Own-sourced revenue is used because it does not include capital grants.	43.32%	39.76%	31.36%
Self-financing	Net Operating cash flow/underlying revenue	This is a measure of local government's ability to fund the replacement of assets from cash generated by their operations: the higher the percentages the more able to do so.	29.72%	25.83%	23.84%
Capital Replacement	Capital Spend/ Depreciation	This is a measure of whether local governments are spending on infrastructure at a greater rate than the infrastructure is depreciating.	1.80:1	1.46:1	1.37:1
Renewal Gap	Renewal and upgrade expenditure / Depreciation	Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate.	1.14:1	1.05:1	0.90:1

10 Year Financial Plan

The 10 year financial plan has been developed following consideration of modelled financial results based on the 2011/2012 financial year and projected forward with assumptions for revenue, expenditure and borrowings. The plan has been developed considering the following principles:

Principles

1. All financial sustainability ratios are to remain in the green (low risk) category where possible, minimising the yellow (medium risk) with no red (high risk)
2. Maintain the service profile in accordance with the 2011/12 financial year.
3. On average over the ten year plan maintain infrastructure renewal expenditure at a level equivalent to infrastructure depreciation expense
4. Ensure borrowings are only used to fund new assets or lump sum funding calls by the Trustee of the Local Authorities Superannuation Fund (LASF)
5. Continue to invest in community infrastructure in accordance with asset management plans
6. Leverage maximum Victorian and Australian governments funding sources
7. Identify and communicate clearly to our community any Victorian government charges that are being collected by Council
8. Minimise additional burden on rate payers where possible
9. Annual budget and strategic resource plan are to be consistent with this financial plan
10. Economic effects on the region associated with the introduction of a carbon tax will be excluded until such time as the impacts can be reliably measured.

How the plan was developed

The 10 Year Financial Plan was developed via a five step process

1. Stocktake – a self assessment was undertaken against criteria for financial sustainability in accordance with the Local Government Sustainability program (MAV). The results of this assessment indicated a strong need to update Council’s 10 Year Financial Plan.

2. Business as usual assessment – the 10 year financial model was used to determine the impact on financial sustainability if Council continued to operate with the same assumptions about income, expenditure and borrowing as the 2011/2012 financial year. The business as usual assessment raised some challenges and opportunities which are discussed below.

3. Options – in response to challenges to the business as usual case, several options were explored to ensure financial sustainability over the ten year period using the key factors of rates income, borrowing, fees and charges, service delivery, new capital, capital renewal/upgrade strategies

4. Development of 10 Year Financial Plan – a draft was developed based on the preferred option. (this step)

5. Ongoing process for review – this 10 Year Financial Plan includes processes for update and renewal.

More detail about the development process is provided at Appendix A

Assumptions

The 10 Year Financial Plan and underlying financial model makes assumptions regarding rating and other revenue sources, expenditure and borrowings. As described below, the service profile of the Council is assumed to remain consistent with that of the 11/12 financial year and general increases in revenue and expenditure have been assumed. The 10 Year Financial Plan proposes two changes to financial operations for the ten year period: full cost recovery on waste services and consideration of borrowing capability.

Following the consideration of financial sustainability factors and community interest, a program to introduce full cost recovery on waste is assumed to be phased in over the first three years. This allows Council and the community to clearly understand the costs of waste operations and account for the cost of construction of a new landfill cell every three years in accordance with Environment Protection Authority guidelines. To accommodate this in the first three years, deferral of some infrastructure renewal spending to later years is assumed.

The 10 year financial plan assumes that Council is capable of borrowing of up to an additional $22 million to fund new community assets over the next ten years while still remaining well within acceptable levels of indebtedness. Specifically, Council's contribution to Moe Civic Precinct, Performing Arts Centre and Traralgon Indoor Aquatic Centre. All three projects are subject to appropriate levels of State and/or Federal funding and are assumed to be funded and delivered in accordance with the following schedule:

Modelled Borrowings		$'000										
		Moe Rail Precinct			PAC			Aquatic Centre				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Unescalated		1,000	2,000	2,000	1,000	2,000	2,000	4,000	4,000	4,000	0	22,000

Assumptions used in the financial modelling are as follows:

2011/12 is based on Adopted Budget

2012/13 onwards	Annual % Change
Income	
Rates revenue (excluding garbage charge)	5.00%
Growth in rates revenue due to expansion of the rate base (population increase)	0.7%
Garbage charge increase	10% in year 1 9.5% in year 2 9.1% in year 3 3% (CPI) there after
Total rates revenue increase is 6.46% in year 1, 6.67% in year 2, 6.62% in year 3, 5.7% there after (including growth)	
Operating (Recurrent grants)	2.00%
Capital (Nonrecurrent grants)	3.00%
Developer Contributions (Assets)	0.00%
Developer Contributions (Cash)	3.00%
User Charges (fees for Council services)	3.00%
Other revenue	3.00%
Expenditure	
Employee Benefits Paid	4.50%*
Materials & Consumables	3.00%
Utilities	5.00%
Depreciation	3.00%

* subject to new EBA

Other

Building & Drainage renewal expenditure have been deferred from years 12/13, 13/14 & reduced for 14/15 and spread out over the remaining years to allow for building and drainage asset management plans to be developed. Amounts allocated for these two areas have been based on current annual depreciation levels. The completion of asset management plans may result in the identification of additional works or backlog works in accordance with actual asset condition assessment results.

Council also recognises that there is a backlog in renewal works to be undertaken in the areas of road renewal, road rehabilitation, footpath replacement and traffic & pedestrian safety projects. Backlogs are identified through the deferment in previous years of expenditure identified to meet asset management plans, strategies or updated condition assessments. Backlogs have been incorporated in the capital plan where possible, however further deferrals to later years in some areas has been necessary in order to meet more urgent requirements.

Council has a requirement to continue to fund the Local Authorities Superannuation Fund Defined Benefit Plan. Actuarial reviews are generally undertaken every three years at which time the Trustee has the power to make lump sum funding calls. The last call was made in July 2011, where Latrobe City Council was required to contribute $1.356M. No further contribution calls have been factored into the model as the timing and value are reliant on the Actuary and can not be reliably estimated.

It has been assumed all projects that are partially complete at the end of 2011/12 will be completed in 2012/13 and that there will be no further carry forward of expenditure in the model. This assumption has been incorporated as it is extremely difficult to realiably estimate the level of carry forward in future years

Three major capital projects have been incorporated in the model as follows;

- Moe Civic Precinct project
  - Total Project Value: $26M
  - Timing: 2012/13 to 2014/15
  - Funding assumptions:
    - Rates Revenue: $1M
    - Borrowings : $5M
    - Government Grants: $20M

- Performing Arts Centre
  - Total Project Value: $15M
  - Timing: 2015/16 to 2017/18
  - Funding assumptions:
    - Rates Revenue: $0.5M (net) per year operating costs
    - Borrowings : $5M
    - Government Grants: $10M

- Traralgon Aquatic Centre
  - Total Project Value: $30M
  - Timing: 2018/19 to 2020/21
  - Funding assumptions:
    - Rates Revenue: $0.5M (net) per year operating costs
    - Borrowings : $12M
    - Government Grants: $18M

Additional depreciation costs associated with asset renewal, asset upgrades and new assets totalling $9.88M

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Assessment of Financial Sustainability

In assessing the business as usual case and options for change, four key financial ratios were used to assess Council's financial sustainability over the ten year period.

Ratio	Ratio Calculation	Description	Ratio Targets (%)		
			High Risk	Medium Risk	Low Risk
Infrastructure Renewal Gap	Renewal Expenditure / Infrastructure Depreciation	Compares the renewal expenditure on existing infrastructure assets (e.g. roads, drains, footpaths, buildings, etc.) to the dollar value of the asset that has been used up in that year (depreciation). Target of 100% indicates that spending on existing assets is equal to their consumption.	< 50%	50% - 100%	> 100%
Liquidity	Current Assets / Current Liabilities	Indicates Council's ability to pay its short term debts, by measuring the relationship between current assets (ie. those which can be turned into cash) against the short-term debt value (current liabilities). (Current = 12 months or less)	< 100%	100% - 150%	> 150%
Indebtedness	Non Current Liabilities / Own source Revenue	Compares Council's long term debt (loans & other non-current Liabilities) to its own source revenue (ie. rates, user charges, other income) which is used to gain a general idea as to Council's ability to meet its debts. The higher the percentage the more difficult it is for Council to service debts. (Non-Current > 12 months)	> 60%	40% - 60%	< 40%
Underlying Result	Adjusted net Surplus/(deficit) / Adjusted underlying revenue	Determines if each year Council is raising enough revenue to cover operating costs & asset renewal costs of the existing asset base. The ratio takes out the effect of once of capital grants & developer contributions.	< -10%	-10% - 0%	> 0%

Key issues, challenges and opportunities

Analysis of the business as usual case identified some challenges in some of the next 10 years. Given the assumptions made in the modelling regarding service profile, rating and fees and charges, modelled capital expenditure in the infrastructure renewal area has been deferred over the first three years to avoid a negative cash impact. The main cause of this impact is the expenditure required on constructing new landfill cells and the construction of the Morwell North West drain, which are over and above the standard programmed capital works. These expenditures impact on the available capital funds for infrastructure renewal and will result in a deferral of renewal expenditure which will not be recovered until 2018/19.

Currently the expenditure on waste services is recovered by fee income and the garbage charge collected via the rating system. This revenue does not, however, cover the capital cost of $4.5 million every three years for constructing a new landfill cell. This expenditure has been smoothed in the capital program by incorporating $1.5 million per year, thus reducing the impact on Council's contract resources across other areas of renewal.

In addition, in the business as usual model, the indebtedness ratio is consistently green and reducing for all years after 2011/12. This results in additional capacity to borrow in most of the 10 years without exceeding the indebtedness ratio targets. The indicator incorporates Council's long term liability associated with the rehabilitation of existing legacy landfill sites, along with future rehabilitation associated with the existing facility Hyland Highway Landfill. Latrobe City Council is one of only a few Councils who have undertaken a detailed analysis of future liabilities associated with their landfill sites and tends to result in Latrobe City Council's indebtedness ratio appearing unfavourable when compared to other Councils.

Rating

Background

In the local government context, the rating system determines how Council will raise money from properties within the municipality. The rating system comprises the valuation base and the rating instruments that are used to calculate each property owner's liability for rates.

The rating framework is set down in the Local Government Act (1989) and determines a council's ability to develop a rating system. The framework provides considerable flexibility to suit requirements within the context of public finance methodology, which includes principles of equity, benefit, efficiency and community resource allocation.

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Under the *Local Government Act* 1989 Council may declare the following rates and charges on rateable land;

1. General rates (section 158)
2. Municipal charges (section 159)
3. Uniform rates (section 160)
4. Differential rates (section 161)
5. Services rates and charges (section 162)
6. Special rates and charges (section 163)

Council may use any of the following systems of valuing land

1. Site value
2. Net annual value
3. Capital improved value

Latrobe City Council's current rating system

Latrobe City Council currently applies the Capital Improved Value (CIV) method of property valuation. CIV is used by Latrobe City Council as the basis for calculating individual property rates, and is coupled with a set municipal charge on each property along with waste collection charges where applicable.

The Capital Improved Value method of property valuation was chosen on the grounds that it provides the most equitable distribution of rates across the municipality. In general, property valuations are seen as a reflection of the municipality's ratepayer's ability to contribute to the overall rates burden. In concluding this, it is also recognised that this method does not provide a perfect solution and as such a differential rating system is also utilised to attend to highlighted inequities within this methodology. The balance between these two elements provides equity in the distribution of the rates burden across the municipality. Differential rates are used to rebalance the rates burden, and can be utilised as a tool to encourage certain behaviours within the municipality or simply as a way of redistributing the onus. It should be highlighted that the introduction of differential rates does not increase or decrease the total rates to be collected, it is purely a method of redistribution.

Latrobe City Council employs two differential rates, **general** which incorporates 35,283 properties not deemed to be farms, (e.g. residential, commercial, industrial etc.) and **farm** which applies to 1,312 properties which meet the definition of a farm under the Valuation of Land Act 1960. Latrobe City Council introduced the farm rate so as to fairly rate farmland within the municipality, resulting from recognition of inequities within the CIV method. As a result the farm rate is set at 75% of the general rate and is reviewed annually through the budget process. These rates are structured in accordance with the requirements of section 161 "Differential Rates" of the *Local Government Act 1989*.

In addition to differential rates, and in accordance with the *Cultural and Recreational Lands Act 1963*, provision is made for a Council to grant a rating concession to any "recreational lands" which meet the test of being "rateable land" under the Act. Latrobe City Council currently offers a concession of 50% against the general rate for eligible ratepayers. There are currently 16 assessments within the municipality that qualify for this concession.

Latrobe City Council also has one Rating Agreement with Australian Paper, and in accordance with the *Electricity Industry Act 2000*, the Power Generation Companies contribute an amount in lieu of rates as determined by the Act.

In addition to the abovementioned differential rates, Latrobe City Council also employs a Municipal charge in accordance with section 159 of the *Local Government Act 1989*. The municipal charge provides a method for equitable contributions by all ratepayers towards the administrative costs of Council. The municipal charge is capped by the Act at 20% of general rates in any one financial year. Based on the 11/12 budget, Latrobe City Council levies a municipal charge of $110 per assessment. This equates to approximately 9.6% of general rates.

Finally, in accordance with section 162 of the *Local Government Act 1989,* Latrobe City Council also levies a Garbage Collection charge of $235 and a Landfill Levy charge of $14.50 to all properties being provided with a garbage collection service.

In summary, the current rating system utilised by Latrobe City Council incorporates;

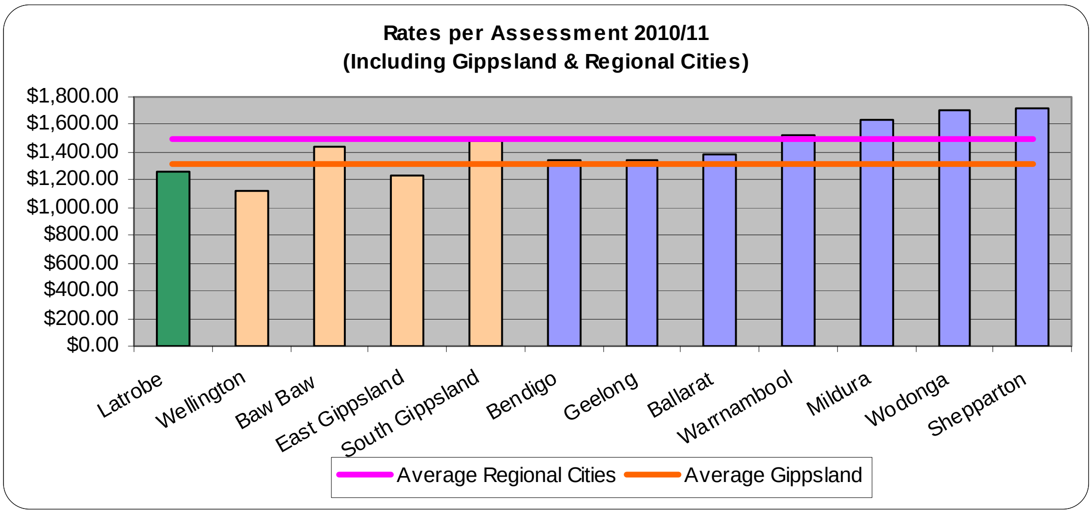
General Rate
Farm Rate set at 75% of the General Rate
Recreational Land concession set at 50% of the General Rate
Municipal Charge of $110.00 per property

Where garbage collection services are available
Garbage Collection Charge of $235.00
Landfill Levy Charge of $14.50

Benchmark Rating Levels

Comparing the relativity of rating levels between councils can be a difficult exercise with debate over the most appropriate methods and the inability to take into account various intricacies of council's rating structures. Rates per capita in particular do not portray a genuine comparison between councils as it includes distortions caused by various population densities and absentee ownership. It is for this reason that a rate per assessment is considered a more accurate gauge for comparison.

Latrobe City Council has the complexity of the rating of the power generation companies, under the Electricity Industry Act, as well as a rating agreement with Australian Paper which affects the rating ratios. For comparison purposes these arrangements have been excluded from the calculations as they create an unreasonable distortion to the results.



The graph above highlights the comparative rates per assessment and demonstrates that Latrobe City Council is well below the average for Regional Cities and consistent with the average when compared with other Gippsland Councils.

Rating Strategy for the future

Council recognises the need to balance minimising rate increases and maintaining service delivery.

Inflationary indicators such as Consumer Price Index (CPI) provide a foundation on which rating increases can be based. However, the costs and inputs to Council services and construction is different to the basket of goods included in the CPI. In particular, increases to employee costs, plant and material costs increases, oil based (bituminous) products and water and energy costs all experience higher increases than the products included in the CPI basket. Another contributing factor is that Government Grants Commission revenue typically increases by 1% less than CPI. Contributing approximately 8% of revenue, this puts additional pressure over time on the revenue required to be generated from Council rates. Similarly, not all fees and charges are able to be increased by CPI due to affordability factors or the statutory setting of fees.

To account for costs and revenue impacts, the 10 year financial plan assumes that Council rate revenue is increased (on average) at 5% per year assuming an average CPI rate of 3% per year.

Latrobe City Council is predicting a total population increase in the vicinity of 0.83% per annum over the duration of the this plan. This has translated into an annual assumption of growth in the rate base and rate revenue of 0.7% in addition to the annual increase of 5%.

The 10 Year Financial Plan 2012-2022 assumes an average increase of 5% per year in general rate revenue plus an additional annual increase of 0.7% to allow for population growth.

Garbage Charge

Latrobe City Council has endeavoured to recover the full cost of waste through the user pays system incorporated within the garbage charge, levied on properties utilising this service, along with the recovery of costs associated with the disposal of commercial waste and other waste collected at transfer stations through a gate fee.

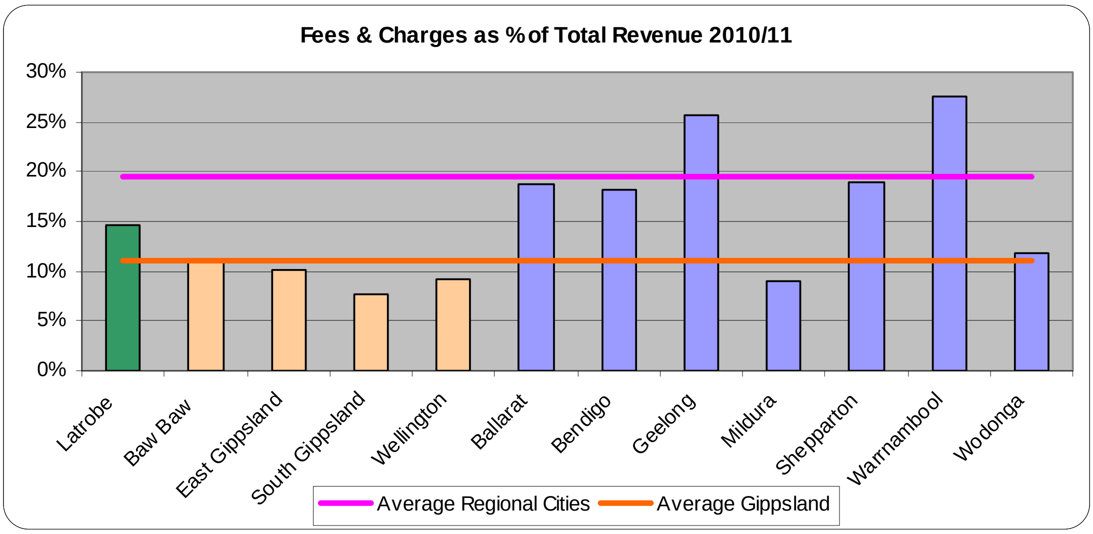
The existing fee structure recovers operation costs however does not take into consideration the capital cost of $4.5M every three years for the construction of a new landfill cell.

The 10 year financial plan seeks to rectify this situation by incorporating a phased introduction over the next three years of an increase in the garbage charge to facilitate the funding of these capital works for waste. This will result in an average increase of approximately $25 per assessment per year for the first three years of the plan, followed by a return to CPI based increases incorporating estimated full cost recovery calculations.

The 10 Year Financial Plan 2012-2022 assumes an increase in the garbage charge by on average $25 per assessment per year for the first 3 years to fully cover the cost of constructing new landfill cells (followed by CPI increases in garbage of 3% thereafter).

Fees and Charges

Latrobe City Council's Fees and Charges revenue as a percentage of its Total Revenue is below the average for Regional Cities as outlined in the graph below, and above the average for Gippsland. Variations between Councils relate to the differing services and individual council philosophies relating to user contributions.



Principles of setting fees and charges

- Where fees are not prescribed by State Government, Council should attempt to recover the full cost of services.
- The full cost recovery principle should be balanced by affordability and accessibility of Council services on a service by service basis and reviewed annually as part of the budget process.
- As a minimum, increases in fees should cover the CPI, assumed to be 3% per year over the 10 year period, with consideration given to cost drivers (such as employee costs) in the provision of services.
- Benchmarking of like Councils and services is useful for the purposes of comparison but should not be relied upon as the only source of setting fees.
- Principles of 'Best Value' and compliance with Competitive Neutrality requirements must also be considered when setting fees and charges.

The Victorian Auditor General published the results of an audit completed in 2010, specifically testing the manner in which Councils set fees and charges. The following statement summarises part of the recommendations for Councils going forward:

> *" …. councils must apply principles of sound financial management and need to consider a range of 'Best Value' principles including service cost and quality standards, value-for-money, community expectations and values, as well as balance the affordability and accessibility of their services. Councils must also comply with the government's Competitive Neutrality Policy for significant business activities they provide and adjust their service prices to neutralise any competitive advantages when competing with the private sector."*

In January 2012, Council's internal auditors completed an audit on Latrobe City Council's compliance with the competitive neutrality requirements with the following recommendations:

- Council to undertake a comprehensive assessment of business activities in determining the significant business area of Council, and provide supporting documentation around these assessments
- Council to undertake a review of the pricing methodology for identified significant businesses
- Council to develop an operation framework to ensure compliance with NCP requirements and support the relevant staff by undertake an educational process.
- Fully implement the NCP requirements by documenting comparative benefits and costs of implementing competitive neutrality measures for identified significant businesses and undertaking public interest test where required.

The 10 Year Financial Plan 2012-2022 assumes an average increase in fees and charges of 3% per year in accordance with assumed CPI increases.

Action: The 10 Year Financial Model is to be updated following the implementation of the National Competition Policy requirements to account for competitive neutrality in setting of fees and charges for Council services, should this result in a change in fees and charges that is different to the 3% average annual increase assumed.

Borrowing

Borrowing to support the financial operations of councils is a common and regular occurrence with all councils in Victoria holding outstanding loan balances on an annual basis. The principle of borrowing is to spread the financial burden of particular purchases over several years rather than incur a large sum in one year. Benefits include not having a large rate revenue increase in one particular year. Appropriate levels of borrowing are measured and monitored by the indebtedness ratio which measures Council's ability to repay borrowings.

Consistent with previous financial plan principles and with prudential guidelines, Council only borrows to fund new assets that will have significant, long term community benefit. The principle ensures that Council is not left with a debt burden for expenditure which no longer produces value to the community. This also has the effect of sharing the capital cost over a longer period of time and spreading the financial impact on the community over a number of years, commensurate with the value that the asset provides.

Latrobe City Council's guiding principles in relation to new borrowings for Council include;

1. Ensure borrowings are only used to fund new assets or lump sum funding calls by the Trustee of the Local Authorities Superannuation Fund (LASF)
2. Loan terms of 10 years or the estimated useful life of the asset, which ever is the lesser
3. Loans will be of a fixed rate nature

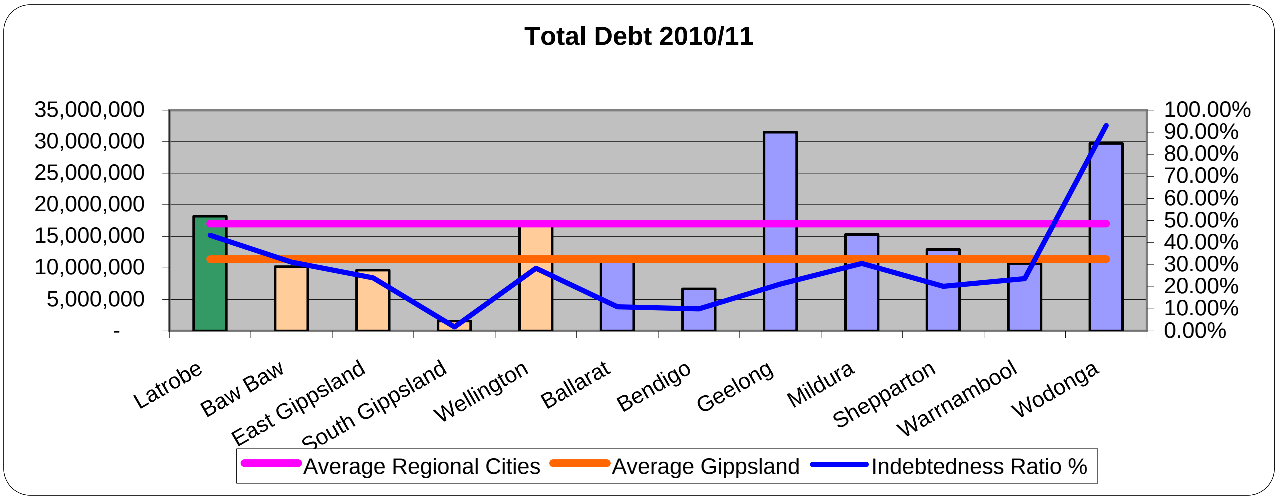
The 2008 -2013 Financial Plan had an objective to focus on reaching a relatively low debt position that provided future flexibility to use loan funds, without unduly exposing Council to a high debt burden. This objective has been realised with new borrowings maintained at a level which has resulted in only a slight increase in the loan balance over this period.

The following table identifies the historical purpose and extent of borrowings utilised during the term of the previous financial plan.

Year	New Borrowings $'000	Principal Paid $'000	Interest Paid $'000	Balance $'000	Purpose of New Borrowings
2006/07	1,249	2,015	931	15,026	Seymour Street Traralgon Multi Storey Carpark development.
2007/08	3,815	2,312	880	16,529	Latrobe Regional Airport, New Traralgon Early Learning Centre and New Hyland Highway landfill facility.
2008/09	4,450	2,507	1,048	18,472	New Hyland Highway Landfill facility and Churchill Hub.
2009/10	4,350	2,465	1,236	20,357	Moe PLACE, Churchill Activity Centre Plan, New Traralgon Early Learning Centre, Churchill Leisure Centre Upgrade and Hyland Highway Landfill Amenities Building.
2010/11	500	2,678	1,375	18,179	Moe PLACE.
Budget 2011/12	**1,356**	**2,881**	**1,339**	**16,654**	**Unfunded Superannuation Liability**

Regional City benchmarking of indebtedness

The Indebtedness Ratio is utilised in order to compare Councils and to provide a benchmark measure of indebtedness. In Latrobe City Council's case the indebtedness ratio indicator incorporates Council's long term liability associated with interest bearing loans and the rehabilitation of existing legacy landfill sites and future rehabilitation associated with the existing landfill facility at Hyland Highway. Latrobe City Council is one of only a few Councils who have undertaken a detailed analysis of future liabilities associated with their landfill sites and this tends to elevate Latrobe City Council total debt and indebtedness ratio when compared to other Councils.



Borrowings for the future

Following prudent debt and financial management to date, Council is now in a position to consider new borrowings to fund new assets over the next 10 years. Financial modelling has been completed to consider the following schedule of borrowings. While the table below includes borrowings in today's dollars for simplicity, the model incorporates the effects of CPI so as to align with the model assumptions:

Year	New Borrowings $'000	Principle Paid $'000	Interest Paid $'000	Total Repayments $'000	Closing Balance $'000	Purpose of New Borrowings
2011/12					16,659	
2012/13	1,000	3,154	1,208	4,363	14,505	Moe Rail Precinct Revitalisation Project
2013/14	2,000	3,027	1,149	4,176	13,478	Moe Rail Precinct Revitalisation Project
2014/15	2,000	2,825	1,101	3,926	12,653	Moe Rail Precinct Revitalisation Project
2015/16	1,000	2,672	978	3,650	10,981	Performing Arts Centre
2016/17	2,000	2,487	938	3,426	10,494	Performing Arts Centre
2017/18	2,000	2,662	896	3,558	9,832	Performing Arts Centre
2018/19	4,000	2,509	1,010	3,519	11,323	Traralgon Aquatic Centre
2019/20	5,000	2,396	1,217	3,613	13,927	Traralgon Aquatic Centre
2020/21	3,000	2,199	1,275	3,473	14,729	Traralgon Aquatic Centre
2021/22	-	2,101	1,102	3,203	12,628	
Total	**22,000**	**26,031**	**10,875**	**36,906**	**- 4,031**	

The modelling indicates that there is capacity to borrow and repay in accordance with this schedule, while still remaining well within prudential guidelines and reducing overall debt levels over the ten year period.

The 10 Year Financial Plan 2012-2022 assumes capacity for new borrowings of up to $22 million over the ten years to fund new assets being for Moe Civic Precinct Project, Performing Arts Centre and Traralgon Aquatic Centre. The plan does not include allowance for future lump sum funding calls by the Trustee of the Local Authorities Superannuation Fund (LASF).

Service Profile

The service profile is assumed to be consistent with the 2011/12 Council Plan. See Background for the list of services assumed to be included in the 10 Year Financial Plan.

Capital Program and Asset Management

Asset management is critical and fundamental in achieving the goal of long term sustainability. Latrobe City Council developed an Asset Management Strategy in order to develop a structured set of actions aimed at enabling improved asset management to support services and provide infrastructure that is sustainable, appropriate, accessible and responsive to the community.

The Asset Management Strategy is the overarching document used in the development of all related Asset Management Plans. The following classes of assets have been identified as key infrastructure assets that require individual asset management plans;

Asset Management Plan	Existing Plan	Adopted	Review Date
Roads	2009 – 2013	20/04/09	2012/13
Footpaths	2008 – 2012	16/06/08	2011/12
Road Signs	2007 – 2011	18/06/07	2009/10
Public Lighting	2007 – 2011	18/06/07	2009/10
Drainage			
Bridges & Major Culverts	2009 – 2013	15/06/09	2013/14
Buildings	2010 – 2014	21/06/10	2013/14
Trees			
Reserves & Sport Fields	2007 – 2016	01/05/06	2015/16
Playgrounds	2005 – 2021	05/06/06	2020/21
Street Furniture			

The table highlights that Council has Asset Management Plans in place to meet the annual asset needs in the majority of areas. Plans associated with Drainage, Trees and Street

Furniture are yet to be completed. Estimated financial needs have been included in the 10 Year Financial Plan for these areas based on existing levels of depreciation.

Infrastructure Renewal Gap

The infrastructure renewal gap is a comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate. This is a long term indicator, as capital expenditure can be deferred in the short term to meet cash requirements of the organisation. With this in mind the 10 Year Financial Plan has incorporated infrastructure capital expenditure to minimise the gap over the long term. In relation to the main categories the following assumptions have been incorporated;

Roads, Footpaths & Bridges

It is assumed that expenditure in this area will exceed depreciation levels from 2012/13, and thus reduce the existing backlog in accordance with identified asset management plans.

Drainage

It is assumed that any increases in expenditure are deferred for the first three years pending the completion of the Drainage Asset Management Plan, after which a significant increase has been assumed based on the current depreciation levels. The exception to expenditure deferral is significant expenditure on new drainage works associated with the Morwell North West project, required to give effect to the Morwell North West Development Plan.

Buildings

The current asset management plan is due to be reviewed and will update the asset condition assessments prior to understanding the extent of renewal expenditure required. Building renewal expenditure in the first three years has been included for existing programs which include roof replacement, leisure facility works identified in the Latrobe City Leisure Facilities Condition Assessment Audit and upgrades to the Moe Outdoor Pool. Significant increases have been allocated from year four to incorporate estimated outcomes from the asset condition assessments, along with the continued commitment to the above mentioned roof replacement program and leisure facility works.

Playgrounds

Playground renewal has been included as outlined in the Playground Improvement Implementation Plan 2011-2016. It has been assumed that beyond 2016 that renewal expenditure will continue at the same level.

The 10 Year Financial Plan 2012-2022 assumes renewal expenditure for roads, footpaths and bridges above depreciation levels to reduce current backlog in accordance with relevant asset management plans. The plan assumes no increase on current renewal expenditure levels for drainage and buildings for the first three years pending the completion of drainage and building asset management plans, after which expenditure equal to depreciation levels has been assumed. Renewal expenditure for playgrounds is included as per the current playground improvement plan (concludes 2016) and is assumed to continue at the same level after 2016.

Action: The 10 Year Financial Model is to be updated following the completion of the Drainage and Building Asset Management Plans.

Reserves

Councils in Victoria have traditionally operated with Reserve funds. That is amounts of money set aside for specific purposes in later years. The following outlines the current reserves maintained by Latrobe City Council.

Public Open Space

This Reserve is established to provide improved recreational facilities for Latrobe City Council, both of an active and a passive nature.

Inflows to the Recreational Lands Reserve are solely composed of contributions from developers in lieu of the 5% Public Open Space requirement (Council Policy “Public Open Space Policy” 19/6/2006).

Outflows have been limited to Capital Works on Parks & Playgrounds, Recreation Reserves and other outdoor sporting activities.

Off Street Car Park

The Off Street Car Park Reserve is established to hold developer contributions in lieu of providing car parking as required and is used to fund public car parking developments. As such they are usually utilised to fund works within the area from which funds were derived.

Inflows to the Off Street Car Park Reserve are solely composed of contributions from developers.

Outflows have been limited to carpark capital works.

Drainage Headworks

The Drainage Headworks Reserve is established to hold developer contributions for Main Drainage works at a later point than the initial development. As such they are also tied to works within the catchment area from which funds were derived.

Inflows to the Drainage Headworks Reserve are solely composed of contributions from developers.

Outflows have been limited to drainage capital works.

Tree Planting

The Reserve is established to provide funds for tree planting in new subdivisions within Latrobe City Council.

Inflows to the Tree Planting Reserve are solely composed of contributions from developers.

Outflows have been limited to Capital Works on new tree planting

Future Road Works

The Reserve is established to provide funds for future road works in new subdivisions within Latrobe City Council.

Inflows to the Future Road Works Reserve are solely composed of contributions from developers.

Outflows have been limited to Capital Works on new roads

The process for collection of developer contributions for future infrastructure provision has been reviewed with a revised process now being incorporated into the Latrobe Planning Scheme. This includes Development Plan Overlay (Schedule 6) and proposed future Parking Precinct Plans.

It has been assumed in the model that this form of revenue stream will be maintained until more accurate information is available regarding the effect on future reserve balances.

Action: The 10 Year Financial Model is to be updated following the updating of the Latrobe Planning Scheme regarding the collection of developer contributions for infrastructure provisions.

Future updating of the Plan and ongoing use of the 10 Year Financial Model

It is recommended that the financial modelling be reviewed and updated each year in sufficient time to inform the annual budget and that the 10 Year Financial Plan be reviewed every four years following each Council election.

This plan will be due for review in 2013 following the 2012 Council election.

The financial model is to be used for every major decision that Council makes and the long term financial implications should be modelled and included in Council reports as part of the financial and resource implications section. Should an individual decision change in effect give rise to a change in the 10 year financial plan, the plan will be amended and updated at the same time.

Action: Implications for the 10 Year Financial Model is to be included as a consideration in Council reports for all major Council decisions. Should the results require a update of the 10 Year Financial Plan, the plan is to be amended and updated at the same time.

Summary of Assumptions

Number	Assumption
1.	The 10 Year Financial Plan 2012-2022 assumes an average increase of 5% per year in general rate revenue plus an additional annual increase of 0.7% to allow for population growth.
2.	The 10 Year Financial Plan 2012-2022 assumes an increase in the garbage charge by on average $25 per assessment per year for the first 3 years to fully cover the cost of constructing new landfill cells (followed by CPI increases in garbage of 3% thereafter).
3	The 10 Year Financial Plan 2012-2022 assumes an average increase in fees and charges of 3% per year in accordance with assumed CPI increases.
4	The 10 Year Financial Plan 2012-2022 assumes capacity for new borrowings of up to $22 million over the ten years to fund new assets being for Moe Civic Precinct Project, Performing Arts Centre and Traralgon Aquatic Centre. The plan does not include allowance for future lump sum funding calls by the Trustee of the Local Authorities Superannuation Fund (LASF).
5	The 10 Year Financial Plan 2012-2022 assumes renewal expenditure for roads, footpaths and bridges above depreciation levels to reduce current backlog in accordance with relevant asset management plans. The plan assumes no increase on current renewal expenditure levels for drainage and buildings for the first three years pending the completion of drainage and building asset management plans, after which expenditure equal to depreciation levels has been assumed. Renewal expenditure for playgrounds is included as per the current playground improvement plan (concludes 2016) and is assumed to continue at the same level after 2016.

Summary of Actions

Number	Action
1	The 10 Year Financial Model is to be updated following the implementation of the National Competition Policy requirements to account for competitive neutrality in setting of fees and charges for Council services, should this result in a change in fees and charges that is different to the 3% average annual increase assumed.
2	The 10 Year Financial Model is to be updated following the completion of the Drainage and Building Asset Management Plans.
3	The 10 Year Financial Model is to be updated following the updating of the Latrobe Planning Scheme regarding the collection of developer contributions for infrastructure provisions.
4	Implications for the 10 Year Financial Model is to be included as a consideration in Council reports for all major Council decisions. Should the results require a update of the 10 Year Financial Plan, the plan is to be amended and updated at the same time.

10 Years Sustainability Indicators & Financial Statements

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Underlying Result	-4.1%	-1.4%	-0.4%	1.0%	1.5%	2.4%	3.5%	4.0%	4.2%	4.9%	5.4%
Liquidity	120%	121%	121%	123%	122%	123%	124%	125%	122%	119%	117%
Indebtedness	32%	30%	27%	24%	22%	21%	20%	22%	25%	27%	29%
Infrastructure Gap	101%	97%	85%	103%	114%	113%	112%	106%	102%	100%	101%
Cash Impact ($M)	0	0	0	0	0	0	0	0	0	0	0

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Latrobe City - Income Statement	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Revenue from Operating Activities											
Rate and Charge Revenue	62,600	66,577	70,773	74,793	79,048	83,542	88,286	93,296	98,587	104,172	110,070
Operating (Recurrent) Grants	23,061	22,348	22,795	23,250	23,715	24,190	24,674	25,167	25,670	26,184	26,707
Capital (Non-Recurrent) Grants	4,978	8,606	8,673	10,900	5,825	4,840	4,985	8,824	9,089	9,362	9,643
Contributions (Assets)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Contributions (Cash)	70	72	4,318	76	79	81	84	86	89	91	94
User Charges	15,192	15,648	16,117	16,601	17,099	17,612	18,765	19,328	19,908	20,903	21,948
Other Income	1,962	2,021	2,081	2,144	2,208	2,274	2,343	2,413	2,485	2,560	2,637
Interest Revenue	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130
Total Revenue from Operating Activities	**110,993**	**118,401**	**127,886**	**130,894**	**131,104**	**135,668**	**142,266**	**152,245**	**158,958**	**166,402**	**174,229**
Operating Expenses from Ordinary Activities											
Employee Benefits	(46,356)	(48,891)	(51,091)	(53,390)	(55,792)	(58,303)	(60,927)	(63,668)	(66,534)	(69,528)	(72,656)
Materials & Consumables	(33,168)	(33,885)	(34,956)	(36,061)	(37,453)	(38,382)	(39,600)	(40,857)	(42,431)	(43,497)	(44,882)
Bad and Doubtful Debts	(29)	(31)	(34)	(37)	(38)	(38)	(39)	(41)	(44)	(46)	(48)
Depreciation	(21,400)	(22,110)	(23,607)	(23,515)	(24,446)	(25,309)	(26,219)	(27,194)	(28,386)	(29,678)	(31,046)
Interest on Borrowings (Finance Costs)	(1,117)	(999)	(963)	(919)	(738)	(659)	(673)	(735)	(1,010)	(1,378)	(1,733)
Non-Capital Capital	(6,141)	(3,301)	(2,711)	(2,792)	(2,932)	(3,020)	(3,111)	(3,204)	(3,237)	(3,334)	(3,434)
Total Operating Expenses	**(108,211)**	**(109,217)**	**(113,361)**	**(116,713)**	**(121,400)**	**(125,712)**	**(130,568)**	**(135,700)**	**(141,640)**	**(147,460)**	**(153,799)**
Net Surplus/(Deficit) from Operations	**2,782**	**9,184**	**14,525**	**14,181**	**9,704**	**9,957**	**11,699**	**16,545**	**17,318**	**18,942**	**20,430**
Underlying Position	**(4,266)**	**(1,494)**	**(465)**	**1,205**	**1,801**	**3,036**	**4,630**	**5,634**	**6,140**	**7,489**	**8,693**

Latrobe City - Balance Sheet	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Current Assets											
Cash and Cash Equivalents	16,745	16,522	16,495	17,023	17,847	18,363	18,770	18,964	19,437	19,865	20,333
Receivables	8,272	8,912	9,636	9,905	9,913	10,265	10,762	11,510	12,011	12,612	13,215
Prepayments	1,033	1,064	1,096	1,129	1,163	1,198	1,234	1,271	1,309	1,348	1,388
Total Current Assets	26,050	26,498	27,227	28,057	28,922	29,826	30,765	31,745	32,757	33,825	34,936
Non Current Assets											
Property Plant and Equipment	955,177	982,578	1,016,134	1,047,988	1,077,570	1,109,090	1,143,349	1,185,986	1,231,778	1,279,936	1,331,470
Trade and Other Receivables (Long Term)	26	17	7	-	-	-	-	-	-	-	-
Other Financial Assets	2	2	2	2	2	2	2	2	2	2	2
Total Non Current Assets	955,205	982,596	1,016,143	1,047,990	1,077,572	1,109,092	1,143,351	1,185,988	1,231,780	1,279,938	1,331,472
Total Assets	**981,255**	**1,009,095**	**1,043,370**	**1,076,047**	**1,106,494**	**1,138,918**	**1,174,117**	**1,217,733**	**1,264,537**	**1,313,763**	**1,366,408**
Current Liabilities											
Payables	7,178	7,119	7,319	7,600	7,900	8,214	8,537	8,874	9,216	9,584	9,964
Trust Funds	1,634	1,683	1,733	1,785	1,839	1,894	1,951	2,009	2,069	2,131	2,195
Current Provisions	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545
Current Employee Benefits	8,469	8,850	9,248	9,664	10,099	10,554	11,028	11,525	12,043	12,585	13,152
Current Interest Bearing Liabilities	2,946	2,731	2,650	2,202	2,294	1,997	1,668	1,544	1,909	2,514	3,099
Total Current Liabilities	21,771	21,927	22,495	22,796	23,676	24,202	24,729	25,497	26,782	28,360	29,955
Non Current Liabilities											
Non Current Employee benefits	1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229	2,329
Non Current Provisions	12,530	12,530	12,530	12,530	12,530	12,530	12,530	12,530	12,530	12,530	12,530
Non Current Interest Bearing Loans and Borrowings	11,469	10,797	10,258	8,056	6,882	7,191	7,898	11,247	15,637	19,612	24,532
Total Non Current Liabilities	25,499	24,895	24,426	22,298	21,201	21,590	22,382	25,818	30,301	34,371	39,392
Total Liabilities	**47,270**	**46,822**	**46,921**	**45,094**	**44,877**	**45,793**	**47,111**	**51,315**	**57,083**	**62,731**	**69,347**
Net Assets	**933,985**	**962,272**	**996,449**	**1,030,953**	**1,061,617**	**1,093,125**	**1,127,006**	**1,166,417**	**1,207,455**	**1,251,033**	**1,297,061**
Equity											
Accumulated Surplus	608,257	617,441	631,966	646,147	655,851	665,808	677,507	694,052	711,369	730,311	750,741
Statutory Reserves	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991
Asset Revaluation Reserve	323,737	342,841	362,492	382,815	403,775	425,326	447,508	470,375	494,095	518,730	544,329
Total Equity	**933,985**	**962,272**	**996,449**	**1,030,953**	**1,061,617**	**1,093,125**	**1,127,006**	**1,166,417**	**1,207,455**	**1,251,033**	**1,297,061**

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Latrobe City - Cash Flow Statement	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Cash flows from Operating Activities											
Cash Receipts from Operating Activities	108,766	115,739	125,138	128,596	129,058	133,278	139,731	149,456	156,413	163,756	171,578
Cash Payments in the Course of Operating Activities	(86,746)	(85,718)	(88,121)	(91,505)	(95,400)	(98,892)	(102,790)	(106,845)	(111,287)	(115,391)	(119,966)
Net Cash flows from Operating Activities	**22,020**	**30,021**	**37,018**	**37,091**	**33,659**	**34,386**	**36,941**	**42,610**	**45,126**	**48,365**	**51,612**
Cash flows from Investing Activities											
Payment for Property Plant and Equipment and Infrastructure	(28,006)	(29,026)	(36,149)	(33,702)	(31,743)	(33,974)	(37,012)	(45,702)	(49,219)	(51,983)	(55,788)
Proceeds from Property Plant and Equipment and Infrastructure	1,380	618	637	656	675	696	716	738	760	783	806
Net Cash flows from Investing Activities	**(26,626)**	**(28,408)**	**(35,512)**	**(33,046)**	**(31,068)**	**(33,278)**	**(36,296)**	**(44,964)**	**(48,459)**	**(51,200)**	**(54,981)**
Cash flows from Financing Activities											
Proceeds from Interest Bearing Loans and Borrowings	1,000	2,060	2,122	-	1,126	2,319	2,388	4,919	6,334	6,524	8,063
Repayments of Interest Bearing Loans and Borrowings	(3,127)	(2,947)	(2,742)	(2,650)	(2,208)	(2,306)	(2,010)	(1,695)	(1,579)	(1,944)	(2,558)
Finance Costs	(1,117)	(999)	(963)	(919)	(738)	(659)	(673)	(735)	(1,010)	(1,378)	(1,733)
Net Cash flows from Financing Activities	**(3,244)**	**(1,885)**	**(1,583)**	**(3,569)**	**(1,820)**	**(647)**	**(295)**	**2,489**	**3,746**	**3,202**	**3,773**
Net Change in Cash Held	**(7,850)**	**(272)**	**(78)**	**477**	**770**	**461**	**350**	**136**	**412**	**366**	**404**
Cash at End of the Financial Year	**12,200**	**11,928**	**11,850**	**12,327**	**13,097**	**13,558**	**13,908**	**14,044**	**14,456**	**14,822**	**15,226**
Restricted Cash	9,684	10,005	10,341	10,690	11,055	11,435	11,832	12,246	12,677	13,127	13,596
Unrestricted Cash	2,516	1,923	1,510	1,637	2,042	2,122	2,076	1,798	1,779	1,696	1,630

LatrobeCity
a new energy

Latrobe City - Capital Works Statement	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Land	-	-	-	-	-	-	-	-	-	-	-
Buildings	5,619	11,551	11,252	13,164	11,096	12,267	14,355	23,103	25,942	28,060	31,765
Roads	14,081	11,117	11,582	12,075	12,437	12,810	13,194	12,360	12,731	13,113	13,506
Footpaths	2,185	1,380	1,379	1,421	1,463	1,507	1,552	1,599	1,647	1,696	1,747
Bridges	1,225	618	541	874	450	464	478	492	507	522	538
Drainage	120	124	6,493	1,727	1,778	1,832	1,887	2,952	3,040	3,079	2,553
Furniture & Equipment	550	577	594	557	574	591	609	627	646	665	685
Plant & Machinery	2,037	1,854	2,557	2,098	2,105	2,608	2,985	2,558	2,635	2,714	2,795
Playgrounds	673	245	143	131	135	139	143	148	152	157	161
Artworks	15	15	16	16	17	17	18	18	19	20	20
Landfill Cell Construction	1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900	1,957	2,016
Total Capital Works	28,006	29,026	36,149	33,702	31,743	33,974	37,012	45,702	49,219	51,983	55,788
Represented by:											
Renewal Investment	16,977	17,577	16,902	20,062	22,859	24,003	25,021	24,288	24,509	25,332	26,673
Upgrade Investment	6,087	412	424	437	450	464	478	492	515	522	547
Expansion/New Investment	4,942	11,036	18,822	13,202	8,434	9,507	11,513	20,923	24,195	26,129	28,568
Total Capital Works	28,006	29,026	36,149	33,702	31,743	33,974	37,012	45,702	49,219	51,983	55,788

Appendix A:

How the Plan was Developed

Plan development process

The 10 Year Financial Plan was developed via a five step process

1. Stocktake – a self assessment was undertaken against criteria for financial sustainability in accordance with the Local Government Sustainability program (MAV). The results of this assessment indicated a strong need to update Council's 10 Year Financial Plan.

2. Business as usual assessment – the 10 year financial model was used to determine the impact on financial sustainability if Council continued to operate with the same assumptions about income, expenditure and borrowing as the 2011/2012 financial year. The business as usual assessment raised some challenges and opportunities which are discussed below.

3. Options – in response to challenges to the business as usual case, several options were explored to ensure financial sustainability over the ten year period using the key factors of rates income, borrowing, fees and charges, service delivery, new capital, capital renewal/upgrade strategies

4. Development of 10 Year Financial Plan – a draft was developed based on the preferred option. (this step)

5. Ongoing process for review – this 10 Year Financial Plan includes processes for update and renewal.

Councillor engagement

Latrobe City Councillors have participated in a rigorous series of workshops to fully understand financial sustainability requirements, challenges and potential solutions. This has included some detailed financial modelling and analysis of financial ratios. Council's Audit Committee has also been engaged as the project has progressed.

Financial sustainability indicators – ratios

In developing the business as usual case and options for change, four key financial ratios were used to assess Council's financial sustainability over the ten year period. These ratios have been slightly amended to the ratios used to measure the financial sustainability of local governments by the Victorian Auditor General (VAGO) to provide a more specific and meaningful representation of Latrobe City Council's financial position. The main differences being the "Infrastructure Renewal Gap" ratio has been narrowed to only include Infrastructure renewal and depreciation, whereas the VAGO Renewal Gap ratio looks at all asset classes and also includes upgrade expenditure with renewal expenditure. The other variation is in the calculation of the "Underlying Result". The VAGO ratio removes non cash developer contributions and other one-off items of income and expenditure, for this plan capital grants and cash contributions from developers have also been removed as these are primarily received for new assets or asset upgrades and do not provide a guide to Council's ability to meet it's operational and asset renewal requirements.

Despite these amendments, the direction and quantum of results and projections are consistent with the Auditor General ratio calculations.

Ratio	Ratio Calculation	Description	Ratio Targets (%)		
			High Risk	Medium Risk	Low Risk
Infrastructure Renewal Gap	Renewal Expenditure / Infrastructure Depreciation	Compares the renewal expenditure on existing infrastructure assets (e.g. roads, drains, footpaths, buildings, etc.) to the dollar value of the asset that has been used up in that year (depreciation). Target of 100% indicates that spending on existing assets is equal to their consumption.	< 50%	50% - 100%	> 100%
Liquidity	Current Assets / Current Liabilities	Indicates Council's ability to pay its short term debts, by measuring the relationship between current assets (ie. those which can be turned into cash) against the short-term debt value (current liabilities). (Current = 12 months or less)	< 100%	100% - 150%	> 150%
Indebtedness	Non Current Liabilities / Own source Revenue	Compares Council's long term debt (loans & other non-current Liabilities) to its own source revenue (ie. rates, user charges, other income) which is used to gain a general idea as to Council's ability to meet its debts. The higher the percentage the more	> 60%	40% - 60%	< 40%

		difficult it is for Council to service debts. (Non-Current > 12 months)			
Underlying Result	Adjusted net Surplus/(deficit) Adjusted underlying revenue	Determines if each year Council is raising enough revenue to cover operating costs & asset renewal costs of the existing asset base. The ratio takes out the effect of once of capital grants & developer contributions.	< -10%	-10% - 0%	> 0%

Financial Model

Financial modelling software has been used to model 10 years of financial information for Council. The financial model includes detailed revenue and cost information, allows for assumptions to be made, and includes the full detail of a 10 year capital expenditure program. The assumptions used to develop the initial (business as usual) 10 year financial model utilises the 2011/12 adopted budget as the base and incorporates the following annual percentage change assumptions:

	Annual % Change
Income	
Rates revenue (Including municipal & garbage)	5.00%
Operating (Recurrent grants)	2.00%
Capital (Non-recurrent grants)	3.00%
Contributions (Assets)	0.00%
Contributions (Cash)	3.00%
User Charges	3.00%
Other revenue	3.00%
Expenditure	
Employee Benefits Paid	4.50%
Materials & Consumables	3.00%
Utilities	5.00%
Depreciation	3.00%

Options

In response to the issues, challenges and opportunities with the business as usual case, five options were presented to Councillors for discussion with the ultimate aim of removing any high risk (red) ratios from the 10 years of financial information. Each option was presented as a new 'business as usual' case and testing for the inclusion of borrowings and expenditure on new assets of $5 million, $10 million and $30 million respectively. All options maintain current service levels and profile.

It became evident through the process that the base model needed to be balanced prior to considering additional expenditure and borrowings. A balanced budget was considered to be one that balanced on a cash basis. Therefore a hierarchy of assumptions was identified in order to prioritise the factors to be considered in balancing the model. These included;

- Cash budget will balance to zero each year
- Landfill assumed at $1.5M per year
- Government grants of $1.6M assumed for Moe Outdoor Pool refurbishment
- Building & Drainage renewal would be the first items deferred in order to balance the cash budget
- Renewal backlog would be the second item deferred
- Where surpluses in cash exist in any given year they would be applied in the following order;
    - Deferred renewal backlog
    - Deferred building and drainage renewal
    - Unidentified capital building projects.

Each option was then assessed and given a sustainability ranking based on their individual outcomes compared with the financial ratio targets. The option with the most favourable financial ratio result was ranked number 1.

See Appendix B for impact of each option on financial ratios.

Option	Description	Advantages	Disadvantages	Sustainability ranking
1	5% rate revenue increase each year.	- Addresses cash and liquidity challenges. - Retains rate revenue increases at consistent level	- Significant reduction in early years infrastructure renewal expenditure - Insufficient funds to maintain infrastructure gap expenditure until 2016 - Does not support borrowing of $30 milllion and is least capable of supporting new borrowings and new assets.	5
2	One off higher rate revenue increase of 11.6% in 12/13 followed by slightly lower rate revenue increase of 4% in following years	- Addresses cash and liquidity challenges in the first year, resulting in significant cumulative effects in following years. - Has least negative impact on infrastructure renewal expenditure and gap. - Provides the best overall outcome from financial ratios and the most capacity to borrow to fund new assets over the 10 years.	- Significant burden on community in year one with large rate revenue increase.	1

Option	Description	Advantages	Disadvantages	Sustainability ranking
3	Increase the garbage charge by $52 to $287 per assessment (22%) in 12/13 to fully cover the cost of constructing new landfill cells (followed by CPI increases of 3% thereafter). Overall rates increase for 12/13 would be 8.37% including the 5% general increase and additional 3.37% for the garbage charge. Overall rates assumed to be 5% in each year after.	- Addresses cash and liquidity challenges . - Has next least negative impact on infrastructure renewal expenditure and gap from Option 2. - Has a "user pays" element that ties income to expenditure - Provides the next best overall outcome from financial ratios and the next best capacity to borrow to fund new assets over the 10 years from Option 2.	- Some burden on most community members in year one with increase in garbage charge. - Minor unequal distribution of increased cost – only those who have garbage collection pay extra.	2
4	Increase the garbage charge by on average $25 per year for the first 3 years to fully cover the cost of constructing new landfill cells (followed by CPI increases in garbage of 3% thereafter) Overall rates increase (excluding growth) for the first three years of 5.77%, 5.97% & 5.92%, followed by overall 5% increases thereafter	- Addresses cash and liquidity challenges. - Smooths impact on community of waste charges compared to Option 3. - Allows capacity for borrowing and new assets over the 10 years.	- Reasonable impact on infrastructure gap in 12/13 deferral of infrastructure renewal expenditure	4

Option	Description	Advantages	Disadvantages	Sustainability ranking
5	5% rate revenue increase in 12/13. One off higher rate revenue increase of 8.68% in 13/14 followed by annual 4.5% increases in following years.	- Addresses cash and liquidity challenges in the second year that has a significant cumulative effect in following years. - Has minimal impact on infrastructure renewal expenditure and gap, except for the first year. - Requires lower one off rate rise than Option 2 - Provides the third best overall outcome from financial ratios and the capacity to borrow to fund new assets over the 10 years.	- Reasonable impact on infrastructure gap in 12/13 requiring some deferral of infrastructure renewal expenditure	3

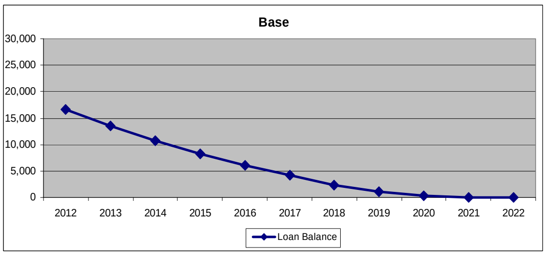
Impact of Borrowing for each Option

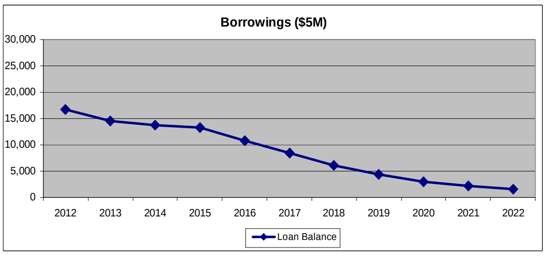
In each of the options identified, four alternatives were considered, no new borrowings, borrowings of $5M, $10M and $30M. These alternatives were used to identify the capacity of each option to finance new debt and to determine the capacity to finance identified new capital projects which were unable to be incorporated in the base model. Three major capital projects, Moe Civic Precinct, Performing Arts Centre and Traralgon Aquatic Centre, were identified as projects that would require borrowings in order for Council to undertake these projects over the next ten years. The outcomes indicated that borrowings of up to $10M was feasible for all options, and borrowings of up to $30M feasible for all bar Option 1. Feasibility was measured in terms of available cash to support the repayment of borrowings along with maintaining the indebtedness ratio below the high risk range.

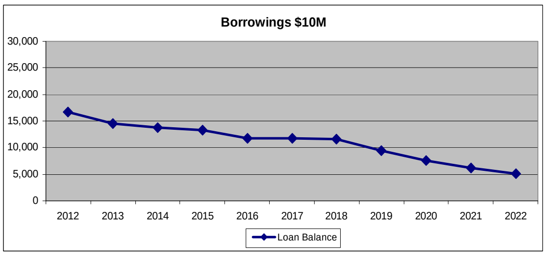
Modelled Borrowings

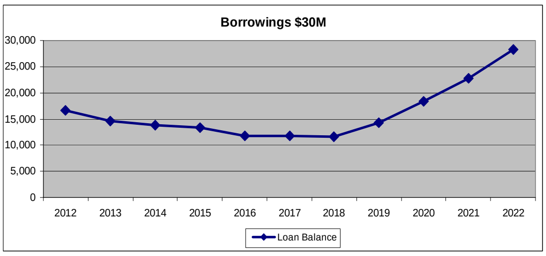
Year Project	2012/13 $'000	2013/14 $'000	2014/15 $'000	2015/16 $'000	2016/17 $'000	2017/18 $'000	2018/19 $'000	2019/20 $'000	2020/21 $'000	2021/22 $'000	Total $'000
Moe Rail Precinct Revitalisation Project	1,000	2,000	2,000								5,000
Performing Arts Centre				1,000	2,000	2,000					5,000
Traralgon Aquatic Centre							4,000	5,000	3,000		12,000
Other - Unidentified									2,000	6,000	8,000
	1,000	2,000	2,000	1,000	2,000	2,000	4,000	5,000	5,000	6,000	30,000

The overall loan balance will be effected in the following way in accordance with the option undertaken.





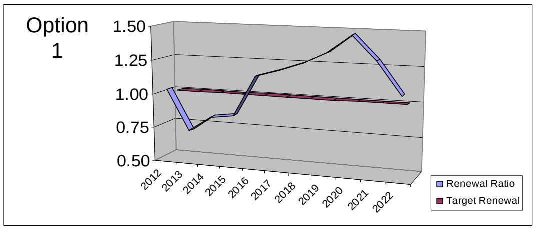


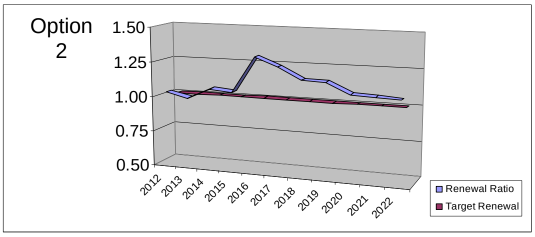


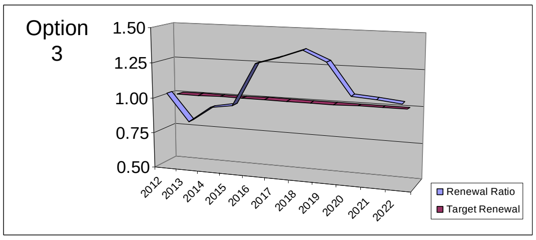
Impact on Infrastructure Gap for each Option

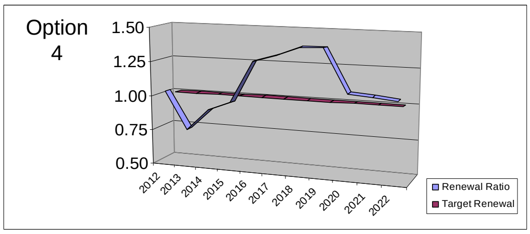
Infrastructure assets include roads, bridges, drains, buildings, footpaths, playground equipment and other like categories. As assets support the delivery of Council services, Council needs to provide sufficient funding over the long term to renew Council's infrastructure before they deteriorate below a predetermined level. The level of funding requirements is calculated on renewal cost, asset condition, remaining life, asset age, degradation curve and service need. A shortfall occurs where insufficient funds are allocated to meet this renewal funding requirement. Latrobe City Council has current asset management plans for roads, footpaths, bridges, buildings and playground equipment. An Asset management plan for drains is currently being developed. The infrastructure gap is a measure of renewal expenditure in any given year against the depreciation of the same assets. The target of 1.00 represents an equal amount of renewal expenditure versus the value of asset utilisation (depreciation) for the year.

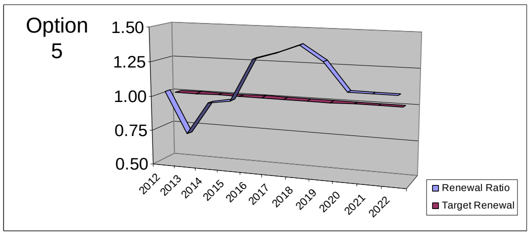
There is currently an identified backlog in renewal works at Latrobe City Council, this is represented by the need to spend in addition to 100% of depreciation in outer years. This has been recognised in the 10 year capital works budget within the model, the effect of which is demonstrated in the following graphs.











Option 1 – 5% Annual Rate Increase

Option 2 – One off increase in 12/13

Option 3 – Waste full cost recovery year 1

Option 4 – Waste full cost recovery phased

Option 5 – One off increase from 13/14

Appendix B – Options & Options Financial Ratio Analysis

Option 1 – 5% Annnual Rate Increase

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Underlying Result	-2.5%	-1.5%	-1.4%	0.4%	2.7%	3.3%	4.4%	5.4%	6.1%	6.8%	7.6%	
Liquidity	116%	125%	131%	137%	143%	146%	152%	159%	166%	170%	172%	
Indebtedness	43%	38%	33%	29%	25%	22%	20%	18%	17%	17%	16%	
Infrastructure Gap	103%	73%	85%	87%	117%	122%	128%	136%	149%	132%	109%	
Cash Impact ($M)	0	0	0	0	0	0	0	0	0	0	0	
Infrastructure Expenditure Adj ($M)	-	(5.0)	(3.9)	(3.9)	(0.2)	0.5	1.4	2.5	5.4	3.1	-	(0.0)
Available Cash ($M)	-	-	-	-	-	-	-	-	-	3.5	8.0	11.5

Option 2 – One off Rate Increase from 2012/13

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Underlying Result	-2.5%	2.4%	2.0%	3.1%	4.8%	4.7%	5.3%	5.6%	5.7%	5.8%	6.2%	
Liquidity	116%	125%	131%	137%	143%	146%	152%	159%	166%	170%	172%	
Indebtedness	43%	36%	32%	28%	25%	22%	20%	18%	17%	17%	16%	
Infrastructure Gap	103%	100%	108%	106%	132%	126%	117%	117%	110%	109%	108%	
Cash Impact ($M)	0	0	0	0	0	0	0	0	0	0	0	
Infrastructure Expenditure Adj ($M)	-	(1.3)	(0.6)	(1.2)	2.0	1.2	-	-	-	-	-	-
Available Cash ($M)	-	-	-	-	-	0.9	2.3	2.8	5.0	5.5	6.1	22.6

Option 3 – Waste Full Cost Recovery in 2012/13

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Underlying Result	-2.5%	0.1%	0.2%	1.9%	4.2%	4.7%	5.9%	6.7%	7.3%	7.8%	8.7%	
Liquidity	116%	125%	131%	137%	143%	146%	152%	159%	166%	170%	172%	
Indebtedness	43%	37%	32%	28%	25%	22%	20%	18%	17%	16%	16%	
Infrastructure Gap	103%	84%	95%	98%	127%	132%	138%	131%	110%	108%	107%	
Cash Impact ($M)	0	0	0	0	0	0	0	0	0	0	0	
Infrastructure Expenditure Adj ($M)	-	(3.5)	(2.3)	(2.4)	1.4	2.1	2.9	2.0	-	-	-	(0.0)
Available Cash ($M)	-	-	-	-	-	-	-	2.1	6.9	8.2	9.5	26.7

Option 4 – Waste Full Cost Recovery Phased over 3 Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Underlying Result	-2.5%	-1.0%	-0.3%	2.0%	4.3%	4.9%	6.0%	6.9%	7.5%	8.1%	8.9%	
Liquidity	116%	125%	131%	137%	143%	146%	152%	159%	166%	170%	172%	
Indebtedness	43%	37%	32%	28%	25%	22%	20%	18%	17%	16%	16%	
Infrastructure Gap	103%	76%	92%	98%	128%	133%	139%	140%	110%	108%	107%	
Cash Impact ($M)	0	0	0	0	0	0	0	0	0	0	0	
Infrastructure Expenditure Adj ($M)	-	(4.6)	(2.9)	(2.4)	1.4	2.2	3.1	3.2	-	-	-	0.0
Available Cash ($M)	-	-	-	-	-	-	-	1.1	7.1	8.4	9.8	26.5

Option 5 – One off Rate Increase from 2013/14

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Underlying Result	-2.5%	-1.5%	0.9%	2.3%	4.3%	4.6%	5.4%	6.0%	6.5%	6.9%	7.6%	
Liquidity	116%	125%	131%	137%	143%	146%	152%	159%	166%	170%	172%	
Indebtedness	43%	38%	32%	28%	25%	22%	20%	18%	17%	17%	16%	
Infrastructure Gap	103%	73%	100%	100%	128%	131%	135%	139%	111%	111%	111%	
Cash Impact ($M)	0	0	0	0	0	0	0	0	0	0	0	
Infrastructure Expenditure Adj ($M)	-	(5.0)	(1.7)	(2.0)	1.5	1.9	2.4	3.0	-	-	-	(0.0)
Available Cash ($M)	-	-	-	-	-	-	-	0.3	5.8	6.7	7.7	20.6