



**Proposed Long
Term Financial
Strategy
2020/21 to 2029/30**

Adoption in principle 19 May 2020

TABLE OF CONTENTS

1. INTRODUCTION.....	3
2. OBJECTIVE	3
3. MANAGEMENT OF THE LTFS	3
4. FINANCIAL POSITION BACKGROUND	4
5. 2020-21 BUDGET POSITION	5
6. STRATEGIC ACTIONS.....	5
7. KNOWN MATTERS TO BE QUANTIFIED	8
8. OPERATING ACTIVITIES	9
9. CAPITAL WORKS EXPENDITURE	11
10. FINANCIAL POSITION.....	12
11. CASH FLOW	14
12. KEY INDICATORS.....	15
APPENDIX 1 – FINANCIAL STRATEGY PRINCIPLES	16

1. INTRODUCTION

Council's Long Term Financial Strategy (LTFS) has been reviewed and updates the strategy adopted by Council in 2019-20.

Key parameters of the LTFS are detailed below:

- Annual rates increase at the current Essential Services Commission (ESC) rate cap level (2.00%) for the duration of the LTFS.
- Reduced revenue is expected in 2020/21 (year 1) across a number of areas due to the financial impacts of the COVID-19 pandemic on the operations of Council. Parking and leisure facility income are expected to be hardest hit.
- An Inflation factor of 2% has been applied to other income and contract payments in line with the rate cap level.
- Efficiency target of \$500k recurrent expenditure savings is built into each year.
- Liquidity ratio is maintained above 1.4 over the life of the LTFS.
- Capital replacement ratio is lifted above or equal to 1.5 from Year 2 onwards.

The LTFS document is updated annually as part of the budget preparation process. It is subject to ongoing review and may be updated during the budget year if and when required. This is particularly true for the 2020/21 year as new information on the financial impacts of COVID-19 continues to come to light. This will need to be reflected in Council's long term financial strategy.

2. OBJECTIVE

Council prepares a LTFS over a 10 year period to provide financial management and guidance to support service delivery and the capital works program. This document outlines the key assumptions and provides an overview of each key element of the LTFS.

Strong financial management will allow Council to:

- continue to manage the impacts of the COVID-19 pandemic whilst supporting the Yarra community;
- maintain delivery of Council services to the community;
- allow for timely renewal of Council assets;
- provide a reasonable level of funding for asset upgrades, new assets and new initiatives;
- have sufficient cash liquidity to meet operational requirements and to respond to any unexpected financial pressures; and
- maintain low risk financial sustainability ratings.

3. MANAGEMENT OF THE LTFS

The LTFS is managed within a framework of key financial indicators together with profiled cash management. These items are drawn together to provide a strategy for the long-term sustainability and solvency of Council's operations.

Each year, the financial assumptions are reviewed. A number of amendments have been required this year as Council seeks to deal with an unprecedented global health crisis in the form of the COVID-19 pandemic. As Council seeks to support the Yarra community through this crisis, a number of assumptions have been included in been incorporated into the LTFS including;

- The delivery of Council's \$7.6m community benefits package to assist the Yarra community deal with the impact of COVID-19 and support the community's recovery process;
- A reduction in parking and enforcement income as a result of Council's relaxation of parking restrictions during the early phases of the pandemic and an overall reduction in income throughout 2020/2021 associated with expected overall reduction in economic activity.
- A reduction in user fee income from leisure activities and venues and events stemming from social distancing and lockdown restrictions;
- A reduction in interest on overdue rates in line with Council's COVID-19 Hardship policy;
- The suspension of Council's discretionary spending projects for the 2020/21 year until further information is available to fully comprehend the financial impacts of COVID-19;

Rate capping continues to reduce Council's total potential revenue over the timespan of the LTFS and Council has less control via rates to respond to unexpected financial pressures. Council also has a \$32.5m interest only loan due to be repaid in 2021-22, and it is anticipated that Council will need to borrow funds to repay this loan. The LTFS presently assumes that this loan will be refinanced in 2020-21 to ensure no adverse impact on Council's liquidity ratio.

A critical element of the assumptions is the allocated expenditure to the Capital Works Program. The LTFS assumes 100% of the capital program will be delivered in each year.

This LTFS also proposes to establish a set of financial principles that provide guidance for Council's financial strategy. These are detailed in Appendix 1 – Financial Strategy Principles.

Council also uses a range of financial sustainability ratios provided by the Victorian Auditor-General's Office (VAGO) and by Local Government Victoria (LGV) to ensure the long term financial sustainability of Council.

Descriptions of each of these ratios together with the target range sought is provided in Appendix 2 – Key Financial Indicator Definitions.

4. FINANCIAL POSITION BACKGROUND

Council's current financial position (predicted 30 June 2020) is expected to finish slightly below Budget due to the financial impacts of the COVID-19 pandemic. Despite this, Council is performing satisfactorily against benchmark ratio levels established by the Auditor General.

In addition to on-going delivery of established Council services and program of Council asset renewals, Council also receives a variety of requests from the community for new services, expanded service delivery, asset upgrades and new community assets. Council currently has a very limited capacity in discretionary funds to respond to these needs, particularly during a time where the full extent of the financial impact of the COVID-19 pandemic may still not be known for some time. This has led to the necessary decision for to suspend all internally funded discretionary projects for the 2020/21 year until the financial impacts of COVID-19 can be further understood.

Council borrowed funds in November 2014 via the Local Government Funding Vehicle (LGFV) bond sponsored by the Municipal Association of Victoria. This seven year loan of \$32.5 million provided funding for a call on the defined benefit superannuation liability, purchase of 345 Bridge Rd, purchase of the Connie Benn Centre and an energy performance contract. This loan is an interest only fixed term loan. An additional loan of \$13.5 million was drawn down in 2016-17 to fund the construction of Bargoonga Nganjin, North Fitzroy Library. This loan is funded on a principal and interest basis and will be repaid by the end of the LTFS.

5. 2020-21 BUDGET POSITION

The 2020-21 Operating Budget supports many services to the community and also provides cash that is used to fund Council's Capital Works Program. The Capital Works Program is critical to Council's ability to maintain, enhance and build assets that meet community needs and underpin the delivery of Council services.

At the adoption of the 2017/18 Budget, Council introduced a liquidity ratio target of 1.4, to be achieved by 30 June 2021 (end of year 1 of this LTFS). The LTFS has been planned to achieve this target.

5.1 CASH HOLDINGS

Council's total cash holding at 30 June 2019 was \$87.6m, of which \$33.7m was restricted for use on commitments such as the open space reserve, grants commission funding received early, and capital works projects carried over into 2019-20.

For the 2019-20 budget year in progress, Council is forecasting for a cash holding at 30 June 2020 of approximately \$77.5m, of which around \$36.5m will be again restricted for open space reserve and operating and capital grants carried forward.

For the 2020/21 budget year (the first year of the LTFS), the end of year cash position at 30 June 2021 is expected to be \$56.6m (assuming 100% capital budget spend), of which \$40.1m will be again restricted for open space reserve and operating and capital grants carried forward. This figure also includes a restricted amount of \$0.7m relating to developer contribution income budgeted to be received in 2020/21.

5.1.1 OPEN SPACE RESERVE

An Open Space Reserve exists for the purpose of holding contributions received as Public Open Space Levies triggered by property development. These funds are available to be acquitted on eligible open space capital works projects.

This LTFS includes the balance in the reserve from 2018-19 of \$7.8m, and assumes Council will continue to build up funds in the Reserve in order to potentially acquire land for open space. No acquisitions are currently planned at this time.

6. STRATEGIC ACTIONS

In drafting this LTFS a number of strategies have been implemented to seek to build a more complete picture of Council's financial position and to provide better alignment with Council's goals.

6.1 IMPROVING COUNCIL'S WORKING CAPITAL

Council's working capital is coming off a very low base. A reduced capital works program has assisted with improving Council's working capital and liquidity ratio. Nonetheless, additional revenue opportunities and expenditure savings will continue to be sought, including the recurrent efficiency dividend that applies to each year of the LTFS.

6.2 ACQUISITION OF NEW PUBLIC OPEN SPACE

Council has a stated goal of seeking to acquire land for new public open space. Since 2016-17, the LTFS has aligned the acquisition of strategic open space assets with rationalisation of surplus Council assets and asset sales income. This is still a goal in the medium to long term, and could be achieved through leasing or partnerships with external parties. As per 5.1.1, the open space reserve is beginning to grow in value.

6.3 RATE CAPPING

For the 2016-17 budget year a rate capping scheme (the Fair Go Rates System) was introduced by the Victorian Government, with the scheme administered by the Essential Services Commission (ESC). Under this scheme the Minister for Local Government will declare the applicable rate cap for each budget year ahead of the period in which Council must prepare and adopt its annual budget.

The Minister for Local Government has declared the rate cap level for 2020-21 at 2.00%. This follows rate caps of 2.50% in 2019-20, and 2.25% in 2018-19.

In the LTFS, it is assumed that the rate capping scheme will remain in place for the duration of the LTFS.

If the rate cap increases are less than predicted and additional revenue sources are not available, Council may be required to cease provision of some services, reduce service levels, reduce the capital works program, or undertake some combination of these actions.

6.4 LOAN BORROWINGS

The introduction of rate capping as well as debt required to be repaid in the short term, has had a significant impact on the LTFS and challenged Council's tight financial position. Existing debt is serviced by a \$32.5 million interest only loan, due to be repaid in 2021-22 and a \$13.5 million principal and interest loan due to be repaid by the end of this 10 year LTFS.

The LTFS assumes refinancing of the \$32.5 million interest only loan in 2020-21, slightly ahead of its maturity date, to ensure Council is able to maintain its short-term liquidity ratio in the low risk range. The refinanced loan is assumed to be on a principal and interest basis, which will ultimately allow for the retirement of this debt over 10 years. The \$13.5 million loan is to be repaid on a principal and interest term and will be fully redeemed by the end of the LTFS.

The Victorian Auditor-General has indicated through its recommendation on financial ratios that Indebtedness (Non-current liabilities/Own sourced revenue) above 40% places Council in the medium risk category and 60% in the high risk category.

The indebtedness ratio is expected to be 26% at the end of the current 2019-20 budget year. It will improve to 25% at the end of year 1 (2020-21) and will further improve steadily throughout the life to the LTFS to reduce the risk to Council.

6.5 COUNCIL PROPERTY

Council adopted the Property Strategy 2018, which provides a holistic framework for the management of all Council property assets and establishes guiding principles for the alignment of Council's property portfolio with its future community and service delivery requirements.

The strategy includes a classification and assessment framework to guide Council decision making with regards to property.

6.6 FEES AND CHARGES POLICY

During the 2019/20 year Council adopted a Fees and Charges Policy that provides guidance (specific to each fee/charge category and user group) about how fees and charges will be set in the Schedule of Fees and Charges in each annual Council budget. The Fees and Charges Policy takes account of cost of service provision and objectives for the level of subsidy, cost recovery or return on investment for each service and user group as appropriate and aligned with Council objectives. Compliance with competitive neutrality requirements will also be considered where applicable.

With the approval of the fees and charges policy by Council occurring in 2019/20, it is anticipated that implementation will take full effect in the 2021/22 financial year.

6.7 NEW POPULATION AND DEVELOPMENT

Yarra is experiencing growth in population and households as outlined in Table 1 (still to be updated).

Table 1 – CITY OF YARRA FORECAST POPULATION AND HOUSEHOLDS

	Year			
	2016	2021	2026	2031
Total Population	92,610	103,830	113,705	122,022
Pop. in private dwellings	90,637	101,520	111,047	119,018
Households	42,593	47,486	51,884	56,024
Average household size	2.13	2.14	2.14	2.12
Change in population				
Net change (5 years)		11,220	9,875	8,317
Average annual change		2.3%	1.8%	1.4%
Change in households				
Net change (5 years)		4,894	4,397	4,140
Average annual change		2.2%	1.8%	1.5%

Source: *Victoria in Future 2016*

Growth in number of households is expected to be an average of 2.3% p.a. through to 2021, and then grow at the slightly lower average annual rate of 1.8% for the five years to 2026.

The LTFS provides for no net growth in labour costs to accommodate the increased population and dwellings being serviced. Requirements to fulfil statutory obligations or increased customer demand must be achieved within the existing workforce allocation.

6.8 ENHANCED DEBTOR MANAGEMENT

A significant task to improve debt management is being undertaken by the organisation, as directed by Council in the adoption of the 2017/18 budget. This involves the review of historical debt across all aspects of Council's operations.

6.9 LEGAL FEES

An allocation has been made within the LTFS to accommodate estimated legal fees required for the normal operations of Council, and in relation to legal services required for specific legal cases involving Council.

6.10 ASSET RENEWAL, NEW AND UPGRADE EXPENDITURE

Information from Council's Asset Management Plans determines Council's capital expenditure priorities.

As part of the preparation of this LTFS the cost of works has been indexed to reflect the future cost of works in years 2-10 of the LTFS.

This LTFS indicates minimal funding available for new initiatives and discretionary projects in 2020/21 (year 1) until the full financial impact of the COVID-19 pandemic is understood. Available funding for new initiatives and discretionary projects in the short to medium term is already relatively low, with risk that this could further diminish as a result of COVID-19, and also the need to prioritise the renewal of existing assets to ensure financial sustainability.

7. KNOWN MATTERS TO BE QUANTIFIED

7.1 FUTURE INITIATIVES

A number of other key initiatives have also been identified as having potential for significant impact on the LTFS but are unquantified at this time. These include:

- Fitzroy Town Hall precinct – master planning for future use and associated capital works
- Collingwood Town Hall precinct, including Soldiers and Sailors Hall – master planning for future use and associated capital works
- Further Sustainability and Environment initiatives
- Open Space Strategy review (including open space contributions review)

For each of these initiatives, there is no provision in the LTFS future years for the entire program of works that may potentially arise.

7.2 CONTINGENT LIABILITIES

A number of issues have been identified that have the potential to result in a significant financial impact on Council. As these issues are uncertain no specific allowance within the LTFS has been made. These matters include:

- Ongoing financial impact of the COVID-19 pandemic, the full extent of which may not be understood for some time
- Future calls from the Local Government Defined Benefits Scheme.
- Costs associated with changes arising from the reform of the HACC service and NDIS.
- Potential for future market cost increases in waste and recycling and the impact of this on Council, particularly under the four bin collection model.

The LTFS will be updated as required to incorporate these matters when additional information is obtained in relation to these or any other matters.

8. OPERATING ACTIVITIES

The LTFS statement of financial performance related to the operating activities of Council is presented in Table 2.

Table 2 - FINANCIAL PERFORMANCE (\$'000)

	Forecast Actual 2019-20 \$'000	Budget 2020-21 \$'000	Budget 2021-22 \$'000	Budget 2022-23 \$'000	Budget 2023-24 \$'000	Budget 2024-25 \$'000	Budget 2025-26 \$'000	Budget 2026-27 \$'000	Budget 2027-28 \$'000	Budget 2028-29 \$'000	Budget 2029-30 \$'000
	Forecast Actual	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
REVENUES											
Rates - general	111,691	115,869	119,531	122,910	126,357	129,873	133,458	137,116	140,847	144,652	148,534
Statutory fees and fines	29,235	25,454	34,720	35,414	36,122	36,845	37,582	38,333	39,100	39,882	40,680
User fees	26,656	25,427	34,581	35,273	35,978	36,698	37,432	38,180	38,944	39,723	40,517
Grants-Operating	14,151	14,399	13,871	14,148	14,431	14,720	15,014	15,315	15,621	15,933	16,252
Grants-Capital	2,994	4,169	7,579	2,281	2,323	2,365	2,408	2,452	2,496	2,542	2,587
Contributions - OSR	6,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Contributions - Other	271	1,156	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Net gain/(loss) on disposal of PP&E	180	160	170	170	170	170	170	170	170	150	150
Other income	5,341	2,278	3,487	3,737	3,987	4,237	4,487	4,737	4,987	5,237	5,487
TOTAL INCOME	197,021	193,412	220,339	220,333	225,768	231,308	236,951	242,703	248,565	254,519	260,607
EXPENSES											
Employee Costs	86,590	90,028	93,929	96,308	98,734	101,208	103,733	106,307	108,933	111,612	113,844
Materials & services	69,038	75,663	80,635	78,856	80,613	82,207	83,137	84,799	86,495	88,939	90,004
Depreciation	22,800	23,800	24,300	24,800	25,300	25,800	26,300	26,800	27,300	27,800	28,300
Amortisation - right-of-use assets	971	880	736	667	16	-	-	-	-	-	-
Bad and doubtful debts	5,000	5,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Borrowing costs	2,035	1,867	1,777	1,603	1,421	1,231	1,032	823	630	466	295
Finance costs - leases	165	118	72	25	-	-	-	-	-	-	-
TOTAL EXPENSES	186,599	197,356	205,449	206,259	210,084	214,446	218,202	222,729	227,358	232,817	236,443
Net (Surplus)/Deficit	10,422	(3,944)	14,890	14,074	15,684	16,862	18,749	19,974	21,207	21,702	24,164
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Net asset reval increment	52,204	-	52,465	-	52,727	-	52,991	-	53,256	-	53,522
Comprehensive result (surplus)/deficit	62,626	(3,944)	67,355	14,074	68,411	16,862	71,740	19,974	74,463	21,702	77,686
WDV of assets sold	200	350	350	350	350	350	350	350	350	350	350
Proceeds from sales	405	510	520	520	520	520	520	520	520	500	500

OPERATING ACTIVITIES REVENUE

RATE REVENUE

Council no longer has unrestricted control over its rate revenue, as it is limited in future years by the direction imposed by the Minister for Local Government under rate capping. Current estimates of rate revenue are outlined in Table 3.

Table 3 - RATES ESTIMATES (\$'000)

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
General rates raised	115,098	118,420	121,808	125,265	128,790	132,386	136,053	139,794	143,610	147,503
Special rates & other charges	245	245	245	245	245	245	245	245	245	245
Supplementary rates	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Pensioner rate rebate & other offsets	(474)	(483)	(493)	(502)	(512)	(522)	(532)	(542)	(553)	(564)
Interest on overdue rates	0	350	350	350	350	350	350	350	350	350
Totals	115,869	119,531	122,910	126,357	129,873	133,458	137,116	140,847	144,652	148,534

Supplementary Rates are additional rate income raised as a result of growth in new or extended properties or by change of land use under the planning scheme.

FEES AND CHARGES

Fees and Charges assist Council to offset the cost of some service delivery directly with user payment rather than funding through rates income.

Statutory Charges are not within Council's control and therefore may not in general reflect movements in Council costs. Some statutory costs are indexed at the Consumer Price Index (CPI), whereas others (e.g. statutory planning charges) are not indexed but rather adjusted on an ad hoc basis.

PARKING REVENUE

Parking revenue is a reflection of the statutory charges established by the State Government and also reflects the growing pressure on parking space within the City. Parking revenue can be influenced by many external factors such as economic conditions, clearway policy and fuel prices. The removal of street car parking for community benefits such as additional bicycle lanes and the associated downward pressure that this creates on parking income is also an important consideration. For these reasons a conservative approach to growth in this revenue source has been applied, recognising that it will continue to grow, albeit at a slower rate than Council may have previously experienced. The LTFS estimates of parking revenue are shown in Table 4 where it can be seen that in 2020-21 (year 1) it is expected that the COVID-19 pandemic will have a significant impact on Council's parking revenue.

Table 4 - PARKING REVENUE ESTIMATES (\$'000)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Parking Revenue	25,454	34,720	35,414	36,122	36,845	37,582	38,333	39,100	39,882	40,680

Council is reliant on Fines Victoria to collect its outstanding fine revenue, and they are currently experiencing difficulty in delivering those revenue outcomes to Council. This may have an unfavourable impact on Council's cash position if debts are not collected within statutory timeframes.

GOVERNMENT GRANTS - OPERATING

These grants are received from Commonwealth and State Governments in support of programs. The largest grant is the Victorian Grants Commission allocation of Commonwealth money. Council's entitlement to the Victorian Grants Commission is an "as of right" entitlement and no significant shift in allocation is expected. Any increase will relate to changes in Yarra's population.

INTEREST INCOME

Interest income is based on predicted cash flow, cash balances and CPI.

OPERATING ACTIVITIES EXPENSES

EMPLOYEE COSTS

Employee benefits include all labour related expenditure, including agency staff. Employee costs are largely governed by Council's Enterprise Bargaining Agreement, presently at 2% p.a. For years 2-10 an estimate has been provided that is based on predicted average weekly earnings increases. No allowance has been made in the LTFS for:

- additional labour expenses related to the impact of expected population and dwelling growth; and
- possible further contributions to a top-up call from the Local Government Defined Benefits Scheme (Vision Super).

CONTRACTS

Contract costs generally increase in excess of the CPI, reflecting the growth in average weekly wages and material costs. The LTFS assumes a 2% cost increase in line with the rate cap.

MATERIALS AND SERVICES

These relate to a range of goods and services including utilities, insurance, consultants, legal fees, telecommunications and maintenance.

The State government recently announced an increase in Landfill levy taxes for the 2020/21 year. This combined with rising market costs in the waste market represents a significant cost pressure to the LTFS and in particular funding available for discretionary projects in future years.

A permanent reduction of \$500,000 (in real terms) for expenditure on materials and services is included in each year as an efficiency dividend, with the reduction to be maintained in real terms as a recurrent saving throughout the entire duration of the LTFS.

Legal fees are a significant component of material and services, and these costs are often outside Council's control. Increased development pressure is also generating increases in legal costs associated with VCAT appeals.

Council's contribution to community through its annual and service grants is a component of this cost.

The State Government also imposes a Waste Levy on Council to encourage enhanced environmental practice across the State and historically has been increasing at around 10% per annum.

DEPRECIATION

Depreciation is forecast to increase by approximately 2% p.a. over the duration of the LTFS.

DOUBTFUL DEBTS

Bad and doubtful debts expenses remained at \$5m in 2020-21 (year 1 of the LTFS), consistent with the 2019-20 forecast, in order to reflect the ongoing issues with Fines Victoria and the impact this is having on Council's collectability and thus cashflow. Bad and doubtful debts is reduced back to historical level from year 2 onwards to reflect an anticipated resolution to the issues presently being experienced with Fines Victoria.

9. CAPITAL WORKS EXPENDITURE

Council's long term capital works plan incorporated into the LTFS is shown in Table 5.

Table 5 – ESTIMATED CAPITAL EXPENDITURE (\$'000)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Renewal & Upgrade	29,623	35,731	29,098	28,212	32,055	36,683	35,493	33,426	34,291	35,031
New	920	6,179	8,183	9,746	6,739	2,654	4,747	8,217	8,895	10,410
Total	30,543	41,910	37,281	37,958	38,794	39,337	40,240	41,643	43,186	45,441

Asset renewal includes improvements that bring existing assets to a current equivalent standard or performance capability. For example, replacement of an aged kitchen to current design standards. Upgrade of an asset is restricted to an increase in asset capacity.

Ongoing review of the classification of expenditure between operating and capital for both budgeting and actual expenditure recording is being undertaken. Typically a significant transfer of expenditure from capital to operating occurs as part of the end of year accounting adjustment and review of budget definitions will reduce this variance and better reflect the division of expenditure in the first instance.

ASSET RENEWAL CAPITAL WORKS

Asset renewal has been incorporated within the LTFS in accordance with the adopted asset management plans. These include:

- Roads
- Buildings
- Open Space
- Drainage
- Information Systems

Asset renewal expenditure has been indexed accordingly for the asset type.

NEW AND UPGRADE CAPITAL WORKS

The new assets and asset upgrade portions of the capital works program have been based on assessments undertaken for the 2020-21 budget preparation.

The majority of the works associated with the Depot relocation grant from the State Government is currently assumed to take place in years 3 and 4 of the LTFS.

10. FINANCIAL POSITION

The LTFS statement of Council's financial position is presented in Table 6.

Table 6 - FINANCIAL POSITION (\$'000)

BALANCE SHEET	FC Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2019-20 \$'000	2020-21 \$'000	2020-21 \$'000	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000
	FC Actual	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Current Assets											
Cash and cash equivalents	77,517	56,638	70,233	68,586	68,202	68,398	70,168	72,477	76,474	80,084	84,151
Trade and other receivables	19,621	28,522	8,206	7,203	6,259	5,376	4,552	3,788	3,152	2,592	2,111
Other Financial Assets	0	0	0	0	0	0	0	0	0	0	0
Inventories	129	129	129	129	129	129	129	129	129	129	129
Non Current assets classified as held for sale	0	0	0	0	0	0	0	0	0	0	0
Other Assets	620	620	620	620	620	620	620	620	620	620	620
Total Current Assets	97,887	85,909	79,188	76,538	75,211	74,523	75,468	77,014	80,375	83,425	87,011
Non -Current Assets											
Trade and other receivables	235	235	235	235	235	235	235	235	235	235	235
Property, plant and equipment ,infrastructure	2,051,005	2,057,399	2,127,123	2,139,251	2,204,286	2,216,930	2,282,608	2,295,698	2,362,947	2,377,983	2,448,297
Right-of-use assets	2,299	1,420	683	16	0	0	0	0	0	0	0
Total Non-Current Assets	2,053,539	2,059,054	2,128,041	2,139,502	2,204,521	2,217,165	2,282,843	2,295,933	2,363,182	2,378,218	2,448,532
Total Assets	2,151,426	2,144,963	2,207,229	2,216,040	2,279,731	2,291,688	2,358,312	2,372,947	2,443,557	2,461,643	2,535,543
Current Liabilities											
Trade and other payables	9,733	9,733	9,733	9,733	9,733	9,733	9,733	9,725	9,325	9,325	9,325
Trust funds and deposits	12,454	12,454	12,454	12,454	12,454	12,454	12,454	12,454	12,454	12,454	12,454
Provisions	13,158	13,158	13,158	13,158	13,158	13,158	13,158	13,158	13,158	13,158	13,158
Interest bearing loans and borrowings	1,218	1,308	4,110	4,303	4,505	4,717	4,939	3,453	3,616	3,787	3,925
Lease liabilities	851	765	751	17	0	0	0	0	0	0	0
Total Current Liabilities	37,414	37,418	40,206	39,665	39,850	40,062	40,284	38,790	38,553	38,724	38,862
Non-Current Liabilities											
Provisions	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393
Other Liab	2,792	2,392	1,992	1,592	1,192	792	392	0	0	0	0
Lease liabilities	1,533	769	19	0	0	0	0	0	0	0	0
Interest bearing loans and borrowings	41,331	39,972	33,245	28,942	24,437	19,720	14,781	11,328	7,712	3,925	0
Total Non-Current Liabilities	47,049	44,526	36,649	31,927	27,022	21,905	16,566	12,721	9,105	5,318	1,393
Total Liabilities	84,463	81,944	76,855	71,592	66,872	61,967	56,850	51,511	47,658	44,042	40,255
Net Assets	2,066,963	2,063,019	2,130,374	2,144,448	2,212,859	2,229,721	2,301,462	2,321,436	2,395,899	2,417,601	2,495,288
Equity											
Accumulated surplus	671,931	664,077	675,367	685,841	697,925	711,187	726,337	742,711	760,318	778,700	799,864
Reserves	1,395,032	1,398,942	1,455,007	1,458,607	1,514,934	1,518,534	1,575,125	1,578,725	1,635,581	1,638,901	1,695,424
Total Equity	2,066,963	2,063,019	2,130,374	2,144,448	2,212,859	2,229,721	2,301,462	2,321,436	2,395,899	2,417,601	2,495,288

ASSETS

RECEIVABLES

Current receivables (net) are budgeted to be \$28.5 million at the end of 2020-21 (LTFS year 1).

INVENTORIES AND ASSETS HELD FOR SALE

The remaining current asset items have been left at budgeted 2019-20 levels.

PROPERTY, INFRASTRUCTURE AND PLANT AND EQUIPMENT

Property, infrastructure and plant and equipment is based on estimates for additions and disposals net of depreciation. An escalation factor of 0.5% has been allowed every two years from 2019-20 for the asset revaluation increment.

OTHER RECEIVABLES

Non-current receivables have been kept at budgeted 2019-20 levels.

LIABILITIES

PAYABLES

Payables are budgeted to be \$9.7 million at the end of 2020-21 (LTFS year 1) and remain stable across the LTFS.

TRUST FUNDS

Trust funds and deposits are budgeted to be \$12.4 million at end 2020-21 and remain stable across the LTFS.

EMPLOYEE PROVISIONS (CURRENT AND NON-CURRENT)

Employee provisions are budgeted to be \$14.5 million at end 2020-21 and remain stable across the LTFS.

INTEREST BEARING LOANS AND BORROWINGS

Loans are based on repayment schedules for two loans of \$32.5 million and \$13.5 million. The \$32.5 million interest only loan will be repaid by re-borrowing \$32.5 million, with the new loan financed in 2020-21 on a principal and interest basis. The \$13.5 million loan will be fully repaid by the end of the LTFS.

OPEN SPACE RESERVE

The open space reserve is forecast to be have some eligible projects funded from the reserve, with the balance remaining in the reserve and being fully cash backed. This will continue through the 10-year period.

11. CASH FLOW

The LTFS statement of Council's cash flow is presented in Table 7.

Table 7 - CASH FLOWS (\$'000)

	Forecast Actual 2019-20 \$'000	Budget 2020-21 \$'000	Budget 2021-22 \$'000	Budget 2022-23 \$'000	Budget 2023-24 \$'000	Budget 2024-25 \$'000	Budget 2025-26 \$'000	Budget 2026-27 \$'000	Budget 2027-28 \$'000	Budget 2028-29 \$'000	Budget 2029-30 \$'000
	Forecast Actual	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Cash Flows from operating activities											
Receipts											
Rates	103,324	103,239	137,586	121,683	125,094	128,574	132,124	135,745	139,438	143,206	147,048
Statutory Fees & Fines	27,773	24,182	32,984	33,643	34,316	35,003	35,703	36,417	37,145	37,888	38,646
User Fees	26,658	25,427	34,581	35,273	35,978	36,698	37,432	38,180	38,944	39,723	40,517
Grants Operating	14,151	14,399	13,871	14,148	14,431	14,720	15,014	15,315	15,621	15,933	16,252
Grants Capital	2,993	4,169	7,579	2,281	2,323	2,365	2,408	2,452	2,496	2,542	2,587
Contributions - CSR	6,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Contributions - Other	271	1,156	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Other Receipts	5,341	2,278	3,487	3,737	3,987	4,237	4,487	4,737	4,987	5,237	5,487
	187,011	179,350	236,488	217,165	222,529	227,997	233,568	239,246	245,031	250,929	256,937
Payments											
Payments to employees	(86,590)	(90,028)	(93,929)	(96,308)	(98,734)	(101,208)	(103,733)	(106,307)	(108,933)	(111,612)	(113,844)
Payments for mat & serv	(69,438)	(76,062)	(81,035)	(79,256)	(81,013)	(82,607)	(83,537)	(85,199)	(86,895)	(88,639)	(90,004)
	(156,028)	(166,090)	(174,964)	(175,564)	(179,747)	(183,815)	(187,270)	(191,506)	(195,828)	(200,551)	(203,848)
Net cash provided by (used in) operating activities	30,983	13,260	61,524	41,601	42,782	44,182	46,298	47,740	49,203	50,378	53,089
Cash Flows from investing activities											
Payments for property, plant and equipment, infrastructure	(37,300)	(30,543)	(41,910)	(37,281)	(37,958)	(38,794)	(39,337)	(40,240)	(41,643)	(43,186)	(45,441)
Proceeds from sale of PR&E	405	510	520	520	520	520	520	520	520	500	500
Net cash provided by (used in) investing activities	(36,895)	(30,033)	(41,390)	(36,761)	(37,438)	(38,274)	(38,817)	(39,720)	(41,123)	(42,686)	(44,941)
Cash Flows from financing activities											
Finance Costs	(2,035)	(1,867)	(1,777)	(1,603)	(1,421)	(1,231)	(1,032)	(823)	(630)	(466)	(294)
Interest paid - lease liability	(165)	(118)	(72)	(25)	0	0	0	0	0	0	0
Repayment of lease liability	(882)	(851)	(765)	(751)	(17)	0	0	0	0	0	0
Proceeds from borrowings	0	32,500	0	0	0	0	0	0	0	0	0
Repayment of borrowings	(1,142)	(33,770)	(3,925)	(4,108)	(4,290)	(4,481)	(4,679)	(4,888)	(5,111)	(5,361)	(5,617)
Net cash provided by (used in) financing activities	(4,224)	(4,106)	(6,539)	(6,487)	(5,728)	(5,712)	(5,711)	(5,711)	(5,711)	(5,711)	(5,711)
Net increase (decrease) in cash and cash equivalents	(10,136)	(20,879)	13,595	(1,647)	(384)	196	1,770	2,309	3,997	3,610	4,067
Cash and cash equivalents at the beginning of financial year	87,653	77,517	56,638	70,233	68,586	68,202	68,398	70,168	72,477	76,474	80,084
Cash and cash equivalents at end of financial year	77,517	56,638	70,233	68,586	68,202	68,398	70,168	72,477	76,474	80,084	84,151

12. KEY INDICATORS

Key financial indicators for the duration of the LTFS are shown in Table 8, with definitions for the indicators included in Appendix 2. Graphical representations of these indicators are shown in the following sub-section. The appendix contains suggested long term target ratios for Yarra; the targets have been developed considering the Victorian Auditor General's financial sustainability risk guidance, as well as the Local Government Performance Reporting Framework (LGPRF) Targets.

Table 8 – PROJECTED KEY FINANCIAL INDICATORS

	VAGO	LGPRF	Yarra Target	FC Actual 2019-20	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Low Risk	Target Range			2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Net Result (Net result/Total Rev)	>0%	N/A	>5%	5.3%	-2.0%	6.8%	6.4%	6.9%	7.3%	7.9%	8.2%	8.5%	8.5%	9.3%
Adj. underlying result (Net Result/Total Rev) - Adj for Capex funding	>5%	(20%) - 20%	>5%	0.4%	-7.5%	0.4%	2.5%	3.2%	3.6%	4.4%	4.8%	5.1%	5.2%	6.0%
Liquidity (Current Assets/Current Liabilities)	>1.0	1.0-4.0	>1.4	2.62	2.30	1.97	1.93	1.89	1.86	1.87	1.99	2.08	2.15	2.24
Unrestricted Cash (Unrestricted Cash/Current Liabilities)	N/A	10%-300%	>100%	84%	18%	44%	44%	61%	52%	47%	45%	47%	47%	50%
Debt Commitment (Int & Principal Repayments/Rate Rev)	N/A	0%-20%	<5%	3%	31%	5%	5%	5%	4%	4%	4%	3%	3%	3%
Internal Financing (Net Operating Cash Flow/Net Capex)	>100%	N/A	>100%	84%	44%	149%	113%	114%	115%	119%	120%	120%	118%	118%
Indebtedness (Total Non-Current Liab/Own Sourced Rev)	<40%	2%-70%	<40%	26%	25%	18%	16%	13%	10%	8%	6%	4%	2%	1%
Capital Replacement (Cash Flows for Capex/Depn)	>1.5	N/A	>1.5	1.64	1.28	1.72	1.50	1.50	1.50	1.50	1.50	1.53	1.55	1.61
Renewal Gap (Renewal Spend/Depn)	>1.0	0.40-1.30	>1.0	1.50	1.24	1.47	1.17	1.12	1.24	1.39	1.32	1.22	1.23	1.24

APPENDIX 1 – FINANCIAL STRATEGY PRINCIPLES

The Financial Strategy Principles provide the framework for the development of Council's Long Term Financial Strategy, and annual Budget development. The principles enable consistent and informed decision-making by Council.

The Financial Strategy Principles are outlined below:

Balanced and Sustainable Budget

Council will:

- Manage the immediate and ongoing financial impacts of the COVID-19 pandemic to safeguard long-term financial sustainability.
- Implement a sustainable budget and conservative financial strategy that caters for short and long-term requirements.
- Achieve a Liquidity Ratio of 1.4 by Year 1 of the LTFS (2020/21) to ensure the maintenance of the required level of cash to meet operational requirements as well as build cash reserves for contingencies that may arise. Strengthening this position over the years of the LTFS is also a future goal.
- Maximise the level of grants and subsidies received from Victorian and Commonwealth governments to achieve a better share of government taxes for the community.
- Debt servicing and debt redemption will be maintained within the financial capacity of Council reflected in a cap on indebtedness (P&I) of less than 40%.
- Direct funds from asset sales to the purchase of new, upgrade assets or re-establishment of working capital.
- Trust Funds and Statutory Reserves will be fully cash backed at 30 June each year.

Asset management

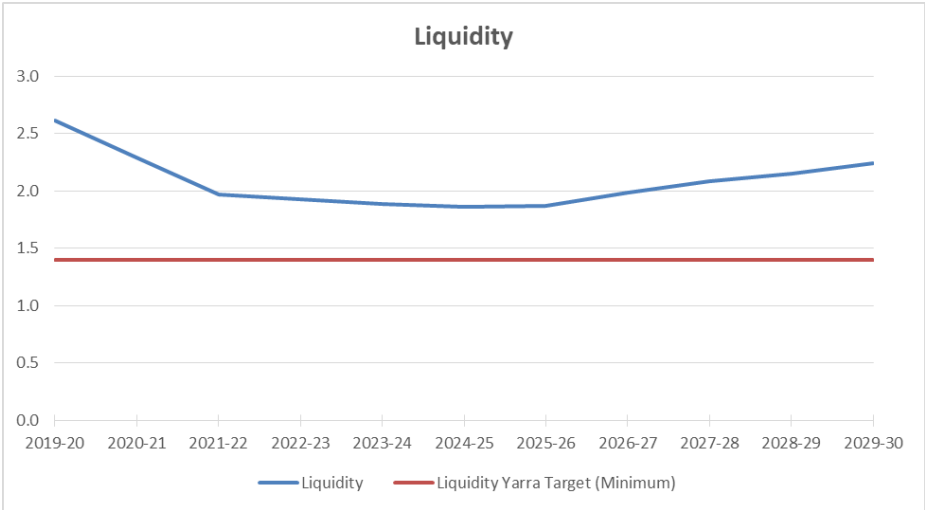
Council will (when funding is available):

- Provide well-maintained community assets that are fit for their purpose and provide best possible community benefit. Council will commit an appropriate level of expenditure on asset renewal and give priority to asset renewal over new assets.
- Ensure that the community has access to required community infrastructure, located to meet community needs within a framework of city wide priorities and designed with regard to current and future needs.
- Fund capital expenditure in a prudent, ethical and responsible manner. Council will seek and accept external funding contributions to a project where the acceptance of the funding will not compromise Council's principles or objectives.
- Manage, acquire and dispose of property in the best interest of the community. Council recognises the importance of efficient use of property holdings over the long term to support community wellbeing.

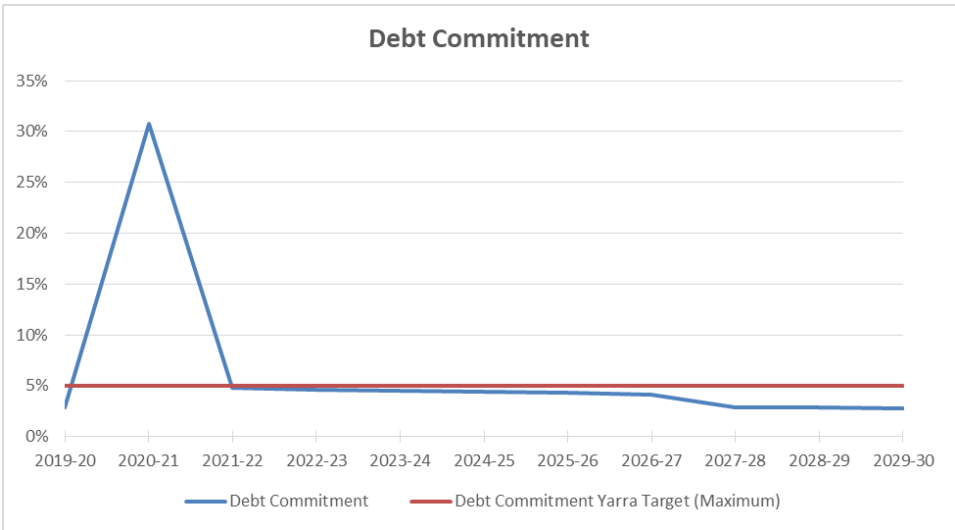
APPENDIX 2 – KEY FINANCIAL INDICATORS

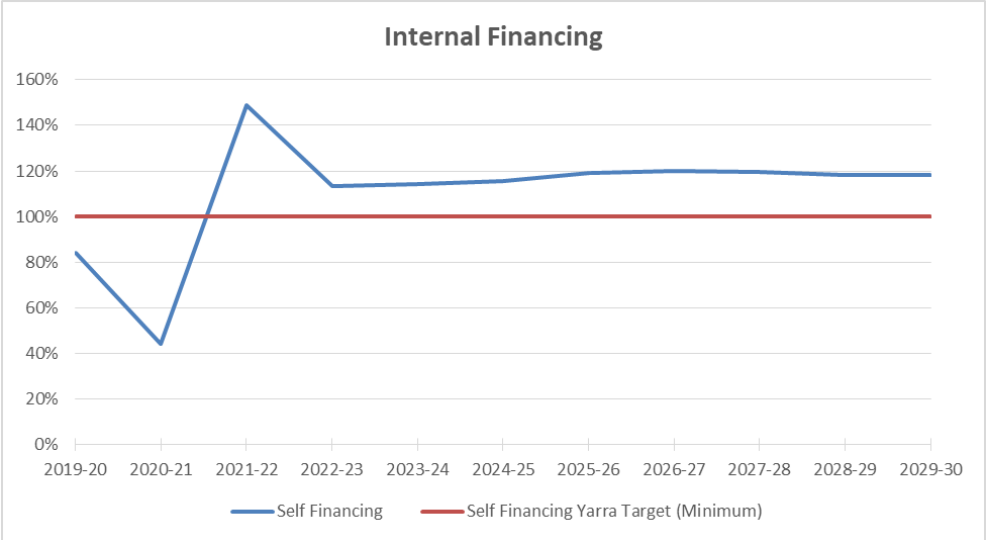
Indicator	Description	Long Term Target Range for Yarra																																				
Net Result	<p>This measures how much of each dollar collected as revenue translates to net result. A positive result indicates a surplus, and the larger the percentage, the stronger the result.</p> <p><u>Net Result</u> Total Revenue</p> <p>VAGO High Risk = less than negative 10%</p> <p>Medium Risk = Negative 10% to zero</p> <p>Low Risk = Greater than 0%</p> <div data-bbox="354 936 1422 1520" data-label="Figure"> <table border="1"> <caption>Net Result Data</caption> <thead> <tr> <th>Year</th> <th>Net Result (%)</th> <th>Net Result Yarra Target (Minimum) (%)</th> </tr> </thead> <tbody> <tr> <td>2019-20</td> <td>5.0</td> <td>5.0</td> </tr> <tr> <td>2020-21</td> <td>-2.0</td> <td>5.0</td> </tr> <tr> <td>2021-22</td> <td>7.0</td> <td>5.0</td> </tr> <tr> <td>2022-23</td> <td>6.5</td> <td>5.0</td> </tr> <tr> <td>2023-24</td> <td>7.0</td> <td>5.0</td> </tr> <tr> <td>2024-25</td> <td>7.5</td> <td>5.0</td> </tr> <tr> <td>2025-26</td> <td>8.0</td> <td>5.0</td> </tr> <tr> <td>2026-27</td> <td>8.2</td> <td>5.0</td> </tr> <tr> <td>2027-28</td> <td>8.5</td> <td>5.0</td> </tr> <tr> <td>2028-29</td> <td>8.5</td> <td>5.0</td> </tr> <tr> <td>2029-30</td> <td>9.5</td> <td>5.0</td> </tr> </tbody> </table> </div> <p>Council's net result drops in 2020-21 due to the financial impacts of the COVID-19 pandemic. It peaks in 2021-22 due to grant funding for a number of Capital projects and continues to steadily increase over the life of the LTFS.</p>	Year	Net Result (%)	Net Result Yarra Target (Minimum) (%)	2019-20	5.0	5.0	2020-21	-2.0	5.0	2021-22	7.0	5.0	2022-23	6.5	5.0	2023-24	7.0	5.0	2024-25	7.5	5.0	2025-26	8.0	5.0	2026-27	8.2	5.0	2027-28	8.5	5.0	2028-29	8.5	5.0	2029-30	9.5	5.0	More than 5%
Year	Net Result (%)	Net Result Yarra Target (Minimum) (%)																																				
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2029-30	9.5	5.0																																				

Indicator	Description	Long Term Target Range for Yarra																																				
Adjusted Underlying Result	<p>An indicator of Council’s ability to generate surplus in the ordinary course of business excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions used to fund capital works. A surplus or increasing surplus suggests an improvement in the operating position.</p> <p><u>Adjusted underlying surplus</u> Adjusted underlying revenue</p> <p>VAGO High Risk = less than 0%</p> <p>Medium Risk = 0% - 5%</p> <p>Low Risk = Greater than 5%</p> <div data-bbox="354 999 1406 1574"> <table border="1"> <caption>Adjusted Underlying Surplus Data</caption> <thead> <tr> <th>Year</th> <th>Adjusted Underlying Surplus Ratio (%)</th> <th>Net Result Yarra Target (Minimum) (%)</th> </tr> </thead> <tbody> <tr><td>2019-20</td><td>0.0</td><td>5.0</td></tr> <tr><td>2020-21</td><td>-7.5</td><td>5.0</td></tr> <tr><td>2021-22</td><td>0.5</td><td>5.0</td></tr> <tr><td>2022-23</td><td>2.5</td><td>5.0</td></tr> <tr><td>2023-24</td><td>3.5</td><td>5.0</td></tr> <tr><td>2024-25</td><td>4.0</td><td>5.0</td></tr> <tr><td>2025-26</td><td>4.5</td><td>5.0</td></tr> <tr><td>2026-27</td><td>5.0</td><td>5.0</td></tr> <tr><td>2027-28</td><td>5.5</td><td>5.0</td></tr> <tr><td>2028-29</td><td>5.5</td><td>5.0</td></tr> <tr><td>2029-30</td><td>6.0</td><td>5.0</td></tr> </tbody> </table> </div> <p>Council’s adjusted underlying surplus drops below 0% during 2020-21 due to the financial impacts of the COVID-19 pandemic. Council’s ratio progressively improves over the life of the LTFS to a low risk range by year 9.</p>	Year	Adjusted Underlying Surplus Ratio (%)	Net Result Yarra Target (Minimum) (%)	2019-20	0.0	5.0	2020-21	-7.5	5.0	2021-22	0.5	5.0	2022-23	2.5	5.0	2023-24	3.5	5.0	2024-25	4.0	5.0	2025-26	4.5	5.0	2026-27	5.0	5.0	2027-28	5.5	5.0	2028-29	5.5	5.0	2029-30	6.0	5.0	More than 5%
Year	Adjusted Underlying Surplus Ratio (%)	Net Result Yarra Target (Minimum) (%)																																				
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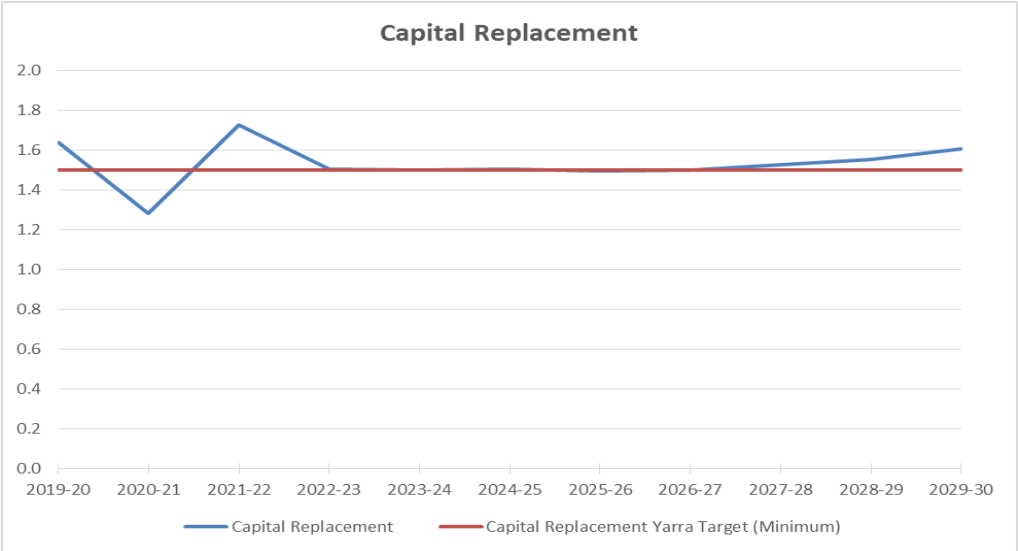
Indicator	Description	Long Term Target Range for Yarra
Liquidity	<p>Measures Council’s ability to pay existing liabilities in the next 12 months. A ratio greater than 1.0 means there are more cash and liquid assets than short-term liabilities.</p> <p><u>Current assets</u> Current liabilities</p> <p>VAGO High Risk = less than 75% Medium Risk = 75% to less than 100% Low Risk = greater than 100%</p>  <p>Council maintains a liquidity ratio above 1.4 throughout the life of the LTFS, placing Council in the low risk range.</p>	Greater than 1.4

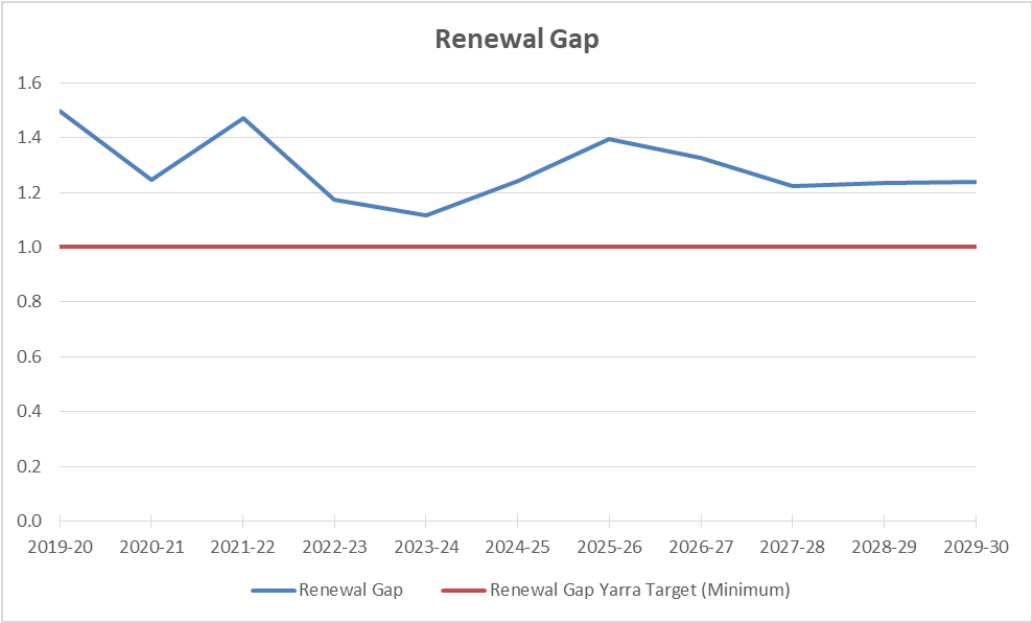
Indicator	Description	Long Term Target Range for Yarra																																				
Unrestricted Cash	<p>To assess Council's freely available cash level.</p> <p><u>Unrestricted Cash</u> Current liabilities</p> <p>LGV Expected Target: 10% to 300%</p> <p>Local Government Performance and Reporting Indicators</p> <p>No VAGO guidance</p> <div data-bbox="354 954 1347 1498" data-label="Figure"> <table border="1"> <caption>Unrestricted Cash Data</caption> <thead> <tr> <th>Year</th> <th>Unrestricted Cash (%)</th> <th>Unrestricted Cash Yarra Target (Minimum) (%)</th> </tr> </thead> <tbody> <tr><td>2019-20</td><td>85</td><td>100</td></tr> <tr><td>2020-21</td><td>20</td><td>100</td></tr> <tr><td>2021-22</td><td>45</td><td>100</td></tr> <tr><td>2022-23</td><td>45</td><td>100</td></tr> <tr><td>2023-24</td><td>60</td><td>100</td></tr> <tr><td>2024-25</td><td>50</td><td>100</td></tr> <tr><td>2025-26</td><td>48</td><td>100</td></tr> <tr><td>2026-27</td><td>46</td><td>100</td></tr> <tr><td>2027-28</td><td>48</td><td>100</td></tr> <tr><td>2028-29</td><td>48</td><td>100</td></tr> <tr><td>2029-30</td><td>50</td><td>100</td></tr> </tbody> </table> </div> <p>Council's unrestricted cash is an indicator that will require monitoring over the life of the LTFS.</p>	Year	Unrestricted Cash (%)	Unrestricted Cash Yarra Target (Minimum) (%)	2019-20	85	100	2020-21	20	100	2021-22	45	100	2022-23	45	100	2023-24	60	100	2024-25	50	100	2025-26	48	100	2026-27	46	100	2027-28	48	100	2028-29	48	100	2029-30	50	100	Greater than 100%
Year	Unrestricted Cash (%)	Unrestricted Cash Yarra Target (Minimum) (%)																																				
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2027-28	48	100																																				
2028-29	48	100																																				
2029-30	50	100																																				

Indicator	Description	Long Term Target Range for Yarra
Debt Commitment	<p>To identify Council's debt redemption strategy.</p> <p><u>Interest & principal repayments</u> Rate Revenue</p> <p>Debt redemption includes loan and finance lease principal and interest as a percentage of rate revenue</p> <p>LGV Expected Target: 0% to 20%</p> <p>Local Government Performance and Reporting Indicators</p>  <p>The spike in 2021-22 is due to Council's \$32.5M loan being repaid in that year.</p>	Less than or =5%

Indicator	Description	Long Term Target Range for Yarra
Internal Financing	<p>Assesses Council’s ability to finance capital works using cash generated by its operating cash flows. The higher the percentage, the greater the ability Council has to finance capital works from its own funds.</p> <p><u>Net operating cash flows</u> Underlying revenue</p> <p>VAGO High Risk Less than 75% Medium Risk 75% - 100% Low Risk = Greater than 100%</p>  <p>Council’s internal financing is an indicator that will require monitoring over the life of the LTFS.</p>	Greater than 100%

Indicator	Description	Long Term Target Range for Yarra																																				
Indebtedness	<p>Measures Council’s ability to pay the principal and interest on borrowings, as and when they fall due, from the funds it generates. The lower the ratio, the less revenue Council is required to use to repay its debt.</p> <p><u>Non-current liabilities</u> Own sourced revenue</p> <p>The higher the percentage the less able to cover non-current liabilities from revenue generated by Council</p> <p>VAGO High Risk = more than 60%</p> <p>Medium Risk = 40% - 60%</p> <p>Low Risk = less than 40%</p> <div data-bbox="354 1061 1428 1648" data-label="Figure"> <table border="1"> <caption>Indebtedness Data</caption> <thead> <tr> <th>Year</th> <th>Indebtedness (%)</th> <th>Indebtedness Yarra Target (Maximum) (%)</th> </tr> </thead> <tbody> <tr><td>2019-20</td><td>26</td><td>40</td></tr> <tr><td>2020-21</td><td>25</td><td>40</td></tr> <tr><td>2021-22</td><td>18</td><td>40</td></tr> <tr><td>2022-23</td><td>15</td><td>40</td></tr> <tr><td>2023-24</td><td>12</td><td>40</td></tr> <tr><td>2024-25</td><td>10</td><td>40</td></tr> <tr><td>2025-26</td><td>8</td><td>40</td></tr> <tr><td>2026-27</td><td>6</td><td>40</td></tr> <tr><td>2027-28</td><td>4</td><td>40</td></tr> <tr><td>2028-29</td><td>2</td><td>40</td></tr> <tr><td>2029-30</td><td>1</td><td>40</td></tr> </tbody> </table> </div> <p>The downward spike over the life of the LTFS is due to the reclassification of the interest only loan to principal and interest in 2020-21, as Council begins to reduce its debt levels.</p>	Year	Indebtedness (%)	Indebtedness Yarra Target (Maximum) (%)	2019-20	26	40	2020-21	25	40	2021-22	18	40	2022-23	15	40	2023-24	12	40	2024-25	10	40	2025-26	8	40	2026-27	6	40	2027-28	4	40	2028-29	2	40	2029-30	1	40	Less than 40%
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Indicator	Description	Long Term Target Range for Yarra
Capital Replacement	<p>This ratio compares the rate of spending on capital works with depreciation. A ratio of less than 1.5 means that capital spend is not keeping pace with the consumption of Council's assets.</p> <p><u>Capital expenditure</u> Depreciation</p> <p>VAGO High Risk Less than 1.0</p> <p>Medium Risk 1.0-1.5</p> <p>Low Risk >1.5</p>  <p>The downward spike in 2020-21 is due to the deferral of expenditure on new capital projects until the financial impact of the COVID-19 pandemic is fully understood.</p>	Greater than 1.5

Indicator	Description	Long Term Target Range for Yarra																																				
Renewal Gap	<p>This ratio compares the rate of spending on Council’s existing assets through renewing, restoring, and replacing existing assets with depreciation. A ratio of less than 1.0 means that renewal spend is not keeping pace with the consumption of Council’s existing assets.</p> <p><u>Asset renewal expenditure</u> Depreciation</p> <p>A percentage greater than 100 indicates that Council is maintaining its existing assets. If there has been a past gap in renewal a percentage of greater than 100 is desirable.</p> <p>VAGO High Risk = less than 0.5</p> <p>Medium Risk = 0.5-1.0</p> <p>Low Risk = >1.0</p>  <table border="1"> <caption>Renewal Gap Data</caption> <thead> <tr> <th>Year</th> <th>Renewal Gap</th> <th>Renewal Gap Yarra Target (Minimum)</th> </tr> </thead> <tbody> <tr><td>2019-20</td><td>1.5</td><td>1.0</td></tr> <tr><td>2020-21</td><td>1.25</td><td>1.0</td></tr> <tr><td>2021-22</td><td>1.45</td><td>1.0</td></tr> <tr><td>2022-23</td><td>1.15</td><td>1.0</td></tr> <tr><td>2023-24</td><td>1.1</td><td>1.0</td></tr> <tr><td>2024-25</td><td>1.2</td><td>1.0</td></tr> <tr><td>2025-26</td><td>1.4</td><td>1.0</td></tr> <tr><td>2026-27</td><td>1.3</td><td>1.0</td></tr> <tr><td>2027-28</td><td>1.2</td><td>1.0</td></tr> <tr><td>2028-29</td><td>1.25</td><td>1.0</td></tr> <tr><td>2029-30</td><td>1.25</td><td>1.0</td></tr> </tbody> </table>	Year	Renewal Gap	Renewal Gap Yarra Target (Minimum)	2019-20	1.5	1.0	2020-21	1.25	1.0	2021-22	1.45	1.0	2022-23	1.15	1.0	2023-24	1.1	1.0	2024-25	1.2	1.0	2025-26	1.4	1.0	2026-27	1.3	1.0	2027-28	1.2	1.0	2028-29	1.25	1.0	2029-30	1.25	1.0	Greater than 1.0
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