

For each indicator, the City has determined an acceptable target which it needs to achieve in order to be financially sustainable.

i. Current Ratio



iv. Cash Reserves Ratio

This ratio measure the extent the City is maintaining cash reserves available for use to fund asset renewal and new services. A ratio greater than zero indicates the more cash reserves the City has at its disposal while a ratio below zero shows that there are no reserves available to fund urgent asset renewal expenditure.

Target = 0.15

Target results for each year:

2010/11	2011/12	2012/13	2013/14	2014/15
0.11	0.12	0.13	0.14	0.15

v. Renewal Investment

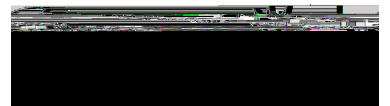
This ratio measures the extent to which assets are being renewed compared to the amount of consumption (depreciation). A ratio of greater than 1.00 (or 100%) means that the City is investing in renewal of its assets to a degree that offsets the current consumption of its assets and provides for the effect of inflation.

Target = 100%

Target results for each year:

2010/11 2011/12 2012/13 2013/14 2014/15 2015/16





4.4. Stock Levels

The City will actively ensure that its stock levels are maintained to a level which aligns with “just in time” principles. This means that minimum levels of stock will be kept and that the majority of purchases will be made as required taking into account lead times and availability. Stock levels will be assessed in February of each year and any obsolete stock will be sold in accordance with the Local Government Act.

4.5. Reserves

Reserves are part of the City's overall equity position. Reserves are funds which have been set aside for



5. Loan Funding

Council will utilise loan funds to undertake its capital works program only when the asset is of a long term nature. Loan funds will not be used for short term assets except when the project is related to land development where it is expected that a return on investment will be generated within 5 years and the loan can be extinguished. Loan funds will never be utilized for operating expenses.

Other than in exceptional circumstances, the City will limit its use of loan funds such that, in any year, the costs of servicing interest and principal repayments for loans (excluding loans for land development and sale projects, or for revenue generating assets of self-sustaining business units) will not exceed ten percent (10%) of operating revenues from rates, fees and charges.

6. Renewal Gap

The term Renewal Gap recognises the difference between the rate at which an asset is consumed or deteriorates (depreciates), and the cost required to renew or preserve the asset. If sufficient funds are not allocated for the preservation (or renewal) of assets then the condition of those assets will diminish and the value of Council's investment in those assets will also diminish. The consequences are loss of functionality, productivity, usability and safety, ultimately leading to risk exposures, reduced quality of life and amenity for the community, and loss of property value. It is therefore important for the City to fund the renewal of assets in order to maintain its investment in those assets. This is achieved by funding the depreciation expense on an annual basis and applying these funds to the renewal cost.

The chart below shows how the City aims to achieve full funding of depreciation over the next 10 years. The City estimates that, in the absence of other discretionary and recurring revenue increases from sources other than rates, this program will require own-source revenue increases equivalent to increases in rates-in-the-dollar averaging 2.5% per year, increasing from 2011-12 rates levels, dedicated exclusively to this purpose, every year until 2022/23.



7. Planning & Budgeting for Financial Sustainability

Long term financial plans and annual budgets for the City will be framed to:

- Balance over time the proportional allocation of resources to economic, social, cultural and environmental programs to meet statutory obligations and meet the needs and aspirations of the Community;
- Maintain levels of operational services needed by the community in terms of nature, access, scope, frequency and quality;
- Maintain the operational functionality, serviceability and safety of existing infrastructure, facility, public amenity and other built assets through appropriate preventative and corrective maintenance programs;
- Maintain levels of plant and equipment necessary to enable and support the delivery of services and facilities needed by the community;
- Recover past deficits or losses brought forward;
- Provide funds to service interest costs and repayment of principal for loans;
- Provide funds to renew/replace existing assets that have reached the end of serviceable working life;
- Provide own-source capital funds towards construction of new infrastructure, facility and public amenity assets determined by the Council as capital works required to meet the needs of City economic development, population growth and environmental sustainability;
- Provide untied funds to enable the City to access Federal or State capital grant programs requiring equal or partial matching funds;
- Create and maintain a working capital untied cash capacity equivalent to no less than 5% and no more than 10% of annual rates revenue, to enable the City to respond to any unscheduled/urgent asset renewal/replacement demands, respond to natural disasters or emergencies, or respond to unanticipated opportunities for projects demonstrably in



