Long Term Financial Strategy 2020/21 - 2029/30

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Foreword

I am pleased to introduce Council's Long Term Financial Strategy to the Baw Baw Shire community.

This Council is committed to ensuring financial accountability and sustainability for our community.

The Long-Term Financial Strategy is a tangible example of that commitment and is a credit to the Council officers who have worked tirelessly to make good on Council's desire to develop such a vital strategy.

Critical issues such as borrowing, depreciation, the asset renewal gap, rates revenue and the level of delivered services are all addressed within this strategy. Not only does the strategy help to guide Council in its decision-making over the next decade, it also gives the community an insight into the financial tensions inherent in managing such a broad and diverse organisation.

The importance of addressing capital expenditure is made very clear by the strategy. It is a situation that we cannot afford to ignore. When our capital expenditure does not match the cost of renewing our assets, we are setting ourselves up for greater expense, and problems, in the long term. As a Council and as a community, we must be prepared to invest in the future.

I hope that this plan is a catalyst for greater community participation in Council budgeting into the future. What services does the community want Council to deliver now and into the 2020's? What does the community see as being Council's remit? These are the conversations we need to be having, even more so since the introduction of Rate Capping, and we hope that this document can kick start those discussions.

I commend this strategy to you and look forward to hearing from members of our community on Council's direction for the next decade.

Cr Danny Goss
Mayor

1 Summary

The Long Term Financial Strategy (LTFS) is developed to align financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of Council's service objectives and financial challenges.

The LTFS is designed to provide the following objectives:

- establish a prudent and sound financial framework, combining and integrating financial strategies as expressed in its Council Plan,

- 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;

- establish a financial framework against which Council's strategies, policies and financial performance may be measured

- ensure that Council complies with sound financial management principles, as required by the Local Government Act (1989) and plan for the long term financial sustainability of Council;

- allow Council to meet the objectives of the Local Government Act (1989) to promote the social, economic and environmental viability of municipal district and its role in maintaining the viability of Council to ensure that resources are managed in a responsible manner;

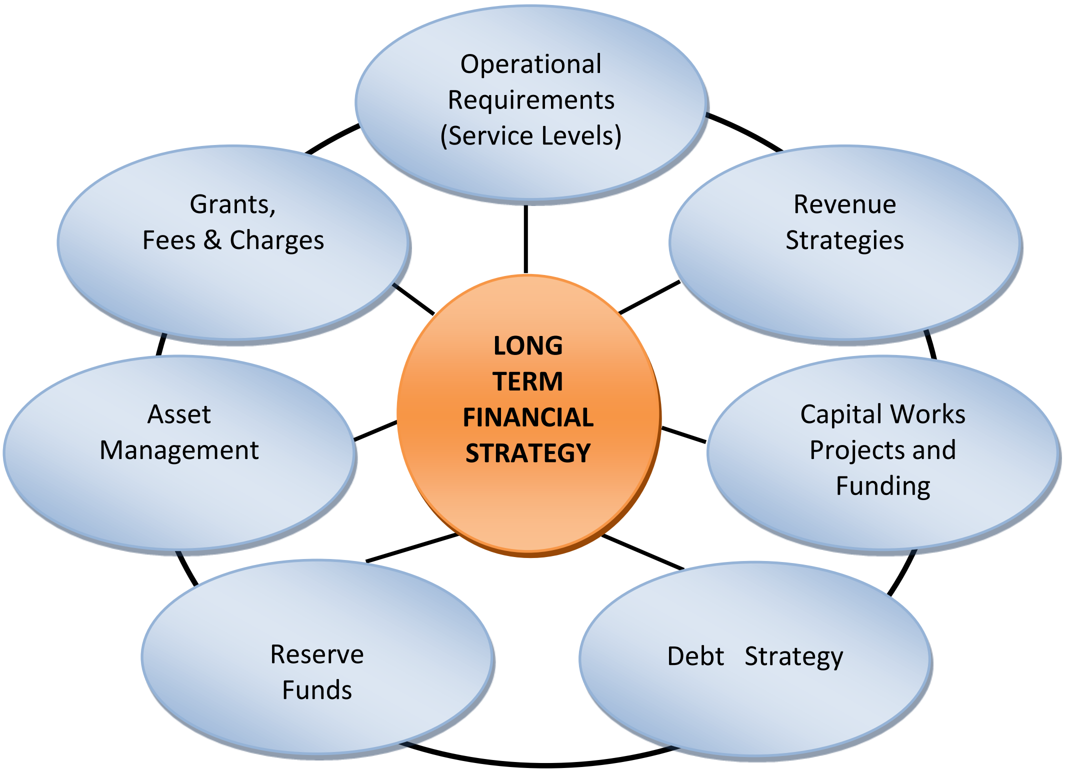
While compliance with the legislation can be achieved with the development of mandatory Strategic Resource Plan (four year) financial statements, a 10-year approach that is supported by a ten year long term financial plan (LTFP financial model) will better support Council's financial sustainability objectives. Notwithstanding the importance of the ten year view, this Strategy is aligned to the four year Strategic Resource Plan adopted at the time of completion of the 2020/21 Budget.

The Strategy will be reviewed on an annual basis and represents a comprehensive approach to document and integrate the various strategies (financial and other) of Council. The development of the long term financial projections represents the output of several strategy areas that is represented by the following diagram.

While meeting Council's service needs within a financially sustainable framework, the funding scenarios within the Strategy are designed to consider the impact to the community particularly with regard to the affordability of rates and charges.

While establishing a long term financial framework for Council's strategic financial direction, the specific projects and services to be funded in any given year are the subject of Council's consideration, review and approval during the annual budget process.

The LTFS is designed to assist the Council and the community to sustainably manage the growth and development of the Shire over the next 15-20 years. The Shire-wide Baw Baw Settlement Management Plan will guide growth and development of towns and localities across the Shire, prepare for the projected population changes, and identify key infrastructure needs. Council's long term strategy is designed to provide a financially sustainable model that will deliver on the expectations identified within the community vision statement. More specifically the purpose of the LTFS is to provide a mechanism that will continue to fund ongoing services to the changing population demographic as well as fund the identified infrastructure needs.



2 Objective of the Long Term Financial Strategy

The Strategy is intended to achieve a number of objectives within the ten year timeframe.

The achievement of a prudent balance between meeting the service needs of our community and remaining financially sustainable for future generations is a key platform of the strategy.

The strategy aims to fund the ongoing provision of quality services, while meeting the community needs within a financially sustainable context.

Achieving a financially sustainable context is achieved by maintaining an ongoing operating surplus and debt levels within policy and prudential guidelines.

The strategy framework includes the ability to manage funding for capital works as well as meet the asset renewal requirements that is articulated within the asset management plans.

This LTFS is developed as a planning tool rather than as a statutory compliance document. The LTFS and financial statements included to Appendix 1, do not include impacts for the new accounting standards regards grants and operating leases. While the impact of the new accounting standards are included to the 2020/21 Budget, they are not expected to significantly impact the intent of this strategy that is designed to provide a financial framework and planning tool for Baw Baw's long term financial sustainability.

3 Strategic Direction Outcomes

The following table highlights the key strategies of the strategy. Each section includes a detailed analysis to support the relevant strategies.

Each of the strategy recommendations are designed to support Council's strategic financial direction and are subject to review and confirmation during the annual budget process.

Summary - Strategy Recommendations

1. That Council endorse the rating parameters applied in this Strategy based on the rate cap increase of 2.0%.

2. That Council applies differential rates for:
   - General Residential properties.
   - Farms at a discount of 10% to the general rate.
   - Vacant land with a surcharge of 80%.
   - Commercial and Industrial properties with a surcharge of 20%.
   - Urban Living at a discount of 10%.
   - Residential Development with a surcharge of 30%.

3. That Council, where appropriate, applies loan borrowing to fund new and/or significantly upgraded major assets that provide a broad community benefit while total debt remains within the maximum 40% prudential limit (Debt Management Ratio).

4. That Council continues to review its critical infrastructure renewal requirements and allocate funds to the replacement of existing assets.

3.1 Financial Sustainable Position

To ensure ongoing financial sustainability the following performance outcomes are identified:

- Achieving and maintaining an adjusted underlying operational surplus (refer Appendix 1 Financial Statements – Comprehensive Income Statement) prior to the recognition of capital income over the life of the Strategy;

- Increasing the capital works investment, funded from operational sources to a sufficient level that allows it to adequately fund its asset renewal requirements;

- That the asset management funding gap identified between existing asset renewal funding and that required to maintain assets at present levels, be progressively addressed through the period of this Strategy;

- That Council endorse through this Strategy, the principle that ongoing asset renewal requirements are be funded from ongoing operational funding sources and that non-renewable funding sources such as asset sales, reserve funds or loan funds not be used to address these needs;

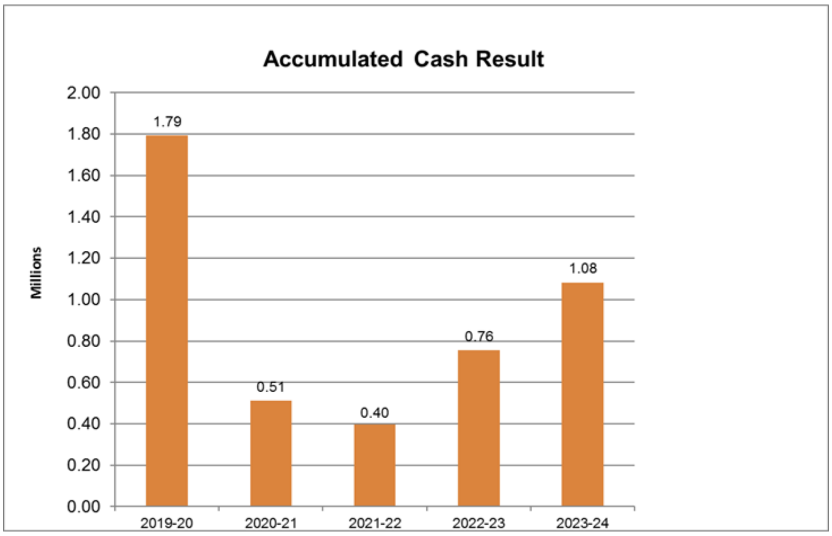
- Maintaining a working capital (liquidity) ratio above 1.2 to ensure adequate cash to fund day to day operational needs as they fall due.

3.2 Accumulated Cash Result

The Accumulated Cash Result (ACR) is a measure of financial performance that identified the available and unallocated cash after funding the services and projects in each budget year.

While the accounting standards provide a comprehensive result within the Income Statement, this accounting surplus (or deficit) includes non-cash income items that do not reflect the available cash for reallocation. Council's 2020/21 draft budget reports an accounting surplus of $14.0 million that includes $6.9 million of non-cash income, excludes the cost of the $35.8 million capital works program as well as including $16.8 million of non-cash depreciation expense. Removing these non-cash items from the $14.0 million surplus then adding back the cash items, not included to the accounting surplus, results in an accumulated cash surplus of $0.51 million for the 2020/21 Budget year.

The below bar graph reflects the estimated accumulated cash surplus or deficit for the years 2020/21 to 2023/24 after adjusting for non-cash items and adding back cash items, such as capital works, not included to the accounting surplus. The Accumulated Cash Result should be read in conjunction with Reserves Usage Strategy (section 6) that reports cash held in reserves for specific purposes. The Accumulated Cash Result is the remaining cash after allocation of available cash in reserves and after funding of all expenditure identified in both the operating budget and the capital works program. The results indicate that Council has minimal, if any, accumulated cash that remains unallocated.



3.3 Performance Reporting

The financial performance indicators report the results for the prior year's 2015/16 to 2019/20 and the future year projections from 2020/21 to 2022/23. The LFPRF financial performance results are based on the 2018/19 Annual Financial Statements and included at Appendix 3.

While the LGPRF discloses a sustainable financial position, the ratios are regularly updated to ensure ongoing sustainability. The up to date version of the key ratios are reflected in the Long Term Financial Plan Appendix 1 Financial Statements as well as Appendix 2 VAGO Performance Ratios. The up to date ratios are based on the 2020/21 Budget.

The LGPRF measures, per Appendix 3, are reflected by:

- Average residential rate per residential property – indicates the average rates paid for each residential property.
- Expenses per property assessment – total expenses divided by total number of properties indicates the average cost of operating Council for each ratepayer.
- Workforce turnover – number of resignations compared to the total number of staff.
- Working capital – above 120% for each year reflecting adequate capacity to meet short term liabilities.
- Unrestricted cash – the result indicates there is sufficient cash to meet short term liabilities.
- Asset renewal – target is to remain above 100% that requires further work and review. While the future years ratio is below the preferred 100%, this report is prior to the completion of the 2020/21 Budget that now identifies increased investment to renewal capital. This increased renewal investment is reported at Appendix 1 – Statement of Capital Works.
- Loans and borrowing compared to rates – maximum of 26.8% that is well within Council's policy to retain total debt to within 40% of rate revenue. The LTFS reflects further borrowings during the 2020/21, 2021/22 and 2022/23 financial years, to partly fund new strategic capital projects.
- Loans and borrowings repayments compared to rates – maximum of 4.0% that is well within the preferred guide to retain interest and debt repayments to within 10% of rate revenue.
- Indebtedness – non-current liabilities divided by own source revenue. The guideline is to remain below 40%.
- Adjusted underlying result – the target is to remain above 0%. The table at Appendix 3 reflects positive above 0% results with the exception of the 2021/22 financial year is a minor negative projection of 0.4%.
- Rates concentration – rates compared to adjusted underlying revenue measures the reliance on rate revenue that will be partly impacted by rate capping for ensuing years.
- Rates effort (rates compared to property values) – rates levied relative to the total value of properties in the municipality. There is limited capacity for Council to influence this measure due to rate capping.

4 Revenue Strategies

4.1 Proposed Rating Levels

The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property.

Council and the community confront trade-offs and the principles are designed to improve the quality of decision making in this environment.

The Victorian Government has now established the Fair Go Rates System (FGRS), which is a framework limiting the maximum amount Council may increase rates in a year without seeking additional approvals.

Each year the Minister for Local Government will set the rate cap that will specify the maximum increase in Council's rates and charges for the forthcoming financial year. The rate cap set by the Minister for 2020/21 is 2.0 per cent. Council does not propose to seek a variation to the 2020/21 rate cap.

Baw Baw Shire Council currently applies the Capital Improved Valuation methodology in order to levy its rates. Council currently applies differential rating (versus uniform rating) and has six differential rates in use.

The following table below highlights the various "surcharges and discounts" that are utilized in the current rating structure.

Council has structured its approach to rating to raise a higher proportion of its rate revenue from its commercial, industrial and vacant land sectors while providing a discount to farm and urban farm ratepayers.

Rating Category	Budget 2020/21 Rate in $	Differential Rating Category
General (Residential)	0.003397	1.0
Commercial and Industrial	0.004077	1.2
Vacant land	0.006115	1.8
Farm	0.003058	0.9
Urban Living	0.003058	0.9
Residential Development	0.004417	1.3

Council currently utilises a service charge to fully recover the cost of the waste disposal services.

Baw Baw Shire Council applies the Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rates across the community.

- CIV provides Council with the ability to levy a full range of differential rates. Limited Differential rating only is available under the other rating bases.

Strategy Recommendations
1. That Council applies differential rates for: • General Residential properties. • Farms at a discount of 10% to the general rate. • Vacant land with a surcharge of 80%. • Commercial and Industrial properties with a surcharge of 20%. • Urban Living at a discount of 10%. • Residential Development with a surcharge of 30%. 2. That Council continues to allow a 100% discount on the Cultural and Recreational properties subject to a two-yearly review being undertaken.

4.2 Rating Strategy – the future impact

A key decision of Council during the life of the Long Term Financial Strategy is to determine the level of rate increase that will address funding levels for capital works, service provision for the municipality and maintain Council's long-term financial sustainability. Council will need to assess, on an annual basis, its appetite to seek a variation to the State Government rate cap.

The LTFP includes rate revenue for 2020/21 of $53.11 million based on the rate cap of 2.0 percent, plus growth of $0.50 million, over prior year levels. The total rate revenue generated is therefore $53.63 million including supplementary valuations (growth).

Baw Baw Shire Council currently applies a service charge for the collection and disposal of waste on properties that fall within the collection area. Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the service.

A total of $8.90 million is included for waste service charges. Total revenue from rates and service charges for 2020/21, including growth (supplementary rates and charges) is $62.53 million (excluding interest on rate income).

Council's annual costs are expected to increase by 3.8% mainly due to the provision for new staff to cover growth in services mainly in the areas of statutory planning, additional costs to fund the new and expanded road maintenance contract plus higher depreciation expenses. By contrast revenue is expected to reduce by 0.5% mainly due to the impact of COVID-119 that is expected to result in a reduction to user changes and rental income of $1.2 million.

Council is budgeting for a surplus of $14.07 million during 2020/21 (before the impact of asset revaluation increments) however if should be noted that $16.21 million of income, comprising non-recurrent capital grants plus monetary and non-monetary contributions, is dedicated specifically to fund capital projects. Excluding this income Council's 2020/21 budget would therefore reflect a deficit of $2.14 million ($14.07 million less $16.21 million)

The rating strategy is based on future years base rates increasing by 2.0% with no allowance for rate variations to be approved above the cap. The rate increase of 2.0% is expected to be marginally below the rate of increase of Council's cost base thereby placing some limitation to future capital works programs and the capacity to fully fund infrastructure renewal needs.

Asset Management identifies the significant challenges to both maintain infrastructure at agreed service levels and close the pre-existing infrastructure gap.

These challenges are not able to be met from within the existing resource base without a significant alteration to the current provision of operational services.

4.3 Revenue from Grants and Contributions

The Strategy includes grant revenue as an integral component of Council's funding mix for the coming ten years. The assumptions and escalation factors for grant revenue are identified within Section 10, Financial Projections.

Grants and contributions are identified as Operating or Capital. A further dissection applies for recurrent and non-recurrent grant income. The majority of Council's operating grants are recurrent in nature.

Baw Baw Shire Council currently receives in the order of $14.85 million for recurrent operating grants representing 14.82% of total income.

Capital grants are generally one off in nature and vary depending upon the level of capital works expenditure to which the funding is applied. For the 2020/21 Budget year Council proposes to receive a total of $14.85 million operating plus a further $7.01 million capital grants as well as $4.05 million contributions to be applied to the annual capital works program.

4.4 Revenue from User Charges, Fees and Fines

User charges, fees and fines for 2020/21 are expected to total $4.67 million that represents in the order of the 4.7% of total operating income. Income from user charges, fees and fines is budgeted to be in the order of $0.85 million lower than the prior year budget due to the impacts of COVIP-19. The major areas of income reduction include the West Gippsland Arts Centre, local laws permits and fines, health registrations ad asset protection fees.

This income category comprises:

- Statutory fees and fines – these charges are fixed by law and can only be increased in line with the annual increases announced by State Government.

- Discretionary fees and fines - the balance of fees and charges is discretionary wherein Council may levy and increase these charges at its discretion.

The annual Schedule of Fees and Charges includes a detailed listing of user charges, fees and fines adopted during the annual budget process.

Strategy Recommendations
1. That Council endorse the rating parameters applied in this Strategy based on an annual rate increase of 2.0% per annum. In addition, supplementary rates are expected to raise a further 0.8% for growth (mainly new ratepayers); 2. That Council continue its focus of securing grant revenue particularly for capital works projects and; 3. That Council seeks to maximise revenue from user charges, fees and fines by applying an annual cost escalation factor as the index to all discretionary fees and charges.

5 Long Term Borrowing Strategy

This section includes a review of Council's:

- Current debt position and
- Future debt strategy

5.1 Current Debt Position

The following table reports Council's current debt position and the movements in total interest bearing liabilities 2016/17 to 2020/21.

	2016/17 $'000s	2017/18 $'000s	2018/19 $'000s	2019/20 $'000s	2020/21 $'000s
Total Debt	**13,892**	**12,422**	**11,607**	**11,168**	**15,323**

During the 2020/21 budget year Council is proposing to borrow a total of $8.155 million:

- Borrow $4.155 million for new capital works; and
- Refinance a $4.0 million loan facility applied to partly fund the West Gippsland Arts Centre (WGAC).

5.2 Future Debt Strategy

Future loan borrowing should generally be applied to fund capital expansion and new projects rather than recurrent expenditure for day-to-day operations and/or asset replacement.

Expenditure of a renewal nature, both operating and capital, should be funded from renewable revenue sources rather than non-renewable sources such as loans, asset sales and reserves.

Council's future debt strategy will align with the Baw Baw Shire Council Borrowing Policy. The policy is designed to demonstrate prudent financial management by using loan facilities to fund specific capital projects. Consideration of loan facilities as a source of funding is to be assessed against the following predetermined criteria:

1. Intergenerational equity – that the loan be paid by future generations who benefit from projects funded by the loan proceeds;

2. Capital infrastructure – loan borrowings to be used to fund capital infrastructure, usually new and upgrade projects;

3. Loan term – that the loan term does not exceed the life of the infrastructure asset funded by the loan proceeds and;

4. Prudent Debt Levels – that Council assess its capacity to borrow against prudent financial guidelines.

5.2.1 Prudent Debt Levels

Council assessed its capacity to borrow against prudent financial guidelines.

The administration of the Local Government sector's borrowing involves:

- The collation of the sector's borrowing requirements through an annual survey;
- The assessment of individual council's borrowings; and
- Recommendation to the Department of Treasury and Finance (DTF) of the aggregate net new borrowing requirement of the sector.

All borrowings by individual councils are assessed under a borrowings assessment policy adopted by the Local Government Division.

The following financial ratios are identified to manage Council's capacity for debt.

Measure	Description	Financial Guideline (maximum)	2017/18	2018/19	2019/20	2020/21
Debt Management Ratio	Total debt as a % of rates	40.0%	22.2%	19.3%	18.6%	24.5%
Debt Servicing	Interest costs as a % of total revenue	5.0%	0.8%	0.6%	0.5%	0.5%
Debt Commitment	Principal and Interest as a % of rates	10.0%	3.9%	8.9%	8.1%	7.2%

- Debt Management Ratio - total debt divided by rates is to be a maximum of 40% (Borrowing Policy) notwithstanding that prudential guideline allows a maximum of 80% for total debt to rates. Council's ratio is well within both prudent guidelines and the Borrowing Policy and is projected to be 24.5% at the completion of the 2020/21 financial year.

- Debt Servicing – interest repayments as a percentage of total revenue. This measure reflects the proportion of total revenue that is used to service debt (interest on outstanding debt) and which cannot be used directly for service delivery. Ideally the ratio should remain below 5.0%. Council's ratio is projected to be 0.5% for the 2020/21 financial year that is well within prudent guidelines.

- Debt Commitment - principal and interest repayments divided by total rates. This ratio measures the amount of rate dollars being spent to repay debt and interest as an overall percentage of rate revenue. It is preferable that this ratio remain below 10%. Council's ratio is within the prudential guideline and projected to be 7.2% at the for the 2020/21 financial year. The increase from the 2018/19 year is mainly due to the annual rollover of the $4.0 million loan for the West Gippsland Arts Centre.

Council has utilised the Municipal Association of Victoria Local Government Funding Vehicle (LGFV) for the 2014/15, 2015/16 and 2016/17 loans that offered a bond issue facility.

5.2.2 Future Loan Requirements

This Strategy includes projected future borrowing assumptions to highlight the likely impact to Council's financial position as well as the potential applications for future borrowings.

All new borrowings are to be included to the annual budget and adopted by Council prior to the approval and drawdown of loan funds.

The 2021/22 and 2022/23 years are proposing additional borrowing of $2.47 million and $5.55 million respectively to partly fund new community projects including outdoor sports facilities and community hubs.

Projected future borrowings have been structured to ensure that Council does not exceed an indebtedness level more than 40% of annual rate revenue (Debt Management Ratio). As reflected in the above table, the debt management ratio remains well below 40% at the completion of the 2019/20 and 2020/21 financial years.

Future years borrowing ratios may also be impacted by the capitalisation of operating leases that are now included to the budgeted financial statements that comprise a total of $2.34 million lease liability at the end of the 2020/21 budget year. Even if included with loan borrowings, this amount is not expected to result in a significant impact to the prudent debt ratios.

Strategy Recommendations

1. That prior to undertaking any future borrowings, Council model the implications of the proposed loan program within the long term financial plan and determine the funding mechanism to meet annual debt servicing and redemption requirements;

2. That Council remain within the maximum 40% prudential limit (Debt Management Ratio) and;

3. That Council applies loan borrowing to fund new and/or significantly upgraded major assets that provide a broad, multigenerational community benefit.

6 Reserve Usage Strategy

Reserve funds are amounts of money set aside for specific purposes in later years. In general, these funds are identified as restricted cash that is quarantined from Council's surplus cash.

6.1 Nature of Reserves

Council utilises the following reserve funds.

- Open Space
- Open Space – Development Contributions
- Development Contribution Plans
- Defined Benefits Superannuation
- Unexpended Grants
- Land Sales – Statutory and Discretionary
- Native Vegetation Offset Scheme
- Loan Repayment
- Community Infrastructure
- Capital Development Reserve
- Capital works carryover
- Library facility reserve

6.1.1 Open Space

The Open Space Reserve holds funds contributed by developers for works associated with developing and improved public open space and recreational facilities within Council. Funds are contributed in accordance with Section 18 of the Subdivision Act and transfers are restricted to the purpose of creating open space such as parks, playgrounds, pavilions and other such items where it is deemed that these works should occur at a later point than the initial development.

Transfers to the reserve (inflows) comprise contribution income from subdividers in lieu of the 5.0% Public Open Space requirement. Transfers from the reserve (outflows) are applied to fund Open Space capital projects on an annual basis.

The Open Space - Development Contribution Reserve is a new fund to hold levy income pursuant to a Public Infrastructure Plan (PIP) and payable to Council by landowners. The PIP will generally identify the Open Space levy amount, or quantum of land in lieu of payment, due to Council prior to the issue of a Statement of Compliance.

6.1.2 Development Contribution Plans

This reserve retains funds received from developers for infrastructure provision related to the Baw Baw Shire Development Contributions Plans.

Council has three (3) Development Contribution Plans with currently two reserves established to manage DCP01 and DCP02 (Warragul). A third reserve will be established for DCP03 (Drouin) when Council is in receipt of DCP03 levies from developers. Development Contribution Plan reserves (DCP02 & 03) was introduced to manage proceeds from the recently adopted Precinct Structure Plans within Warragul and Drouin.

Transfers from this reserve will be for nominated capital works for Development Infrastructure projects and Community Infrastructure projects. These funds are tied directly to the income received or cash funds refunded to developers for capital works completed directly by the developer.

Whilst this Reserve fund displays a projected increasing balance over the term of the Development Contributions Plan (DCP01), all reserve funds will eventually be expended at the conclusion of the DCP.

DCP02 and DCP03 - Due to the impact of developer works in kind arrangements, where developers are expected to complete infrastructure works in lieu of Council receiving levy income, there is limited levy income (transfers to reserve) identified after the 2020/21 financial years notwithstanding the increased level of activity. Council’s current information from its DCP Priority Development team indicates that developer activity that would normally give rise to the receipt of levy income, is now expected to be applied to offset ‘works in kind’ credits where developers will complete DCP capital projects on behalf of Council, and apply levies payable to offset capital woks rather than remit the levies due as cash payments to Council.

6.1.3 Defined Benefits Superannuation

The purpose of this reserve is to set aside any surplus funds from annual savings in employee costs (budget to actual variance) to fund future calls relating to the defined benefits superannuation scheme. There is minimal change to this reserve as there were no recent identified savings, to increase the reserve, or advised calls necessary to repay the defined benefits scheme.

6.1.4 Unexpended Grants

The purpose of this reserve is to set aside any unexpended grant funds arising at the completion of a prior financial year in order to then allow them to be carried over to the following year for matching against the relevant operating and capital expenditure.

Transfers to this reserve will be unspent government grants for operating and capital and projects. Transfers to this reserve will be in the form of funds, accumulated to the reserve and then applied to the following financial year to match with the associated operating and capital expenditure.

6.1.5 Land Sales

Council has allocated two reserves, statutory and discretionary, that comprises proceeds from the sale of Council land. The statutory reserve is to comprise the proceeds from open space land. The discretionary reserve comprises sales from all other Council land that is not required to be held for a specific purpose.

6.1.6 Native Vegetation Offset Scheme

This reserve is designed to hold contributions in order to complete the native vegetation program works.

6.1.7 Loan Repayment

This is a discretionary reserve to hold funds for the repayment of interest only loans. The annual contributions are equal to the deemed principle repayment so sufficient funds will be available to fund the future repayment of interest only loans.

6.1.8 Community Infrastructure

The purpose of this reserve is to set aside surplus funds from annual budget savings for the construction of new community infrastructure including allocation to a community hub style facility. The majority of this reserve is expected to be allocated to partly fund new community facilities during the years 2020/21 to 2023/24.

6.1.19 Capital Development Reserve

The reserve holds the surplus after statutory funds are allocated from a DCP reserve to complete identified infrastructure works. Council's policy is to reimburse the indexed value of identified infrastructure projects within each of the DCP schemes. In the event the actual project cost is less than the indexed value, as allocated from a DCP reserve, the surplus funds are allocated to the Capital Development Reserve.

6.1.10 Capital Works carryover

The purpose of this reserve is to set aside unexpended funds for incomplete capital works arising at the completion of a prior financial year in order to then allow them to be carried over to the following year for matching against the relevant capital expenditure.

Transfers to this reserve will be the balance of capital projects that are incomplete at the end of the prior financial year.

Transfers to this reserve will be in the form of funds, then applied to the following financial year to match with the associated capital expenditure to complete prior year projects.

6.1.11 Library Facility Reserve

This reserve is Council's proportion of a reserve fund held by the West Gippsland Libraries (WGL). Council is an equity shareholder in the WGL and this amount is only available for use by the Library Corporation.

6.2 Restricted and Discretionary Reserves

Reserve funds are either restricted or discretionary. Restricted reserves are legally required to be used for a specific purpose. The restricted reserves as highlighted in light green (refer Reserve table below) are:

- Open Space
- Development Contribution Reserves
- Land Sales
- Native Vegetation
- Library Facility

Discretionary reserves do not have a legal restriction wherein their creation and application are at the discretion of Council. The discretionary reserves are:

- Defined Benefits Superannuation
- Unexpended Grants
- Land Sales
- Loan Repayment
- Community Infrastructure
- Capital Development Reserve
- Capital works carryover

6.3 Projected Reserve Funds

The following table highlights the projected reserve fund balances over the next four years.

The Open Space reserve is projected to increase in the order of $250k per annum based on estimated contribution income. Development contributions (DCP 01) are aligned to the remaining years of the Development Contribution Plan reserve when the reserve is to be fully expended.

The Unexpended Grants reserve mainly comprises Financial Assistance Grants paid in advance and to be expended in the ensuing financial year. The Capital works carryover reserve is applied to fund Capital projects carried over from 2019/20 and identified for completion during the 2020/21 financial year. The loan repayment reserve is a discretionary reserve to accumulate sufficient funds to repay interest only loans. The first repayment from this reserve is during the 2021/22 year.

Reserves	Forecast 2019-20	Budget 2020-21	Projection 2021-22	Projection 2022-23	Projection 2023-24	Projection 2024-25	Projection 2025-26
Open Space							
Opening balance	2,336	2,276	2,251	2,420	2,614	2,918	3,332
Transfer to reserve	375	375	384	394	404	414	424
Transfer from reserve	(435)	(400)	(215)	(200)	(100)	0	(106)
Closing balance	**2,276**	**2,251**	**2,420**	**2,614**	**2,918**	**3,332**	**3,650**
Defined Benefits Super							
Opening balance	679	679	679	679	679	679	679
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	0	0	0	0	0	0	0
Closing balance	**679**	**679**	**679**	**679**	**679**	**679**	**679**
Development Contributions - DCP01							
Opening balance	1,444	1,917	1,861	2,094	2,137	2,164	2,808
Transfer to reserve (Levy income)	849	849	870	892	914	937	961
Transfer from reserve (Capital projects)	(376)	(905)	(637)	(849)	(887)	(294)	(300)
Closing balance	**1,917**	**1,861**	**2,094**	**2,137**	**2,164**	**2,808**	**3,468**
Development Contributions - DCP02							
Opening balance	1,485	2,200	1,592	4,410	7,298	10,259	13,293
Transfer to reserve (Levy income)	2,749	2,749	2,818	2,888	2,960	3,034	3,110
Transfer from reserve (Capital projects)	(2,034)	(3,357)	0	0	0	0	0
Closing balance	**2,200**	**1,592**	**4,410**	**7,298**	**10,259**	**13,293**	**16,403**
Development Contributions - DCP03							
Opening balance	0	79	158	239	322	407	494
Transfer to reserve (Levy income)	79	79	81	83	85	87	89
Transfer from reserve (Capital projects)	0	0	0	0	0	0	0
Closing balance	**79**	**158**	**239**	**322**	**407**	**494**	**584**
Unexpended Grants							
Opening balance	7,387	0	0	0	0	0	0
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	(7,387)	0	0	0	0	0	0
Closing balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Native Vegetation Offset Scheme							
Opening balance	316	316	316	316	316	316	316
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	0	0	0	0	0	0	0
Closing balance	**316**	**316**	**316**	**316**	**316**	**316**	**316**
Land Sales - statutory							
Opening balance	713	713	713	713	713	713	713
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	0	0	0	0	0	0	0
Closing balance	**713**	**713**	**713**	**713**	**713**	**713**	**713**
Land Sales - discretionary							
Opening balance	268	268	268	268	268	268	268
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	0	0	0	0	0	0	0
Closing balance	**268**	**268**	**268**	**268**	**268**	**268**	**268**
Loan Repayment							
Opening balance	4,004	5,287	5,190	3,000	4,390	6,336	8,282
Transfer to reserve	1,283	1,283	1,699	1,391	1,946	1,946	1,946
Transfer from reserve	0	(1,380)	(3,889)	0	0	0	(3,279)
Closing balance	**5,287**	**5,190**	**3,000**	**4,390**	**6,336**	**8,282**	**6,948**
Capital Works carryover							
Opening balance	7,235	3,501	0	0	0	(1,000)	(3,000)
Transfer to reserve	3,501	0	0	0	0	0	0
Transfer from reserve	(7,235)	(3,501)	0	0	(1,000)	(2,000)	(1,000)
Closing balance	**3,501**	**0**	**0**	**0**	**(1,000)**	**(3,000)**	**(4,000)**
Community Infrastructure							
Opening balance	2,500	2,130	1,530	147	147	147	147
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	(370)	(600)	(1,383)	0	0	0	0
Closing balance	**2,130**	**1,530**	**147**	**147**	**147**	**147**	**147**
Library - Facility Statutory							
Opening balance	171	171	171	171	171	171	171
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	0	0	0	0	0	0	0
Closing balance	**171**	**171**	**171**	**171**	**171**	**171**	**171**
Capital Development Reserve							
Opening balance	1,096	1,096	1,096	1,096	1,096	1,096	1,096
Transfer to reserve	0	0	0	0	0	0	0
Transfer from reserve	0	0	0	0	0	0	0
Closing balance	**1,096**	**1,096**	**1,096**	**1,096**	**1,096**	**1,096**	**1,096**
Reserve Summary							
Opening Balance	29,634	20,633	15,825	15,553	20,152	24,474	28,599
Transfer to Reserves	8,836	5,335	5,852	5,648	6,309	6,418	6,530
Transfer from Reserves	(17,837)	(10,143)	(6,124)	(1,049)	(1,987)	(2,294)	(4,685)
Closing Balance	**20,633**	**15,825**	**15,553**	**20,152**	**24,474**	**28,598**	**30,444**

7 Service Planning

The key objective of Council's Strategy is to maintain existing service levels and maintain a satisfactory operating position over the life of the plan.

7.1 Operational Performance

The range and level of services Council is able to offer the community is reviewed annually based on the outcome of community consultation undertaken during the year.

Council's proposed operating revenue for 2020/21 is $100.13 million while its costs are expected to total $86.06 million.

The LTFP is premised on Council is continuing to review its service levels across the shire and where possible and cost effective, maintain them at 2019/20 levels, excluding the impacts of COVID-19 where some services are not expected to resume operations until 1 January 2021.

Future service requirements include:

- Increased demand from the statutory planning team due to the growth and development within the municipality particularly in the areas of the Precinct Structure Plans.
- Demand for new and improved community infrastructure including the development of community hubs, kindergarten facilities and sporting complexes.
- Council building maintenance – revised building maintenance expenditure to ensure service standards are maintained across Council's extensive range of facilities.
- Parks and gardens maintenance – acquisition of gifted assets including park land has identified the necessity to increase the allocation to maintenance requirements.
- Additional capital for new / expansion and upgrade works in order to complete existing master plans and strategies.
- Home and Community Care – The service demand increase are partly offset by Council's decision to transition out of the disability service function including the decision to not register as a National Disability Insurance Scheme (NDIS) service provider.

7.2 Financial Performance Analysis

Council's financial position is characterised by:

- An underlying breakeven result for years 2020/21 to 203/24 inclusive of the LTFP that provides a basis for sound financial management and capacity to fund the infrastructure renewal program.
- Moderate debt ratios with the capacity to increase loan borrowing pursuant to Council's long term borrowing strategy.
- A capital works program targeted to fund renewal demand as well as new projects including, where possible, the developer contributions plan works.
- An updated condition based assessment of infrastructure assets to inform the Long Term Infrastructure Plan and identify priority renewal requirements.

8 Asset Management

Asset Management is a major component of the LTFP as it provides an indicator of the financial resources necessary to maintain and improve Council's asset base based on community needs.

8.1 Asset Portfolio

Fixed assets include land, buildings, roads, drains and other infrastructure assets. The total value of fixed assets as at 30 June 2019 was $668.222 million (written down value).

Fixed Asset Category As at 30 June 2019	Replacement Value $'000s	Accumulated Depreciation $'000s	Written Down Value $'000s
Land (including land under roads)	130,957	-	130,957
Buildings	137,168	51,933	85,235
Plant and Equipment	5,524	3,047	2,477
Fixtures, fittings and furniture	4,262	4,069	193
Roads	444,266	76,238	368,028
Bridges	30,098	5,686	24,412
Footpaths and cycle ways	44,022	5,554	38,468
Drainage	76,084	12,832	63,252
Parks, open space and streetscapes	27,953	3,634	24,319
Off street car parks	7,588	2,869	4,719
Works in Progress	28,167		28,167
Total	**936,089**	**165,862**	**770,227**

Depreciation is reassessed following condition assessments and when general valuations are undertaken.

To ensure the ongoing delivery of service standards, it is necessary for Council to determine the cost to retain the current infrastructure portfolio including the long-term average cost of renewal plus maintenance.

The total infrastructure and building assets (Roads, Bridges, Footpaths and cycleways, Drainage, Off street car parks, Parks, open space & streetscapes as well as Buildings) comprise $789.8 million replacement value and $630.9 million written down value as at 30 June 2019. The 2018/19 annual depreciation for infrastructure and building assets totalled $15.0 million.

This result indicates that Council's infrastructure and building assets have a total useful life of 52.6 years ($789.8 million replacement value divided by $15.0 million depreciation) and an average remaining useful life of 42.1 years ($630.9 million written down value divided by $15.0 million depreciation).

That is, based on the audited annual financials, Council's infrastructure and building assets are in the order of 20% utilised (10.5 years divided by 52.6 years) and have in the order of 80% of their life remaining (42.1 years divided by the total life of 52.6 years).

The depreciation amount of $15.0 million is a product of recent revaluation of the major classes of infrastructure assets including roads, drains, bridges and footpaths as well as a revaluation of Council buildings. This work also included a detailed condition-based assessment of each asset class in order to reassess useful lives and therefore the annual depreciation charge.

The LTFP includes annual capital renewal in the order of $15.8 million for 2020/21 that, while insufficient to replace the estimate 2020/21 depreciation charge of $16.8 million, the renewal to depreciation ratio continues the improvement on the ratios reported in the prior years' forward projections. The renewal to depreciation ratio for 2020/21 is 94.0% (target 100%) with the ensuing three financials years, 2021/22 to 2023/24, are projected to be 82.6%, 80.6% and 78.8% respectively.

The following table provides a summary of the valuation of Council's infrastructure and building assets.

Infrastructure and Building Assets 2018/19	Replacement Value $M	Written Down Value $M	Annual Depreciation $M
Infrastructure	652.6	545.7	12.8
Building	137.2	85.2	2.2
Total	**789.8**	**630.9**	**15.0**

8.1.1 Infrastructure Assets

Council's infrastructure assets are in relatively sound condition and on average 7.4 years or 15% through their average total life of 50.0 years:

- Average total life of 50.0 years ($652.6 million divided by $12.8 million depreciation)
- Average remaining life of 42.6 years ($545.7 million divided by $12.8 million depreciation).

This high level result indicates that in the order of $12.8 million per annum is required to replace Council's infrastructure assets. This estimate is continually reviewed following the updated condition-based assessment of each asset class.

8.1.2 Building Assets

Council's building assets are generally in average condition reflecting the need for further renewal investment to this asset category. The table indicates that building assets are on average 23.7 years or 38% through their average total life of 62.4 years:

- Average total life of 62.4 years ($137.2 million replacement value divided by $2.2 million depreciation)
- Average remaining life of 38.7 years ($85.2 million written down value divided by $2.2 million depreciation)

This high level result indicates that $2.2 million per annum is required replace Council's building assets.

8.1.3 Asset Sales

During the review of the LTFP it is proposed to continually monitor the service requirements of realisable (saleable) assets, including land and buildings, that may be surplus to requirements and can be the identified as potential asset sales.

Asset sales will generally provide a cash injection that can be either quarantined to a discretionary reserve and/or applied to fund new or expanded assets that better reflect Council's service requirements.

8.2 Future Asset Management and Infrastructure Gap

Council continues to address the renewal funding gap and the maintenance funding gap particularly as shortfalls in maintenance funding accelerate the need to renew assets.

The challenges in managing infrastructure assets may differ as each group is re-assessed however common themes are expected to be present across all grouping.

These issues include:

- Collection and management of data;
- Understanding the relationship between maintenance and renewal works;
- Quantifying the backlog;

- Lifecycle costing; and
- Accurately projecting future renewal requirements and updating Council's Strategy to reflect these.

8.3 Asset Management Policy and Plans

Asset management policy and planning provides Council with a sound base to understand and manage the risk associated with managing its assets for the community's benefit.

Council continues to review and refine the process for establishing standards of service and delivery to the community. These revised levels of service are based on an assessment of risk and affordability that will also influence funding decisions into the long term.

Robust asset management practices will ensure that Council continues to meet the needs of current and future generations in a sustainable manner. Funding will need to be continually provided into the future to improve data collection and enable better understanding of asset performance. The ongoing assessment of agreed service levels and the application of a risk framework will enable Council to be more proactive in assessing the investment in infrastructure assets.

Each of the individual asset plans to be delivered by Council will detail a methodology for responsible management of that asset class, incorporate knowledge of the condition of the asset group, risk assessment issues, establishment of intervention and service levels, and the identification of renewal, backlog and maintenance funding requirements projected over the life of the Long Term Infrastructure Plan.

Council monitors asset condition and performance to:

- Identify those assets which are surplus to requirements;
- Predict when asset failure to deliver the required level of service is likely to occur;
- Ascertain the reasons for performance deficiencies; and
- Determine what corrective action is required and when (maintenance, rehabilitation, renewal).

Priority is on funding the annual renewal annuity based on predetermined service levels.

The infrastructure asset intervention levels identify the condition when infrastructure assets are to be replaced. The higher the intervention level the greater the asset deterioration prior to replacement. The condition sets the minimum service standard of infrastructure assets as a basis when funding is required for renewal purposes.

Lowering the intervention level would increase the dollar amount necessary for capital renewal as assets would be identified earlier (better condition) at the time of replacement.

Council, as asset managers, continually assesses the relative merits of rehabilitation/renewal/replacement options and identify the optimum long-term solution through a decision related to levels of service.

A renewal gap exists where the renewal expenditure is less than the renewal demand resulting in an annual increase in the percentage of assets that are above intervention (exceeds their useful life and past their due date for replacement).

It is recommended that no asset's condition be allowed to go below their respective intervention levels as the cost of renewal significantly increases and the asset's functionality, safety and ability to provide its intended service level is compromised.

Strategy Recommendations	
1.	That Council continues to allocate additional funds to the renewal of existing assets while investing in strategic infrastructure projects to service the growth within the municipality.
2.	That Council, as part of the review of its Asset Management Plans, continue to align the financial results (asset portfolio) that indicate a remaining useful life of 42.6 years (or 88%) and 38.7 years (or 62%) for infrastructure and building assets respectively.
3.	That Council, to maintain its critical renewal investment levels, continues to update its Asset Management Plans for all classes of Council assets incorporating service level assessments.

9 Capital Works – Program expenditure and funding sources

This section considers the asset management requirements of the previous section and provides a framework for renewal and improvement of Council's infrastructure.

The Strategy will focus on the following outcomes in order to:

- Improve and maintain the level of investment in infrastructure renewal;
- Maintain or improve the condition of Council's infrastructure;
- Invest in upgrade, expansion and new assets based on the expectations of the Council Plan and the funding principles with regard to the revenue strategy, the long term borrowing strategy and the reserve usage strategy.

Future years of the Strategy propose to allocate sufficient funds from rate revenue to complete the capital expenditure program.

9.1 Capital program expenditure

Council's longer term capital program is based on the following guidelines:

- Provide for expenditure growth required to level of sustainable renewal to meet the community's service level requirements (based on current Asset Management Plans);
- Continue to fund capital renewal as a priority followed by the allocation of funds to upgrade and construct new assets. Project priority is based on community needs in line with the Council Plan. This strategy has resulted in the inclusion of identified projects to the Long Term Infrastructure Plan
- Income assumptions to remain conservative given they are less predictable.

Council's ten-year capital program is reflected at Appendix 1 Capital Works Statement. In particular there is significantly higher investment in the 2020/21 to 2022/23 financial years.

The four-year future capital program includes a total of $29.7 million for new strategic projects mainly to develop sporting facilities and community hubs in response to the increased community demand. The $29.7 million is to be primarily funded from external grants, new loan borrowings and Council cash reserves.

The level of prior and current capital investment is reflected in the following table between the 2016/17 to 2020/21 financial year. The 2020/21 budget includes $3.51 million of project works carried forward from the prior 2019/20 year.

Capital Expenditure Type	2016/17 Actual $000's	2017/18 Actual $000's	2018/19 Actual $000's	2019/20 Forecast $000's	2020/21 Budget $000's
Renewal	$12,813	$12,201	$12,095	$15,342	$15,837
Upgrade	$5,581	$8,668	$8,588	$11,798	$7,130
New/Expansion	$6,049	$4,451	$4,034	$9,216	$12,783
TOTAL	**$24,443**	**$25,320**	**$24,717**	**$36,356**	**$35,750**

9.2 Capital funding sources

External capital funding includes capital grants, capital contributions, developer contributions and open space contributions.

Internal capital funding sources include Council cash contribution (rates), statutory reserves, discretionary reserves, asset sales and, where appropriate, land sales.

10 Financial Projections

10.1 Modelling Methodology

The Long Term Financial Plan (LTFP) establishes a framework for Council to benchmark its performance within the LG sector. The future year operating projections are modelled on the 2019/20 Budget and identify available funding to complete capital works while applying the financial ratios to demonstrate ongoing sustainability. The Budgeted Statements (financial statements) are the result of this modelling and included as Appendix 1.

10.2 Financial parameters and assumptions

The following information explains the major forecast parameters for the life of the ten year LTFP. Council's cost base (materials, services and contract costs) is expected to increase by more than the rate of CPI mainly due to:

- The impact of contract costs that are driven by price indexes other that Consumer Price Index and generally greater than CPI.
- An allowance for population growth and, where necessary, additional expenditure to meet the community demands for increases to existing service levels.

10.2.1 Rate revenue

Base rate revenue will increase by 2.0% for the 2020/21 year, based on the state government rate cap, with future annual increases of 2.0% per annum for the ensuing years of the long term financial plan. In addition, it is expected that during the 2020/21 year a further increase in the order of 0.1% per annum will be received for growth (additional properties) as a result of supplementary rates.

Waste charges will also increase by 2% to fully recover the cost of waste management including the additional impost for recycling charges and waste levy expenses.

10.2.2 Fees and charges revenue

Revenue from user fees and charges are expected to decrease by 15.5% for the 2020/21 Budget year due to the impacts of COVID-19. Ensuing year's revenue is not expected to be impacted by COVID-119 with 2021/22 revenue restated to current 2019/20 year levels with subsequent years increased by 2.5 percent per annum.

Statutory fees are set by legislation and are not necessarily indexed on an annual basis. Therefore the annual increase is set at 2.0% being marginally below the rate cap increase of 2.0%.

10.2.3 Grants and subsidies

Operating grants are expected to increase on an annual basis by approximately 2.5%. The 2020/21 increase of 42.6% is mainly due to the 2019/20 prior year comparative only reflecting 50% of the Financial Assistance Grants allocation (funding in the order of $4.3 million was received in the previous 2018/19 year). Additional funding is also expected to partly fund new staff positions identified at 10.2.5 below.

10.2.4 Investment income

Interest income received from the investment of surplus funds is pursuant to Council's Investment Policy. The future year's estimates are based on projected average cash balances held during the year and using current term deposit rates.

10.2.5 Employee costs

The 2020/21 Budget includes a 4.6% increase for employee costs. This result reflects the increase from the 2019/20 forecast actual to the 2020/21 budget. The increases are mainly due to:

- Salary increase for all staff pursuant to the Enterprise Bargaining Agreement; plus
- Reduction to the 2019/20 forecast actual due to the reclassification of the costs of relief staff to the "Materials, contracts and services' line item; plus
- Additional staff in the areas of statutory planning.

The ensuing years, from 2021/22 to 2023/24, reflect annual increases of 3.5% per annum to provide for annual EBA increases, some increases to salary increase within a band as well as a marginal increase to the delivery of existing services.

10.2.6 Materials, contracts and services

Materials, contracts and services are expected to increase by 2.1% compared to the prior year that includes additional costs to fund the expansion of Council's road maintenance contract. Future year cost increases are expected to be in the order of 3.0% per annum based on future CPI increases of 2% per annum plus an allowance for expansion of existing services due to ongoing growth within the municipality.

The 2020/21 result reflects the forecast over budget expenditure from the prior 2019/20 year. The rate of annual increase for the ensuing years is generally expected to exceed CPI mainly due to:

- Additional expense allocation to respond to community demands and the cost of maintaining existing services.

- Adjustments more than CPI for major contracts such as the expanded road maintenance that are impacted by costs drivers, including the road construction index and transport costs.

10.2.7 Borrowing costs

Borrowing costs for 2020/21 are budgeted at $0.445 million that is a marginal increase on the prior year. This result is mainly due to high interest loans now being fully repaid. During the 2020/21 budget year total borrowing is expected to increase by $4.155 million that will result in an increase to borrowing costs in the ensuing years of the Long Term Financial Plan.

Appendix 1 Financial Statements

		1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29
Period start		1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29
Period end		30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30
Comprehensive Income Statement												
Revenue from Operating Activities												
Rates and Charges	$'000	59,860	61,934	63,873	66,023	68,245	70,541	72,914	75,265	77,615	79,800	82,048
Supplementary Rates	$'000	480	600	766	792	819	846	875	828	621	638	638
Special Charges	$'000	-	-	-	-	-	-	-	-	-	-	-
Rate Assistance Package	$'000	-	-	-	-	-	-	-	-	-	-	-
Grants - Operating (Recurrent)	$'000	10,597	14,663	15,030	15,405	15,790	16,185	16,590	17,005	17,430	17,865	18,312
Grants - Operating (Non-recurrent)	$'000	-	-	-	-	-	-	-	-	-	-	-
Grants - Capital (Recurrent)	$'000	1,636	1,736	1,436	1,436	1,436	1,436	1,436	1,436	1,436	1,000	1,000
Grants - Capital (Non-recurrent)	$'000	8,753	5,271	14,807	1,580	1,780	1,250	5,291	2,527	1,052	1,513	1,872
Contributions (Non monetary)	$'000	8,328	6,896	7,103	7,316	7,535	7,761	7,994	8,234	8,481	-	-
Contributions (Monetary)	$'000	4,052	4,052	4,153	4,257	4,364	4,473	4,584	2,510	2,635	2,635	2,635
Reimbursements and Subsidies	$'000	-	-	-	-	-	-	-	-	-	-	-
User Charges	$'000	2,878	2,431	3,263	3,345	3,428	3,514	3,602	3,692	3,784	3,879	3,976
Statutory Fees and Fines	$'000	2,241	2,242	2,661	2,714	2,769	2,824	2,880	2,938	2,997	3,057	3,118
Total Revenue from Operating Activities	$'000	98,825	99,825	113,092	102,868	106,165	108,830	116,167	114,434	116,050	110,388	113,598
Revenue from Outside of Operating Activities												
Interest Revenue	$'000	821	715	736	759	781	805	829	854	879	906	933
Other Revenue Outside of Operating Activities	$'000	612	628	730	752	774	798	822	846	872	898	925
Total Revenue from Outside Operating Activities	$'000	1,433	1,343	1,466	1,510	1,556	1,602	1,651	1,700	1,751	1,804	1,858
Total Revenue	$'000	100,258	101,168	114,558	104,378	107,721	110,433	117,817	116,134	117,801	112,191	115,456
Operating Expenses from Ordinary Activities												
Employee Costs	$'000	(28,813)	(30,146)	(31,195)	(32,193)	(33,223)	(34,287)	(35,384)	(36,516)	(37,685)	(38,890)	(40,135)
Employee Costs Provisioned	$'000	-	-	-	-	-	-	-	-	-	-	-
Materials & Consumables	$'000	(32,995)	(33,652)	(34,365)	(35,609)	(36,677)	(37,778)	(38,911)	(40,078)	(41,281)	(42,519)	(43,795)
Utilities	$'000	-	-	-	-	-	-	-	-	-	-	-
Bad and Doubtful Debts	$'000	-	-	-	-	-	-	-	-	-	-	-
Depreciation	$'000	(16,366)	(17,020)	(17,701)	(18,409)	(19,146)	(19,911)	(20,708)	(21,535)	(22,396)	(22,883)	(23,389)
Amortisation of Intangible Assets	$'000	-	-	-	-	-	-	-	-	-	-	-
Amortisation of Landfill Rehabilitation	$'000	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	$'000	(4,424)	(4,584)	(4,699)	(4,816)	(4,936)	(5,060)	(5,186)	(5,316)	(5,449)	(5,585)	(5,725)
Interest on Borrowings (Finance Costs)	$'000	(440)	(512)	(524)	(605)	(771)	(771)	(851)	(701)	(701)	(701)	(701)
Service Review savings	$'000	-	-	500	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Operating Expenses	$'000	(83,038)	(85,914)	(87,984)	(91,132)	(93,754)	(96,807)	(100,040)	(103,147)	(106,511)	(109,578)	(112,745)
Net Surplus/(Deficit) from Operations	$'000	17,220	15,254	26,575	13,246	13,967	13,626	17,777	12,987	11,290	2,613	2,711
Adjustments												
Net Gain/(Loss) on Disposal of Property Plant & Equipment	$'000	(1,329)	(1,250)	(1,200)	(1,060)	(1,124)	(1,124)	(1,113)	(1,163)	(1,163)	-	-
Net Gain/(Loss) on Sale of Assets Held for Resale	$'000	-	-	-	-	-	-	-	-	-	-	-
Share of Net Profit/(Loss) of Associates and Joint Ventures	$'000	37	37	37	37	37	37	37	37	37	37	37
Unrealised Gain/(Loss on investment in Associates)	$'000	-	41	41	41	41	41	41	-	-	-	-
Total Adjustments	$'000	(1,292)	(1,172)	(1,122)	(982)	(1,046)	(1,046)	(1,035)	(1,126)	(1,126)	37	37
Operating Surplus/(Deficit) after Adjustments	$'000	15,928	14,082	25,453	12,264	12,921	12,580	16,742	11,861	10,164	2,650	2,748
Adjusted Underlying Surplus (Deficit)	$'000	(5,205)	(2,137)	(611)	(889)	(757)	(904)	(1,128)	(1,410)	(2,004)	(1,498)	(1,759)

Balance Sheet

Current Assets												
Cash and Cash Equivalents	$'000	34,707	28,993	27,505	32,582	37,068	42,605	40,519	44,444	46,426	49,114	51,731
Trade and Other Receivables	$'000	6,969	7,501	8,534	7,673	7,900	8,118	8,698	8,532	8,617	8,868	9,127
GST Receivable	$'000	-	-	-	-	-	-	-	-	-	-	-
Inventories	$'000	7	7	7	7	7	7	7	7	7	7	7
Accrued Income	$'000	-	-	-	-	-	-	-	-	-	-	-
Prepayments	$'000	-	-	-	-	-	-	-	-	-	-	-
Financial Assets	$'000	-	-	-	-	-	-	-	-	-	-	-
Assets held for resale	$'000	499	499	499	499	499	499	499	499	499	499	499
Other Current Assets	$'000	992	992	992	992	992	992	992	992	992	992	992
Total Current Assets	$'000	43,174	37,992	37,538	41,753	46,466	52,222	50,715	54,474	56,540	59,479	62,357
Non Current Assets												
Land Under Roads	$'000	-	-	-	-	-	-	-	-	-	-	-
Property Plant and Equipment	$'000	797,045	797,875	804,365	807,216	804,094	796,375	788,407	780,132	771,588	764,596	757,604
Infrastructure Assets	$'000	-	23,296	41,664	53,760	65,454	80,497	105,259	122,177	139,340	146,653	154,108
Investment Property	$'000	-	-	-	-	-	-	-	-	-	-	-
Intangible Asset	$'000	-	-	-	-	-	-	-	-	-	-	-
Landfill Rehabilitation Intangible Asset	$'000	363	363	363	363	363	363	363	363	363	363	363
Investment in Associates and Joint Ventures	$'000	1,959	2,000	2,041	2,082	2,123	2,164	2,205	2,205	2,205	2,205	2,205
Trade and Other Receivables (Long Term)	$'000	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	$'000	-	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	$'000	799,367	823,534	848,433	863,421	872,035	879,399	896,234	904,877	913,496	913,816	914,279
Total Assets	$'000	842,541	861,525	885,971	905,174	918,501	931,621	946,949	959,351	970,036	973,296	976,636
Current Liabilities												
Trade and Other Payables	$'000	10,033	10,646	10,884	11,252	11,510	11,899	12,268	12,648	13,004	13,444	13,860
GST Payable	$'000	-	-	-	-	-	-	-	-	-	-	-
Trust Funds and Deposits	$'000	4,482	4,616	4,755	4,898	5,045	5,196	5,352	5,512	5,678	5,848	6,023
Current Provisions	$'000	-	-	-	-	-	-	-	-	-	-	-
Current Landfill Rehabilitation Provision	$'000	85	-	-	-	-	-	-	-	-	-	-
Current Employee Benefits	$'000	6,449	6,449	6,449	6,449	6,449	6,449	6,449	6,449	6,449	6,449	6,449
Current Interest Bearing Liabilities	$'000	-	3,889	-	-	-	7,279	-	-	-	-	4,155
Total Current Liabilities	$'000	21,049	25,600	22,087	22,599	23,004	30,823	24,069	24,610	25,131	25,741	30,488
Non Current Liabilities												
Non Current Employee benefits	$'000	562	562	562	562	562	562	562	562	562	562	562
Non Current Provisions	$'000	-	-	-	-	-	-	-	-	-	-	-
Non Current Landfill Rehabilitation Provision	$'000	9,360	9,445	9,445	9,445	9,445	9,445	9,445	9,445	9,445	9,445	9,445
Non Current Interest Bearing Loans and Borrow ings	$'000	11,168	11,434	13,908	19,458	19,458	12,179	17,519	17,519	17,519	17,519	13,364
Total Non Current Liabilities	$'000	21,090	21,441	23,915	29,465	29,465	22,186	27,526	27,526	27,526	27,526	23,371
Total Liabilities	$'000	42,139	47,041	46,002	52,064	52,469	53,009	51,595	52,136	52,657	53,267	53,859
Net Assets	$'000	800,402	814,484	839,968	853,111	866,032	878,612	895,354	907,215	917,379	920,029	922,777
Equity												
Accumulated Surplus	$'000	389,260	401,603	425,742	436,936	448,570	458,939	473,697	483,437	491,195	493,845	496,593
Reserve Land Under Roads	$'000	-	-	-	-	-	-	-	-	-	-	-
Reserves - Statutory	$'000	6,466	8,205	9,518	10,588	11,876	14,087	16,071	18,192	20,598	20,598	20,598
Asset Revaluation Reserve	$'000	404,676	404,676	404,708	405,586	405,586	405,586	405,586	405,586	405,586	405,586	405,586
Total Equity	$'000	800,402	814,484	839,968	853,111	866,032	878,612	895,354	907,215	917,379	920,029	922,777

Cash Flow Statement

Cash flows from Operating Activities												
Rates and Charges Received	$'000	59,373	62,179	64,013	67,413	68,905	71,235	73,397	76,211	78,175	80,257	82,499
Grants - Operational Received	$'000	12,904	14,580	14,884	15,543	15,754	16,151	16,502	17,031	17,416	17,825	18,271
Grants - Capital Received	$'000	10,363	6,967	16,086	3,043	3,209	2,680	6,691	3,969	2,486	2,507	2,865
Interest Received	$'000	630	715	736	759	781	805	829	854	879	906	933
User Fees Received	$'000	2,950	2,417	3,231	3,374	3,420	3,506	3,583	3,698	3,781	3,870	3,967
Statutory Fees and Fines Received	$'000	1,981	2,229	2,635	2,739	2,762	2,818	2,865	2,943	2,994	3,050	3,111
Other Revenue Received	$'000	3,355	4,653	4,836	5,054	5,126	5,259	5,377	3,361	3,504	3,525	3,552
Employee Costs Paid	$'000	(28,623)	(29,876)	(31,089)	(32,029)	(33,107)	(34,111)	(35,217)	(36,344)	(37,524)	(38,692)	(39,946)
Materials and Consumables Paid	$'000	(32,872)	(33,350)	(34,248)	(35,427)	(36,549)	(37,584)	(38,728)	(39,890)	(41,104)	(42,302)	(43,589)
External Contracts Paid	$'000	(5,000)	-	-	-	-	-	-	-	-	-	-
Utilities Paid	$'000	-	-	-	-	-	-	-	-	-	-	-
Landfill Rehabilitation Expenditure Paid	$'000	-	-	-	-	-	-	-	-	-	-	-
GST Received / (Paid)	$'000	-	-	-	-	-	-	-	-	-	-	-
Trust Funds and Deposits	$'000	84	134	138	143	147	151	156	161	165	170	175
Other Expenses Paid	$'000	(4,404)	(4,543)	(4,184)	(4,294)	(3,923)	(4,039)	(4,167)	(4,296)	(4,430)	(4,562)	(4,703)
Net Cash flows from Operating Activities	$'000	20,741	26,106	37,039	26,317	26,526	26,870	31,287	27,696	26,343	26,555	27,134
Cash flows from Investing Activities												
Payment for Property Plant and Equipment and Infrastructure	$'000	(36,356)	(35,750)	(36,925)	(26,662)	(21,683)	(20,974)	(31,007)	(23,494)	(24,084)	(23,203)	(23,852)
Proceeds from Property Plant and Equipment and Infrastructure	$'000	171	250	300	440	376	376	387	387	387	-	-
Proceeds/(Payments) from/for Investment Property	$'000	-	-	-	-	-	-	-	-	-	-	-
Proceeds/(Payments) from/for Intangible Assets	$'000	-	-	-	-	-	-	-	-	-	-	-
Proceeds from/(to) Investments	$'000	-	37	37	37	37	37	37	37	37	37	37
Proceeds/(Payments) from/for Financial Assets	$'000	25,152	-	-	-	-	-	-	-	-	-	-
Net Cash flows from Investing Activities	$'000	(11,033)	(35,463)	(36,588)	(26,185)	(21,270)	(20,561)	(30,583)	(23,070)	(23,660)	(23,166)	(23,815)
Cash flows from Financing Activities												
Proceeds from Interest Bearing Loans and Borrowings	$'000	4,000	4,155	2,474	5,550	-	-	5,340	-	-	-	-
Repayments of Interest Bearing Loans and Borrowings	$'000	(4,439)	-	(3,889)	-	-	-	(7,279)	-	-	-	-
Finance Costs	$'000	(447)	(512)	(524)	(605)	(771)	(771)	(851)	(701)	(701)	(701)	(701)
Net Cash flows from Financing Activities	$'000	(886)	3,643	(1,939)	4,945	(771)	(771)	(2,790)	(701)	(701)	(701)	(701)
Net Change in Cash Held	$'000	8,822	(5,714)	(1,488)	5,077	4,485	5,538	(2,086)	3,925	1,982	2,688	2,618
Cash at Beginning of the Financial Year	$'000	25,885	34,707	28,993	27,505	32,582	37,068	42,605	40,519	44,444	46,426	49,114
Cash at End of the Financial Year	$'000	34,707	28,993	27,505	32,582	37,068	42,605	40,519	44,444	46,426	49,114	51,731
Cash and Cash Equivalents	$'000											
Unrestricted Cash	$'000	34,707	27,254	24,453	28,460	31,658	34,984	30,914	32,718	32,294	34,982	37,599
Restricted Cash (due to reserves)	$'000	-	1,739	3,052	4,122	5,410	7,621	9,605	11,726	14,132	14,132	14,132
Cash and Cash Equivalents	$'000	34,707	28,993	27,505	32,582	37,068	42,605	40,519	44,444	46,426	49,114	51,731

Capital Works Statement

Land	$'000	-	1,975	350	800	250	-	-	-	-	-
Land improvements	$'000	-	-	-	-	-	-	-	-	-	-
Buildings	$'000	9,332	3,699	11,512	7,542	2,551	-	-	-	-	-
Building improvements	$'000	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	$'000	-	-	-	-	-	-	-	-	-	-
Heritage buildings	$'000	-	-	-	-	-	-	-	-	-	-
Plant, machinery and equipment	$'000	568	1,167	1,165	1,286	1,083	-	-	-	-	-
Fixtures, fittings and furniture	$'000	-	-	-	-	-	-	-	-	-	-
Computers and telecommunications	$'000	252	805	460	473	474	-	-	-	-	-
Heritage plant and equipment	$'000	-	-	-	-	-	-	-	-	-	-
Library books	$'000	-	-	-	-	-	-	-	-	-	-
Roads	$'000	12,905	15,392	11,395	8,787	8,873	-	-	-	-	-
Bridges	$'000	1,230	670	750	325	710	-	-	-	-	-
Footpaths and cycle w ays	$'000	1,844	2,013	1,973	1,673	1,254	-	-	-	-	-
Drainage	$'000	2,501	1,773	1,150	3,131	4,028	-	-	-	-	-
Rec, leisure and community facilities	$'000	7,141	8,031	7,970	2,445	2,260	-	-	-	-	-
Waste management	$'000	40	-	-	-	-	-	-	-	-	-
Parks, open spaces and streetscape	$'000	-	-	-	-	-	-	-	-	-	-
Aerodromes	$'000	-	-	-	-	-	-	-	-	-	-
Off street car parks	$'000	-	-	185	-	-	-	-	-	-	-
Other infrastructure	$'000	543	225	15	200	200	-	-	-	-	-
Artw orks	$'000	-	-	-	-	-	-	-	-	-	-
Carry forw ard	$'000	-	-	-	-	-	-	-	-	-	-
Spare capex 3	$'000	-	-	-	-	-	20,974	31,007	23,494	24,084	23,203
Spare capex 4	$'000	-	-	-	-	-	-	-	-	-	-
Total Capital Works	$'000	36,356	35,750	36,925	26,662	21,683	20,974	31,007	23,494	24,084	23,203
Represented by:											
Renew al Investment	$'000	15,342	15,837	13,967	14,469	14,714	14,892	14,976	15,271	15,655	16,010
Upgrade Investment	$'000	11,798	7,130	5,959	5,999	2,570	5,873	6,604	4,699	4,817	3,712
Expansion Investment	$'000	9,134	12,783	17,000	6,194	4,399	210	9,426	3,524	3,613	3,480
New Investment	$'000	82	-	-	-	-	-	-	-	-	-
Total Capital Works	$'000	36,356	35,750	36,925	26,662	21,683	20,974	31,007	23,494	24,084	23,203

Appendix 2 VAGO Performance Ratios

Period start	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29
Period end	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30
VAGO Ratios											
15.02.01 VAGO Ratios											
Net result	15.9%	13.9%	22.2%	11.7%	12.0%	11.4%	14.2%	10.2%	8.6%	2.4%	2.4%
Liquidity	2.05	1.48	1.70	1.85	2.02	1.69	2.11	2.21	2.25	2.31	2.05
Internal financing	57.0%	73.0%	100.3%	98.7%	122.3%	128.1%	100.9%	117.9%	109.4%	114.4%	113.8%
Indebtedness	32.1%	31.8%	33.7%	40.1%	38.9%	28.3%	34.0%	33.0%	32.1%	30.9%	25.5%
Capital replacement ratio	2.22	2.10	2.09	1.45	1.13	1.05	1.50	1.09	1.08	1.01	1.02
Renewal gap ratio	1.66	1.35	1.13	1.11	0.90	1.04	1.04	0.93	0.91	0.86	1.02

Appendix 3 LGPRF Financial Performance Indicators

	Dimension/*indicator*/*measure*	Results 2016	Results 2017	Results 2018	Results 2019	Forecasts 2020	Forecasts 2021	Forecasts 2022	Forecasts 2023	Material Variations and Comments
	Efficiency ***Revenue level***									
E1	*Average residential rate per residential property assessment* [Residential rate revenue / Number of residential property assessments]	$1,797	$1,846	$1,876	$1,899	$1,859	$1,896	$1,939	$1,983	There was a small increase in average rates income for each residential property, mainly due to the increase in rates that is capped by the State Government rate cap legislation.
	Expenditure level									
E2	*Expenses per property assessment* [Total expenses / Number of property assessments]	$2,729	$2,930	$3,002	$3,147	$3,047	$3,086	$3,122	$3,154	Council's operating expenses were $83.1 million during 2018/19, resulting in a cost to deliver Council services per property assessment of $3,147.
	Workforce turnover									
E3	*Resignations and terminations compared to average staff* [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	17.5%	17.2%	20.1%	14.2%	15.8%	11.6%	11.5%	11.4%	This is a favourable result as turnover has reduced from 20 per cent to 14 per cent in 2018/19, based on 48 resignations and terminations compared to an average of 338 permanent staff.
	Liquidity ***Working capital***									
L1	*Current assets compared to current liabilities* [Current assets / Current liabilities] x100	195.1%	229.5%	209.3%	195.0%	203.5%	182.5%	211.6%	222.9%	There has been a marginal decrease in current assets compared to liabilities, which is still a healthy result. This ratio is a measure of financial sustainability and represents current assets of $59.5 million divided by current liabilities of $30.5 million.
	Unrestricted cash									

	Dimension/*indicator*/*measure*	Results 2016	2017	2018	2019	2020	Forecasts 2021	2022	2023	Material Variations and Comments
L2	*Unrestricted cash compared to current liabilities* [Unrestricted cash / Current liabilities] x100	49.7%	27.4%	21.0%	17.3%	105.2%	91.4%	101.3%	107.9%	This ratio measures Council's ability to meet liabilities as they fall due. Budget and future years (2019/20 to 2022/23) assumes there are no 'other financial assets' and all cash is unrestricted resulting in a higher ratio for forecasted future years.
	Obligations ***Asset renewal***									
O1	*Asset renewal compared to depreciation* [Asset renewal expense / Asset depreciation] x100	118.5%	89.2%	80.6%	77.5%	86.6%	86.9%	85.4%	76.1%	This measure compares the amount spent on renewal capital expenditure divided by total depreciation. The marginal decrease is mainly due to an increase in depreciation expense.
	Loans and borrowings									
O2	*Loans and borrowings compared to rates* [Interest bearing loans and borrowings / Rate revenue] x100	22.9%	26.9%	22.9%	20.2%	18.6%	26.8%	25.9%	25.0%	There has been a small decrease in loans and borrowings compared to rates between the 2017/18 and 2018/19 years. Council is able to increase borrowing to a maximum of 40 per cent of rate revenue. The 2018/19 variance is due to a reduction in the total loan portfolio as well as due to the expected annual increase in total rate revenue. Future years are increasing due to proposed future years borrowings to partly fund new infrastructure.

	Dimension/*indicator*/*measure*	Results 2016	2017	2018	2019	Forecasts 2020	2021	2022	2023	Material Variations and Comments
O3	*Loans and borrowings repayments compared to rates* [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.0%	3.7%	3.9%	9.3%	8.2%	0.9%	7.1%	1.1%	This ratio reflects total payments for principal and interest divided by total rate revenue. The results indicate Council's adequate ability to meet debt commitments from rates revenue. For 2018/19, the higher percentage is due to the repayment of a $4 million loan, which has been subsequently refinanced and rolled over to the 2019/20 year. The lower percentage indicators for 2020/21 and 2022/23 is reflective of minimal loan repayments forecasted for these years.
O4	***Indebtedness*** *Non-current liabilities compared to own source revenue* [Non-current liabilities / Own source revenue] x100	31.6%	31.7%	24.5%	26.3%	29.5%	30.9%	35.3%	34.1%	This is a favourable result that reflects Council's increased ability to generate revenue from internal sources (mainly rates and user fees) available to repay debts (liabilities) that are not due for at least a further 12 months. The Victorian Auditor-General's Office has indicated 40 per cent or less as low risk. Council is well within the required 40 per cent threshold.
OP1	**Operating position** ***Adjusted underlying result*** *Adjusted underlying surplus (or deficit)* [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	-5.9%	7.6%	0.1%	0.5%	4.3%	3.2%	2.8%	2.6%	The 2018/19 positive result of 0.5 per cent and reflects a financially sustainable position. While future years are forecast to remain positive, the relatively low per cent forecast (less than 10 per cent) reflects Council's limited capacity to fund future infrastructure asset replacement needs.
S1	**Stability** ***Rates concentration***									

	Dimension/*indicator*/*measure*	Results 2016	2017	2018	2019	2020	Forecasts 2021	2022	2023	Material Variations and Comments
	Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	77.1%	64.1%	69.5%	69.0%	70.5%	71.3%	71.6%	71.8%	This ratio measures the reliance on rates as a percentage of underlying revenue (meaning revenue used to fund day to day operations). There is minimal annual movement in this ratio as most of Council's day to day revenue sources (rates, user fees and operating grants) are anticipated to increase in line with annual CPI increases. This means that both rates and adjusted underlying revenue will both increase by approximately the same rate of increase.
S2	***Rates effort*** *Rates compared to property values* [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.53%	0.54%	0.53%	0.46%	0.41%	0.41%	0.40%	0.40%	This ratio compares the movement in rate revenue to the movement in the value of ratepayer properties. The ratio is reducing as property valuations are increasing at a higher percent than the annual percent increase in rates. The increase in rates is capped by the State Government rate cap while property valuations are increasing in line with the property market.