



Financial Plan 2026/27 – 2035/36



Contents

1	Introduction.....	2
2	Objective of the Financial Plan	4
3	Strategic Direction Outcomes.....	4
3.1	Sustainable Financial Position.....	6
3.2	Performance Reporting.....	7
4	Financial Sustainability.....	7
5	Intergenerational Equity.....	8
6	Service Delivery Efficiency	9
6.1	Operational Performance.....	10
6.2	Financial Performance Analysis.....	11
7	Advocacy.....	12
8	Transparency and Accountability.....	12
9	Revenue Management.....	13
9.1	Proposed Rating Levels	13
9.2	Revenue and Rating Plan – The Future Impact	14
9.3	Revenue from Grants and Contributions.....	15
9.4	Revenue from User Charges, Fees and Fines	15
10	Prudent Use of Debt.....	16
10.1	Current Debt Position	16
10.1.1	Future Loan Requirements	16
10.1.2	Prudent Debt Levels.....	17
10.2	Future Debt Strategy.....	18
11	Asset Management.....	19
11.1	Asset Portfolio	19
11.1.1	Asset Sales.....	20
11.2	Future Asset Management and Infrastructure Gap.....	20
11.3	Asset Management policy and planning.....	21
12	Capital Works – Program expenditure and funding sources.....	22
12.1	Capital program expenditure.....	22
12.2	Capital funding sources.....	23
13	Reserve Usage Strategy	23

13.1	Restricted and Discretionary Reserves	23
13.2	Nature of Reserves.....	26
13.2.1	Open Space	26
13.2.2	Development Contribution Plans.....	27
13.2.3	Defined Benefits Superannuation.....	28
13.2.4	Unexpended Grants.....	28
13.2.5	Land Sales.....	28
13.2.6	Native Vegetation Offset Scheme.....	28
13.2.7	Loan Repayment.....	28
13.2.8	Community Infrastructure / Strategic Land Reserve.....	28
13.2.9	Capital Development Reserve.....	29
13.2.10	Revolving Sustainability Fund.....	29
13.2.11	Waste Management Reserve	29
14	Financial Projections.....	30
14.1	Modelling Methodology	30
14.2	Financial parameters and assumptions.....	31
	Appendix 1 Financial Statements.....	38
	Appendix 2 Performance Ratios.....	44

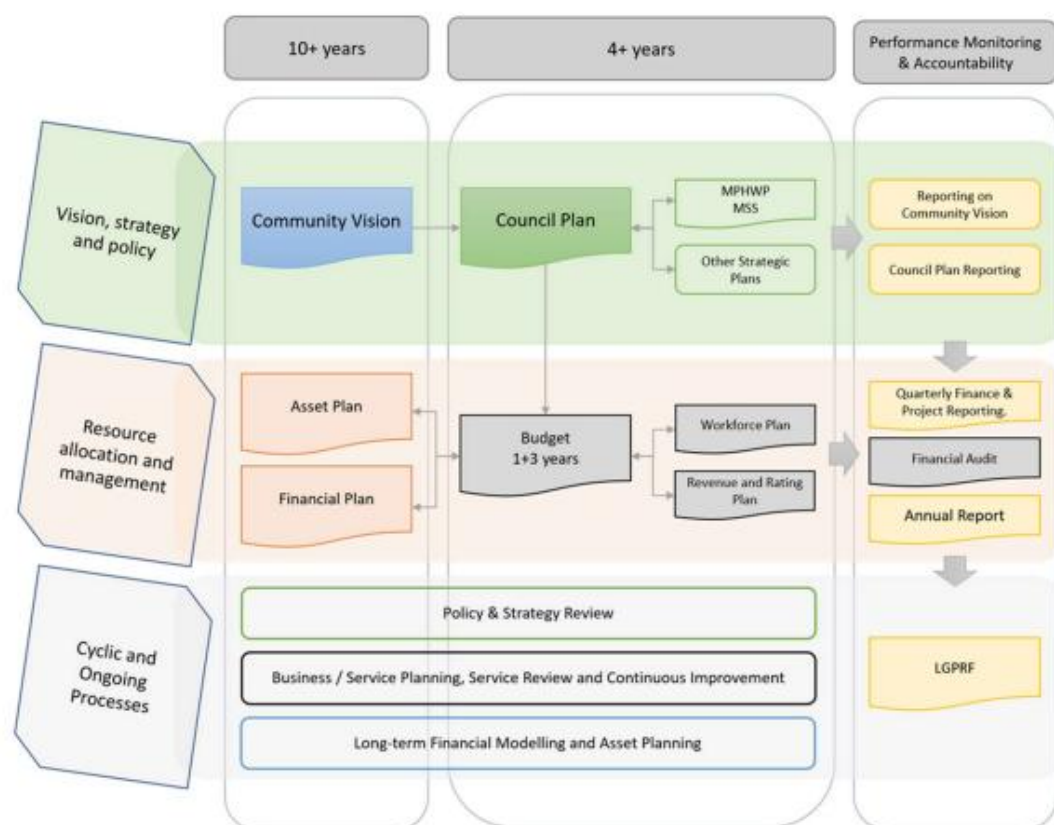
1 Introduction

Under the Local Government Act 2020 (Vic), it is mandatory for Victorian councils to develop, adopt, and maintain a Financial Plan that covers a minimum of the next ten financial years. This requirement is set out in Section 91 of the Act.

This planning framework supports Baw Baw Shire Council (Council) in recognizing and responding to community needs across different time spheres:

- Long term – Community Vision
- Medium term – Council Plan
- Short term – Annual Budget

The diagram below outlines the key legislated components of the integrated strategic planning and reporting framework, along with their intended outcomes.



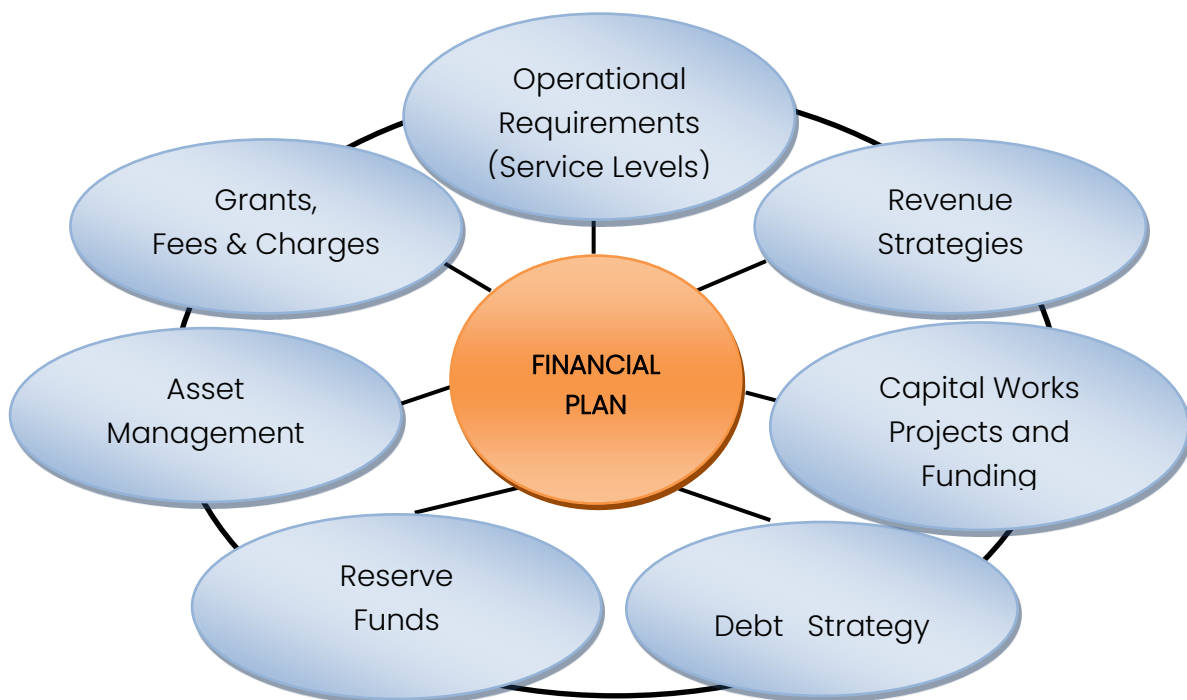
The Financial Plan (FP) is a strategic document developed to align Council’s financial capacity with its long-term service and infrastructure objectives, ensuring the delivery of outcomes consistent with the Community Vision. It uses financial forecasts to provide insight into future capacity and guide strategies that support long-term financial sustainability.

A Deliberative Engagement (DE) process for the FP was concluded in May 2025. This was part of a wider DE process which included the formation of a Deliberative Panel who in April 2025 recommended a draft Community Vision to Council that was adopted in October 2025. The Community Vision and the outcomes of the process influenced the Council Plan 2026-2030 and the development of this FP.

The FP integrates both financial and non-financial strategies and is reviewed annually to ensure it remains responsive to changing economic conditions and community needs. It provides a mechanism for funding essential services for a growing and evolving population while also considering the affordability of rates and charges for the community.

In addition to financial planning, the FP supports the sustainable management of growth and development across the Shire over the next 10 years. It works in alignment with the Baw Baw Settlement Management Plan, which guides the development of towns and localities, anticipates population changes, and identifies key infrastructure needs. Together, these plans ensure a coordinated and financially responsible approach to meeting the Shire's future service and infrastructure requirements.

While the FP establishes the long-term financial direction for Council, the specific projects and services to be funded each year are determined through the annual budget process. This allows Council to remain flexible and responsive to shifting priorities and emerging demands. The development of the long-term financial projections represents the output of several strategic areas that is represented by the diagram below.



2 Objective of the Financial Plan

The FP is intended to achieve several objectives within the ten-year timeframe.

- Compliance with sound financial management principles, as required by the *Local Government Act 2020* (the Act) and plan for the long-term financial sustainability of Council.
- Establish a prudent and sound financial framework that integrates the Council Plan and resource planning, to provide a basis to evaluate Council's policies, strategies, and financial performance.
- Promoting the social, economic, and environmental viability of the municipality, while ensuring responsible management of resources.
- Achieving a prudent balance between meeting the community service needs and maintaining financial sustainability for future generations.
- Maintaining ongoing provision of quality services, within a financially sustainable context.
- Supporting financial sustainability by maintaining an ongoing operating surplus and debt levels within policy and prudential guidelines.
- Managing funding between new capital works and meet the asset renewal requirements that are articulated within Council's Asset Management Plan.

3 Strategic Direction Outcomes

The following table highlights the key strategies of the FP. 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.

Strategy Recommendations

1. That Council seek to achieve and sustain an adjusted underlying operational surplus throughout the life of the FP.

Strategy Recommendations

2. That Council addresses the funding gap between current investment and the amount required for asset renewal at agreed service levels using recurrent operational funds, without relying on non-renewable sources such as asset sales, reserves, or borrowings.
3. That Council maintains a working capital ratio above 1.2 to ensure sufficient cash flow for day-to-day operations and financial resilience.
4. That Council ensures that each generation pays for the services and infrastructure it uses by avoiding the deferral of costs, using debt prudently, and maintaining assets for future communities.
5. That Council will ensure it maintains optimal service levels and that they are delivered in a cost-effective manner.
6. That Council aims to optimise service delivery and achieve long-term cost savings by reviewing its services continually and ensure alignment with best practice standards where possible.
7. That Council continues to advocate on behalf of Baw Baw Shire to other levels of Government in order to raise awareness of community needs.
8. That Council reviews the Financial Plan annually as part of its Annual Budget process in response to emerging challenges and needs.
9. That Council assesses, on an annual basis, the need and its appetite to seek a variation to the State Government rate cap.
10. That Council continue its focus on securing grant revenue particularly for capital works projects.
11. That Council seeks to maximise revenue from user charges, fees and fines by applying the proposed fees and charges in line with escalation and benchmarking exercise where performed.
12. That prior to undertaking any future borrowings, Council model the implications of the proposed loan program within the FP and determine the funding mechanism to meet annual debt servicing and redemption requirements.
13. That Council remain within the maximum 60 per cent prudential limit (Indebtedness Ratio).
14. That Council applies loan borrowing to fund new and/or significantly upgraded major assets that provide a broad, multigenerational community benefit.

Strategy Recommendations

15. 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.
16. 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.

3.1 Sustainable Financial Position

The Financial Plan is a strategic tool designed to ensure Council's financial sustainability and service delivery over a 10-year statutory period, with a broader outlook for future generations. It aligns with legislative requirements and community expectations, ensuring that current decisions do not compromise future generations.

The Financial Plan is guided by eight core principles:

1. **Financial Sustainability** – Maintain net equity over the long term, ensuring each generation funds its own needs.
2. **Intergenerational Equity** – Ensure fairness across generations by aligning revenue with service needs. Each generation should pay for the services and infrastructure it uses, rather than passing on costs or debts to future generations.
3. **Service Delivery Efficiency** – Assume current service levels are efficient; review service levels for efficiency and identify any gaps which will need to be factored into future iteration of plans.
4. **Advocacy** – Engage in strategic advocacy to improve funding and policy outcomes.
5. **Transparency & Accountability** – Clearly document assumptions and engage the community in annual reviews.
6. **Revenue Management** – Explore new revenue sources and consider rate cap variations to meet future obligations.
7. **Prudent Use of Debt** – Use debt responsibly and prudently for long-term assets whilst maintaining an indebtedness ratio within the 60% maximum.
8. **Asset Management** – Maintain infrastructure based on current funding levels so they remain usable for future generations.

These core principles are further explained in Sections 4 to 11 below.

3.2 Performance Reporting

Financial and Performance Reporting ratios are included in the annual Performance Report, and form part of the Local Government Performance Reporting Framework (LGPRF). The ratios are regularly updated to ensure ongoing sustainability.

The key financial ratios are reflected in the FP Appendix 2 Financial Statements. LGPRF measures include:

- Adjusted underlying surplus (or deficit).
- Current assets compared to current liabilities – an indicator of working capital.
- Unrestricted cash compared to current liabilities – the result indicates there is sufficient cash to meet short term liabilities.
- Loans and borrowing compared to rates.
- Loans and borrowings repayments compared to rates.
- Non-current liabilities compared to own source revenue.
- Asset renewal and upgrade expense compared to depreciation.
- Rates compared to adjusted underlying revenue – rate revenue compared to adjusted underlying revenue measures the reliance on rate revenue that will be partly impacted by rate capping for ensuing years.
- Rates compared to property values – rates revenue relative to the total capital improved value of properties in the municipality. There is limited capacity for Council to influence this measure due to rate capping.

4 Financial Sustainability

Financial sustainability refers to Council's ability to manage its finances in a way that ensures it can meet current service and infrastructure needs without compromising its ability to do so in the future.

- Without financial sustainability, Council may:
- Struggle to maintain essential services.
- Delay critical infrastructure renewal.
- Accumulate unsustainable debt.
- Shift financial burdens to future generations.

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
- Increasing the capital works investment, funded from operational sources to a sufficient level that allows Council to adequately fund its asset renewal requirements.
- Addressing the asset management funding gap identified over the course of the plan; between existing asset renewal funding and funding required to maintain assets at present levels.
- Holding to the principle that ongoing asset renewal requirements are to be funded from ongoing operational funding sources and that non-renewable funding sources such as asset sales, reserve funds or loan funds are not to 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.

Strategy Recommendations

1. That Council seek to achieve and sustain an adjusted underlying operational surplus throughout the life of the FP.
2. That Council addresses the funding gap between current investment and the amount required for asset renewal at agreed service levels using recurrent operational funds, without relying on non-renewable sources such as asset sales, reserves, or borrowings.
3. That Council maintains a working capital ratio above 1.2 to ensure sufficient cash flow for day-to-day operations and financial resilience.

5 Intergenerational Equity

Intergenerational equity is the principle that decisions made today—especially financial, environmental, and social—should not disadvantage future generations. In the context of local government and long-term financial planning, it means

each generation should pay for the services and infrastructure it uses, rather than passing on costs or debts to future generations.

In practical terms for councils, this means:

- Funding current needs responsibly without relying on future ratepayers to cover today's shortfalls.
- Using debt prudently, ensuring that repayments do not exceed the lifespan of the assets being funded.
- Maintaining assets (like roads, parks, and buildings) so they remain usable for future communities.
- Avoiding over-investment or under-investment that could create a burden or deficit for future councils and communities.

Strategy Recommendations

- 4 That Council ensures that each generation pays for the services and infrastructure it uses by avoiding the deferral of costs, using debt prudently, and maintaining assets for future communities.

6 Service Delivery Efficiency

The FP acknowledges the importance of Strategic Service Planning which will ultimately help planning, designing and delivering services to meet customer expectations now and into the future. It will also optimise the allocation of resources for service delivery. Remembering that services are provided with generally four key resources – being budget, people, assets and infrastructure.

Some of the key goals for Strategic Service Planning include:

- helping to better understand the services that Council delivers and defining the services that we deliver now (our current state),
- facilitating long-term thinking and planning for those services,
- helping us make better and more strategic decisions about our services now and into the future (our future state).

The Strategic Service Planning Cycle is ensuring efficient, effective and customer empathetic approach to service delivery. Whilst the element of service reviews may identify future savings, which will generally only be incorporated into the FP once verified as part of the service review process (and Council's Four-Year Prioritised Service Review Program). Annual inflation adjustments will be applied to operating costs, with indices reviewed regularly to reflect medium to long-term

trends. The key objective of Council's Financial Plan is to ensure service levels are sufficient to meet community needs and maintain a satisfactory operating position over the life of the plan. Whilst also ensuring Council is planning, designing, and delivering services to meet customer expectations now and into the future.

6.1 Operational Performance

The range and level of services Council is able to offer the community is reviewed annually.

The FP is premised on Council continuing to review its service levels across the Shire and based on Council's Four-Year Prioritised Service Review Program.

Future service requirements can include:

- Increased demand for Council Statutory Planning, Priority Development, Strategic Planning services due to the growth and development within the municipality particularly in the areas of the Precinct Structure Plans.
- Demands for other Council services as the community grows, including community compliance, asset protection, open space planning.
- Demand for new and improved community infrastructure including the development of community hubs, kindergarten facilities and sporting complexes, and increasing Council's capacity in services responsible for delivering these and other capital programs and strategic projects.
- Development and implementation of new waste management contracts, including community education and support.
- 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.

6.2 Financial Performance Analysis

Council's proposed operating revenue for 2026/27 is \$162.47 million (excluding other comprehensive income) while its operating costs are expected to total \$127.51 million. Council's annual costs (excluding natural disaster costs) are expected to increase by 1.82 per cent compared to forecast. The increase is mainly due increments of overall employee costs driven by EBA, industry standards, and on costs; as well as material and services which includes annual increases in contract cost and CPI escalations. The increase in depreciation cost is also a contributing factor.

Council is forecasting a \$34.96 million surplus for 2026/27 (before asset revaluation increments); however, the adjusted 2026/27 result is projected to be an \$11.32 million deficit.

The underlying result is not a cause for ongoing concern. Council's annual operating results are independently audited by the Victorian Auditor General's Office (VAGO) and regularly reviewed by Council's Audit and Risk Committee. Both bodies continue to note that Council's broader financial sustainability indicators, including working capital, internal financing, and indebtedness, remain positive within the context of Council's operating environment. However, Council is committed to strengthening its financial position and will actively work through this FP to ensure the underlying result returns to and is maintained as a surplus over the life of the plan. During the upcoming decade if appropriate but only after exhausting all other applicable options, the Council may make an application to the Essential Services Commission (ESC) under the "Fair Go Rates" system for a rate cap variation in compliance with the authoritative guidance published by the ESC.

Council's financial position is characterised by:

- 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.
- Factor the growth principles in long term model.
- An updated condition-based assessment of infrastructure assets to inform the Long-Term Infrastructure Plan and identify priority renewal requirements.

Strategy Recommendations

- 5 That Council will ensure it maintains optimal service levels and that they are delivered in a cost-effective manner.
- 6 That Council aims to optimise service delivery and achieve long-term cost savings by reviewing its services continually and ensure alignment with best practice standards where possible.

7 Advocacy

Council will continue to advocate on behalf of Baw Baw Shire to ensure that the appropriate levels of Government (Local, State or Federal) are aware of the rapidly growing and evolving needs of the community. Any realized benefits resulting from Council's continued advocacy efforts will be incorporated into future FP updates.

Strategy Recommendations

- 7 That Council continues to advocate on behalf of Baw Baw Shire to other levels of Government in order to raise awareness of community needs.

8 Transparency and Accountability

To promote transparency and build community trust, the draft FP will be publicly exhibited alongside the Council Plan and the Long-Term Infrastructure Plan (LTIP). This process will be conducted in accordance with Council's Community Engagement Policy, ensuring meaningful opportunities for community feedback.

The FP will be reviewed and updated annually in conjunction with the Annual Budget process, allowing Council to respond to emerging challenges, reflect updated assumptions, and incorporate community and stakeholder feedback.

Strategy Recommendations

- 8 That Council reviews the Financial Plan annually as part of its Annual Budget process in response to emerging challenges and needs.

9 Revenue Management

Council recognises that current revenue is insufficient to meet future obligations. The FP will reflect the 2026/27 revenue base, indexed annually, while exploring opportunities to expand revenue through user-pays models and new services.

9.1 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 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 sets 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 2026/27 is 2.75 per cent. Council does not propose to seek a variation to the 2026/27 rate cap. The continuous increasing gap to maintain the service standards may require a variation in rate cap in coming years.

Council currently applies the Capital Improved Valuation (CIV) methodology to levy its rates 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.

Council currently applies differential rating (versus uniform rating) and has three differential rates in use: General / Residential Land, Farmland and Commercial, and Industrial Land. The table below shows that Council has structured its approach to rating to raise a higher proportion of its rate revenue from its commercial and industrial sectors while providing a discount to farm ratepayers.

Rating Category	Budget 2026/27 Rate in \$	Differential Rating Category
General (Residential)	0.00271366	1.0
Commercial and Industrial	0.00352775	1.3
Farm	0.00217092	0.8

Council currently utilises a service charge to fully recover the cost of the waste disposal services. Similar to a number of other Victorian Councils, Council has decided not to apply the non-mandatory Industry best practice waste guidelines, but to levy the waste service charge to achieve full cost recovery inclusive of estimated cost increases resulting from the EPA levy increase which took effect in the 2025/26 financial year.

Further information on Council's revenue and rating strategies is detailed in the Revenue and Rating Plan 2025/26 to 2028/29, which is publicly available on Council's website. This document outlines the principles, methodologies, and projections that underpin Council's approach to raising revenue in a fair and sustainable manner.

9.2 Revenue and Rating Plan – The Future Impact

A key decision of Council during the life of the FP is to determine the level of rate increase that will address funding levels for service provision for the municipality, capital works 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 Revenue and Rating Plan is based on future years base rates increasing by CPI estimates with no allowance for rate variations to be approved above the cap. The rate increase of 2.75 per cent in 2026/27 is expected to be 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 renewal 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.

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.

9.3 Revenue from Grants and Contributions

The FP includes grant revenue as an integral component of Council’s funding mix for the coming ten years.

Grants and contributions are identified as Operating or Capital. A further dissection applies for recurrent and non-recurrent grant income. Majority of Council’s operating grants are recurrent in nature. Capital grants are generally one off in nature and vary depending upon the level of capital works expenditure to which the funding is applied.

9.4 Revenue from User Charges, Fees and Fines

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 (or non-statutory) fees and fines – the balance of fees and charges is discretionary wherein Council may levy and increase these charges at its discretion. To ensure both effectiveness and fairness of the charges, Council has benchmarked them against comparable charges set by other Local Governments.

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

- 10 That Council assesses, on an annual basis, the need and its appetite to seek a variation to the State Government rate cap.
- 11 That Council continue its focus on securing grant revenue particularly for capital works projects.
- 12 That Council seeks to maximise revenue from user charges, fees and fines by applying the proposed fees and charges in line with escalation and benchmarking exercise where performed.

Refer to Section 14 Financial Projections for analysis and projections of Revenues over the life of the FP.

10 Prudent Use of Debt

Debt will be used strategically to fund long-term infrastructure, ensuring that those who benefit also contribute.

This section includes a review of Council's:

- Current debt position and
- Future debt strategy

10.1 Current Debt Position

The following table reports Council's current debt position and the movements in total interest-bearing liabilities 2026/27 to 2029/30.

	Budget	Projections		
	2026/27	2027/28	2028/29	2029/30
Amount borrowed as at 30 June of the prior year	16,964	31,542	27,770	25,573
Amount proposed to be borrowed	34,964	1,148	3,050	3,200
Amount projected to be redeemed	(20,386)	(4,921)	(5,247)	(4,276)
Amount of borrowings as at 30 June	31,542	27,770	25,573	24,497

*Includes refinancing of existing loans. New loans for 2026/27 amount to \$18.0 million.

10.1.1 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 in the annual budget and adopted by the council prior to approval and drawdown of loan funds.

Council is proposing to borrow \$18.0 million for major projects including the Baw Baw Culture and Connection Precinct, Longwarry pavilion Replacement, and Strategic Land Acquisitions. Council will also refinance existing loans from interest only to Principal and Interest. The additional funding available for the Strategic Land Acquisitions will enable the Council to respond swiftly when key land opportunities arise. Moving to principal and interest borrowing strengthens Council's long term financial sustainability by progressively reducing debt over

time. In addition, Council is proposing borrowing of \$1.14 million 2027/28, \$3.05 million 2028/29 and \$3.20 million 2029/30, for further investment in Capital Projects as outline in Long Term Infrastructure plan.

10.1.2 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)	Budget	Projections		
			2026/27	2027/28	2028/29	2029/30
Indebtedness	Total non-current liabilities as a % of own revenue	60.00%	41.84%	35.70%	32.95%	31.02%
Debt Servicing	Interest costs as a % of total revenue	5.00%	0.49%	0.86%	0.75%	0.65%
Debt Commitment	Principal and Interest as a % of rates	10.00%	23.69%	6.66%	6.56%	5.27%

- Indebtedness – Projected future borrowings have been structured to ensure that Council does not exceed an indebtedness level more than 60 percent of annual rate revenue. Council’s ratio is aligned with both prudent guidelines and the Borrowing Policy and is projected to be 41.84 per cent at the completion of the 2026/27 financial year. The indebtedness ratio will reduce in the subsequent years to 31.02 percent by 2029/30. This position has been taken by Council in order to fund existing intergenerational projects and ensure that Council maintains appropriate cash reserves.

- Debt Servicing – 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 per cent. Council’s ratio is projected to be 0.49 per cent for the 2026/27 financial year that is well within prudent guidelines.
- Debt Commitment – 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 percent. Council’s ratio is increasing significantly in 2026/27 to 23.69 percent due to the additional loan commitment of \$18.0 million. This ratio is expected to be reduced to 5.27 percent by 2029/30 as existing debt is paid off.

Future years borrowing ratios may also be impacted by the recognition of operating leases that are now included to the budgeted financial. Even if included with loan borrowings, this amount is not expected to result in a significant impact to the prudent debt ratios.

10.2 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.

Strategy Recommendations

- 12 That prior to undertaking any future borrowings, Council model the implications of the proposed loan program within the FP and determine the funding mechanism to meet annual debt servicing and redemption requirements.
- 13 That Council remain within the maximum 60 per cent prudential limit (Indebtedness Ratio).
- 14 That Council applies loan borrowing to fund new and/or significantly upgraded major assets that provide a broad, multigenerational community benefit.

11 Asset Management

Asset Management is a critical element of the FP, ensuring that infrastructure and community assets are maintained and renewed in a financially sustainable way. It provides insight into the current state of Council’s assets, their value, condition, and the funding required to maintain service levels over time.

11.1 Asset Portfolio

Council manages a diverse portfolio of fixed assets including land, buildings, roads, drainage, and other infrastructure. It is important to understand each asset’s value and related depreciation to plan for future renewals. The infrastructure and building assets alone account for over \$1 billion in replacement value, with a current annual depreciation of \$26.1 million incurred in 2024/25 Financial year as shown below:

Infrastructure and Building Assets 2024/25	Replacement Value \$M	Written Down Value \$M	Annual Depreciation \$M
Infrastructure	1034.7	658.5	21.0
Building	207.4	142.3	5.1
Total	1,242.1	800.8	26.1

The depreciation figure is used to estimate the useful life and remaining life of assets, which informs renewal planning.

In 2024/25 Financial year Council's adopted Capital program represented \$43.90 million investment and upon completion of the capital project the assets were recognised in Council's asset register.

This contributed to a \$143.75 million increase in Council's total asset register as well as increasing the depreciation expense. Donated assets, Revaluations and end of financial year adjustments in combination have an on-going impact on Council's asset register and subsequently to Council's depreciation expense.

11.1.1 Asset Sales

During the review of the Financial Plan, 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 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.

11.2 Future Asset Management and Infrastructure Gap

Council is actively addressing the renewal and maintenance funding gaps. These gaps arise when maintenance is deferred, accelerating asset deterioration and increasing future renewal costs.

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 Financial Plan to reflect these.

11.3 Asset Management policy and planning

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. 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.

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.

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).

Council, as asset managers, continually assess 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 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

- 15 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.
- 16 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.

12 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 Plan 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.

Council is exploring a range of alternative revenue avenues to support long-term financial sustainability. Future years of the Plan propose allocating sufficient funds derived from identified revenue growth opportunities to support the capital expenditure program.

12.1 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 in Appendix 1 Capital Works Statement

The ten-year future capital program includes a total of \$289.84 million including: \$263.07 million for renewal and expansion of assets and \$26.78 million in general capital projects. This will be funded from combination of Council cash reserves, State/Federal Grants and new loan borrowings.

12.2 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.

13 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.

13.1 Restricted and Discretionary Reserves

Reserve funds are either restricted or discretionary. Restricted reserves are legally required to be used for a specific purpose and include:

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

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

- Defined Benefits Superannuation
- Unexpended Grants

- Land Sales
- Loan Repayment
- Community Infrastructure/Strategic Land Reserve
- Capital Development Reserve
- Revolving Sustainability Fund
- Waste Management Reserve

Reserves are subject to end-of-financial-year (EOFY) adjustments; therefore, the latest figures will be updated following the completion of EOFY processes. Current forecasted and projected balances are:

Reserves	Forecast 2025-26 \$000	Forecast 2026-27 \$000	Forecast 2027-28 \$000	Forecast 2028-29 \$000	Forecast 2029-30 \$000
Open Space					
Opening balance	3,939	4,439	4,839	5,189	5,589
Transfer to reserve	500	400	350	400	450
Transfer from reserve	-	-	-	-	-
Closing balance	4,439	4,839	5,189	5,589	6,039

Open Space - PSP					
Opening balance	1,751	1,669	1,424	1,697	2,735
Transfer to reserve	684	1,098	1,821	1,769	1,552
Transfer from reserve	(765)	(1,343)	(1,548)	(731)	(685)
Closing balance	1,669	1,424	1,697	2,735	3,602

Development Contributions - DCP01					
Opening balance	2,884	3,116	3,322	4,172	5,022
Transfer to reserve (Levy income)	900	900	850	850	800
Transfer from reserve (Capital projects)	(668)	(694)	0	0	0
Closing balance	3,116	3,322	4,172	5,022	5,822

Development Contributions - DCP02 - Warragul					
Opening balance	8,515	6,449	7,867	12,939	21,342
Transfer to reserve (Levy income)	2,663	2,473	6,413	9,045	7,884
Transfer from reserve (Capital projects)	(4,729)	(1,055)	(1,341)	(643)	(1,218)
Closing balance	6,449	7,867	12,939	21,342	28,008

Development Contributions - DCP03 - Drouin					
Opening balance	2,205	5,120	7,592	9,365	12,146
Transfer to reserve (Levy income)	2,915	2,863	2,164	3,173	1,183
Transfer from reserve (Capital projects)	-	(391)	(391)	(391)	(815)
Closing balance	5,120	7,592	9,365	12,146	12,514

Reserves	Forecast	Forecast	Forecast	Forecast	Forecast
	2025-26	2026-27	2027-28	2028-29	2029-30
	\$000	\$000	\$000	\$000	\$000
Land Sales – Statutory					
Opening balance	460	460	460	3,460	3,460
Transfer to reserve	-	-	3,000	-	-
Transfer from reserve	-	-	-	-	-
Closing balance	460	460	3,460	3,460	3,460
Native Vegetation Offset Scheme					
Opening balance	549	439	419	419	419
Transfer to reserve	-	-	-	-	-
Transfer from reserve	(110)	(20)	-	-	-
Closing balance	439	419	419	419	419
Defined Benefits Super					
Opening balance	679	679	-	-	-
Transfer to reserve	-	-	-	-	-
Transfer from reserve	-	(679)	-	-	-
Closing balance	679	-	-	-	-
Land Sales – Discretionary					
Opening balance	997	3,897	4,897	4,897	4,897
Transfer to reserve	2,900	1,000	-	-	-
Transfer from reserve	-	-	-	-	-
Closing balance	3,897	4,897	4,897	4,897	4,897
Loan Repayment					
Opening balance	3,000	-	-	-	-
Transfer to reserve	279	-	-	-	-
Transfer from reserve	(3,279)	-	-	-	-
Closing balance	-	-	-	-	-
Community Infrastructure/Strategic Land Reserve					
Opening balance	794	794	1,344	1,844	3,744
Transfer to reserve	-	550	500	1,900	1,100
Transfer from reserve	-	-	-	-	-
Closing balance	794	1,344	1,844	3,744	4,844
Capital Development Reserve					
Opening balance	-	-	-	-	-
Transfer to reserve	-	-	-	-	-
Transfer from reserve	-	-	-	-	-
Closing balance	-	-	-	-	-

	Reserves	Forecast	Forecast	Forecast	Forecast	Forecast
		2025-26	2026-27	2027-28	2028-29	2029-30
		\$000	\$000	\$000	\$000	\$000
Revolving Sustainability Fund						
Opening balance		43	43	43	43	43
Transfer to reserve		120	120	-	-	-
Transfer from reserve		(120)	(120)	-	-	-
Closing balance		43	43	43	43	43

Reserve Summary						
Opening Balance		25,816	27,106	32,207	44,026	59,398
Transfer to Reserves		10,962	9,404	15,099	17,136	12,969
Transfer from Reserves		(9,672)	(4,302)	(3,280)	(1,764)	(2,718)
Closing Balance		27,106	32,207	44,026	59,398	69,648

While reserve forecast reflects all available information at the time of producing this document, it should be noted that Council is reviewing its Development Contributions Plan (DCP). Projections include carried forward (from previous years) project outflows where applicable or an estimate of 50 per cent of opening balances for outer years. These will be revised in future updates of the Financial Plan.

13.2 Nature of Reserves

The nature and purpose of each reserve is described below:

13.2.1 Open Space

The Open Space Reserve holds funds contributed by developers for works associated with developing and improving public open space and recreational facilities within the Shire. Funds are contributed in accordance with Section 18 of the Subdivision Act 1988 and transfers are restricted to the purpose of creating and improving 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 per cent 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 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.

Open Space reserve funds are never spent before they are received. A minimum balance of \$1 million is maintained to cover any unexpected short-term expenses, and to seed fund future projects. The reserve can be used for the purchase of Open Space assets, including pavilions on Council owned land.

13.2.2 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 three reserves established to manage DCP01, DCP02 (Warragul) and DCP03 (Drouin). DCP02 and DCP03 were introduced to manage proceeds from the 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.

A review of Council's Development Contributions Plans is being undertaken. Future years outflows for DCP02 and DCP03 are estimated at 50 per cent of opening balances for each year.

13.2.3 Defined Benefits Superannuation

The purpose of this reserve was 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.

13.2.4 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.

13.2.5 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 the sale of open space land. The discretionary reserve comprises sales from all other Council land that is not required to be held for a specific purpose.

13.2.6 Native Vegetation Offset Scheme

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

13.2.7 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 principal repayment so sufficient funds will be available to fund the future repayment of interest only loans.

13.2.8 Community Infrastructure / Strategic Land Reserve

The purpose of this reserve is to set aside surplus funds from annual budget savings and for the construction of new strategic community infrastructure, including but not limited to community, early years and sport and recreation related infrastructure.

13.2.9 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.

13.2.10 Revolving Sustainability Fund

Originally established reserve in 2021/22. Cost savings from delivered sustainability projects to be transferred into reserve at year end and directed towards funding future Sustainability projects.

13.2.11 Waste Management Reserve

Originally established reserve from 2023/24 onwards to capture any waste management variance to the budgeted amount.

Council will budget for a cost neutral outcome for the provision of waste management services across the municipality, in line with waste management guidelines.

Where there is a variation to the budgeted result, a surplus or deficit. Council will maintain a waste management service reserve to quarantine the result. The reserve will be clearly disclosed in the annual financial statements of Council and will accordingly form part of the annual financial statement external audit.

The reserve will only be available to be used in the following manner:

- When in surplus, part or all can be applied to a subsequent period's budgeted position for provision of waste management services to reduce ratepayer's annual waste management charges for that subsequent period.
- When in surplus, part or all can be allocated to a current or future capital project that is specifically related to the provision of waste management services.

- When in surplus, part or all can be carried forward to offset against a future deficit.
- When in deficit, all should be carried forward to offset against a future surplus.

14 Financial Projections

14.1 Modelling Methodology

The Financial Plan establishes a framework for Council to benchmark its performance within the Local Government sector. The future year operating projections are modelled on the 2026/27 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.

The following information explains the major forecast parameters for Council income and expenses over the life of the ten-year Financial Plan. While Council has made assumptions to fairly represent the financial components, these assumptions remain flexible to adapt to the changing environment in which the council will operate over the next decade.

14.2 Financial parameters and assumptions

The table below presents a year-on-year budget comparison of principle financial escalation factors for the next ten years. The 2026/27 movement is in comparison to the 2025/26 forecast.

Escalation Factors % movement	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
CPI 2025/26	3.55%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rate Revenue Cap (Aligned to CPI)	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Waste Charges (Aligned to CPI)	7.35%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Statutory fees and fines (CPI -0.5%)	11.27%	3.00%	2.50%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
User fees (CPI + 0.5%)	8.99%	4.00%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Grants – Recurrent (CPI -0.5%)	6.04%	3.00%	2.50%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Contributions monetary (CPI -0.5%)	-15.19%	3.00%	2.50%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Costs (EBA + band & statutory increments)	3.36%	2.10%	3.10%	3.10%	3.10%	4.10%	4.10%	4.10%	4.60%	4.60%
Materials and services (Financial sustainability objectives)	-6.49%	2.05%	2.00%	1.50%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%
Other expenses (CPI)	-9.09%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

CPI

Council has assumed a Consumer Price Index (CPI) of an average of 3.2 per cent for the first four years (3.6 per cent in 2026/27), and 2.5 percent for the remaining six years per the Reserve Bank February 2026 Forecast.

Rates Revenue Cap

Base rate revenue will increase by 2.75 per cent for 2026/27, based on the state government rate cap. Future annual increases assumes target CPI of 2.50 per cent.

Waste Charges

In 2026/27, waste charges will increase by 7.35 per cent, consistent with Council's commitment to full cost recovery. This approach ensures that waste-related expenditure is fully funded through waste charges, allowing Council to direct other available cash resources to the capital works program. The increase factors in the introduction of FOGO from 1 July 2026.

Statutory Fees & Fines

Statutory fees are set based on a fee unit, and fee unit charge determined by the Department of Treasury and Finance or State government imposed the penalty units, and the respective charges. Increased demand for statutory and priority development-related services, along with a rising trend in compliance fees identified in the 2025/26 financial year, contributed to a 11.27 per cent increase in Statutory Fees. Following the significant adjustment in 2026/27, pursuant years are indexed at CPI minus 0.5%.

User Fees

Council seeks to increase user charges across all service areas in line with forecast inflation and rising service demand. In 2026/27, user charges are proposed to increase by 8.99 per cent in support of Council's financial sustainability objectives. In subsequent years, charges will be indexed to CPI plus 0.5 per cent to provide for growth, ensuring they remain aligned with the cost of service delivery and are benchmarked against comparable councils.

Grant Income

Grants are non-repayable funds from state or federal governments, classified as either recurrent or non-recurrent. To maximise funding opportunities, Council actively seeks and applies for all suitable grants to support both capital and operational projects. The 6.04 per cent increase in 2026/27 represents the increase of both the capital and operating recurrent grants.

While total grant income may fluctuate year to year based on the success of grant applications, Council consistently receives on average 16.0 per cent of its total income through recurrent grants, reflecting a stable underlying trend.

Monetary Contributions

Council receives statutory contributions from developers to fund the infrastructure and improvements needed to support development growth. These contributions are designated for specific purposes and are held as restricted reserves (as outlined in section 13) until they are used. Often, Council must outlay infrastructure projects upfront before receiving these funds. For the purpose of modelling the FP, the 2026/27 contributions level is based on the forecasted contributions levels.

Employee costs

The 2026/27 budget includes a 3.36 per cent increase for employee costs compared to prior year budget. This is largely as a result of increases in various factors such as additional superannuation increased Workcover premium rate, banding increases as per the Enterprise Bargaining Agreement (EBA) combined with the addition of minor new approved positions.

The FP reflects the above factors alongside efficiency targets (between 2.5% and 0.5%) designed to lock in savings generated through vacancies, FTE adjustments (e.g. fixed term engagements or grant funded arrangements), and employment model changes (e.g. purchased leave), thereby supporting Council's long-term financial sustainability while sustaining appropriate service levels for a growing population. These targets will be reviewed annually.

Materials, contracts and services

Materials, contracts, and services costs are projected to decrease by 6.49 per cent in 2026/27 mainly due to Natural Disaster costs incurred in 2025/26. Additionally, Council has targeted cost savings where possible with an efficiency target of 0.5% across most cost categories and specific deep dives across a number of cost categories to further Council's financial sustainability objectives. These targets will be reviewed annually.

Other expenses

Other expenses include a broad range of costs such as administration (audit fees, councillor allowances, bank charges) and contributions. These expenses are expected to decrease by 9.09% in 2026/27, primarily due to Council realigning service budgets to support its financial sustainability objectives.

Appendix I Financial Statements
Budgeted Comprehensive Income Statement
For the ten years ending 30 June 2036

	Forecast	Budget				Projections					
	Actual										
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income											
Rates and charges	82,428	86,118	90,081	93,807	97,659	101,641	105,758	110,011	114,409	118,951	123,647
Statutory fees and fines	2,829	3,148	3,242	3,323	3,398	3,466	3,535	3,606	3,678	3,751	3,826
User fees	3,016	3,287	3,418	3,538	3,653	3,762	3,875	3,991	4,111	4,234	4,362
Grants - Operating	18,618	16,401	16,893	17,315	17,705	18,059	18,420	18,788	19,164	19,547	19,938
Grants - Capital	12,084	16,285	8,486	5,714	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Contributions - monetary	8,473	7,186	10,833	14,105	10,368	6,382	6,964	8,321	6,531	6,640	5,715
Contributions - non-monetary	8,664	26,439	14,522	9,919	23,102	5,477	5,216	4,874	300	62	1,360
Net gain/(loss) on disposal of property, infrastructure, plant & equipment	62	300	311	320	329	337	345	354	363	372	381
Other income	3,733	3,306	3,455	3,579	3,703	3,828	3,958	4,092	4,231	4,374	4,523
Total Income	139,907	162,468	151,240	151,619	163,516	146,552	151,671	157,638	156,386	161,532	167,353
Expenses											
Employee costs	(41,784)	(43,190)	(44,529)	(45,909)	(47,332)	(49,273)	(51,293)	(53,396)	(55,852)	(58,421)	(61,109)
Materials and services	(51,820)	(48,434)	(49,403)	(50,144)	(51,523)	(52,811)	(54,131)	(55,484)	(56,872)	(58,293)	(59,751)
Depreciation	(27,643)	(31,419)	(32,287)	(33,047)	(32,036)	(32,897)	(33,495)	(34,122)	(34,606)	(35,222)	(35,787)
Amortisation - intangible assets	(842)	(1,244)	(1,244)	(1,244)	(603)	(603)	-	-	-	-	-
Depreciation - right of use assets	(641)	(973)	(1,012)	(1,032)	(859)	(386)	(393)	(440)	(490)	(492)	(466)
Allowance for impairment losses	(45)	-	-	-	-	-	-	-	-	-	-
Borrowing costs	(637)	(798)	(1,302)	(1,138)	(1,065)	(1,003)	(828)	(663)	(530)	(410)	(283)
Finance Costs - leases	(28)	(74)	(67)	(54)	(57)	(62)	(43)	(53)	(70)	(69)	(49)
Other expenses	(1,517)	(1,379)	(1,428)	(1,471)	(1,511)	(1,549)	(1,588)	(1,627)	(1,668)	(1,710)	(1,752)
Total Expenses	(124,957)	(127,510)	(131,271)	(134,039)	(134,987)	(138,584)	(141,771)	(145,786)	(150,088)	(154,617)	(159,197)
Surplus/(deficit) for the year	14,950	34,958	19,970	17,580	28,530	7,968	9,900	11,852	6,299	6,915	8,156
Other comprehensive income											
Items that will not be reclassified to surplus or deficit in future periods											
Net asset revaluation gain/(loss)	8,555	-	-	-	-	-	-	-	-	-	-
Total comprehensive result	23,505	34,958	19,970	17,580	28,530	7,968	9,900	11,852	6,299	6,915	8,156

Budgeted Balance Sheet
For the ten years ending 30 June 2036

	Forecast	Budget				Projections					
	Actual	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	2025/26	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets											
Current assets											
Cash and cash equivalents	11,011	10,343	8,964	10,376	12,548	13,601	14,432	15,692	16,554	17,508	18,105
Trade and other receivables	10,306	9,946	9,784	10,135	10,056	10,135	10,471	10,924	11,159	11,541	11,874
Other financial assets	42,136	47,836	57,836	73,836	86,836	92,336	99,300	112,300	124,300	138,300	147,300
Prepayments	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-
Contract assets	9,240	9,240	9,240	9,240	9,240	9,240	9,240	9,240	9,240	9,240	9,240
Other assets	30	30	30	30	30	30	30	30	30	30	30
Total current assets	74,723	79,395	87,853	105,617	120,710	127,341	135,473	150,187	163,282	178,619	188,549
Non-current assets											
Other financial assets	-	-	-	-	-	-	-	-	-	-	-
Property, infrastructure, plant & equipment	1,105,910	1,151,773	1,162,629	1,163,446	1,178,254	1,177,414	1,176,715	1,172,050	1,164,326	1,154,949	1,152,105
Right-of-use assets	3,372	2,960	2,065	1,140	1,121	930	684	1,057	1,519	1,172	756
Intangible asset	3,016	3,694	2,450	1,206	603	(0)	(0)	(0)	(0)	(0)	(0)
Total non-current assets	1,112,298	1,158,427	1,167,144	1,165,792	1,179,978	1,178,344	1,177,399	1,173,107	1,165,845	1,156,121	1,152,861
Total assets	1,187,021	1,237,822	1,254,997	1,271,409	1,300,688	1,305,686	1,312,872	1,323,293	1,329,128	1,334,741	1,341,411
Liabilities											
Current liabilities											
Trade and other payables	13,095	13,299	13,594	13,935	14,340	14,800	15,234	15,767	16,312	16,877	17,416
Trust funds and deposits	4,639	4,639	4,639	4,639	4,639	4,639	4,639	4,639	4,639	4,639	4,639
Contract and other liabilities	3,723	3,723	3,723	3,723	3,723	3,723	3,723	3,723	3,723	3,723	3,723
Provisions	7,539	8,442	9,373	10,334	11,323	12,354	13,427	14,543	15,711	16,933	18,211
Interest-bearing liabilities	-	4,913	5,227	4,255	4,213	3,898	3,404	2,628	2,749	2,875	2,821
Lease liabilities	359	345	362	285	404	465	383	374	453	468	366
Total current liabilities	29,355	35,361	36,918	37,171	38,641	39,879	40,809	41,675	43,587	45,515	47,176
Non-current liabilities											
Provisions	12,485	12,485	12,485	12,485	12,485	12,485	12,485	12,485	12,485	12,485	12,485
Interest-bearing loans and borrowings	16,964	26,629	22,543	21,318	20,284	16,386	12,982	10,354	7,605	4,730	1,909
Lease liabilities	943	1,115	849	653	966	657	416	748	1,121	765	440
Total non-current liabilities	30,392	40,230	35,878	34,456	33,735	29,528	25,884	23,587	21,211	17,980	14,834
Total liabilities	59,747	75,590	72,796	71,627	72,377	69,407	66,693	65,262	64,798	63,496	62,010
Net assets	1,127,274	1,162,232	1,182,201	1,199,782	1,228,311	1,236,279	1,246,179	1,258,031	1,264,330	1,271,245	1,279,401
Equity											
Accumulated surplus	487,956	518,751	526,903	529,111	547,390	564,724	582,776	591,592	595,344	597,884	605,891
Reserves	639,318	643,480	655,299	670,671	680,921	671,555	663,403	666,439	668,986	673,362	673,510
Total equity	1,127,274	1,162,232	1,182,201	1,199,782	1,228,311	1,236,279	1,246,179	1,258,031	1,264,330	1,271,245	1,279,401

Budgeted Statement of Changes in Equity
For the ten years ending 30 June 2036

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2025/26				
Balance at beginning of the financial year	1,096,960	472,999	603,658	20,303
Surplus/(deficit) for the year	14,950	14,950	-	-
Net asset revaluation increment/(decrement)	8,555	-	8,555	-
Transfer (to)/from reserves	6,809	7	-	6,802
Balance at end of financial year	1,127,274	487,956	612,213	27,105
2026/27				
Balance at beginning of the financial year	1,127,274	487,956	612,213	27,105
Surplus/(deficit) for the year	34,958	34,958	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	0	(4,162)	-	4,162
Balance at end of financial year	1,162,232	518,751	612,213	31,267
2027/28				
Balance at beginning of the financial year	1,162,232	518,751	612,213	31,267
Surplus/(deficit) for the year	19,970	19,970	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	0	(11,819)	-	11,819
Balance at end of financial year	1,182,201	526,903	612,213	43,086
2028/29				
Balance at beginning of the financial year	1,182,201	526,903	612,213	43,086
Surplus/(deficit) for the year	17,580	17,580	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	(0)	(15,372)	-	15,372
Balance at end of financial year	1,199,782	529,111	612,213	58,458
2029/30				
Balance at beginning of the financial year	1,199,782	529,111	612,213	58,458
Surplus/(deficit) for the year	28,530	28,530	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	-	(10,251)	-	10,251
Balance at end of financial year	1,228,311	547,390	612,213	68,708
2030/31				
Balance at beginning of the financial year	1,228,311	547,390	612,213	68,708
Surplus/(deficit) for the year	7,968	7,968	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	0	9,367	-	(9,367)
Balance at end of financial year	1,236,279	564,724	612,213	59,342
2031/32				
Balance at beginning of the financial year	1,236,279	564,724	612,213	59,342
Surplus/(deficit) for the year	9,900	9,900	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	(0)	8,152	-	(8,152)
Balance at end of financial year	1,246,179	582,776	612,213	51,190
2032/33				
Balance at beginning of the financial year	1,246,179	582,776	612,213	51,190
Surplus/(deficit) for the year	11,852	11,852	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	0	(3,036)	-	3,036
Balance at end of financial year	1,258,031	591,592	612,213	54,226
2033/34				
Balance at beginning of the financial year	1,258,031	591,592	612,213	54,226
Surplus/(deficit) for the year	6,299	6,299	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	(0)	(2,546)	-	2,546
Balance at end of financial year	1,264,330	595,344	612,213	56,773
2034/35				
Balance at beginning of the financial year	1,264,330	595,344	612,213	56,773
Surplus/(deficit) for the year	6,915	6,915	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	0	(4,376)	-	4,376
Balance at end of financial year	1,271,245	597,884	612,213	61,149
2035/36				
Balance at beginning of the financial year	1,271,245	597,884	612,213	61,149
Surplus/(deficit) for the year	8,156	8,156	-	-
Net asset revaluation increment/(decrement)	-	-	-	-
Transfer (to)/from reserves	(0)	(149)	-	149
Balance at end of financial year	1,279,401	605,891	612,213	61,297

Budgeted Statement of Cash Flows
For the ten years ending 30 June 2036

	Forecast Actual 2025/26 \$'000 Inflows (Outflows)	Budget		Projections							
		2026/27 \$'000 Inflows (Outflows)	2027/28 \$'000 Inflows (Outflows)	2028/29 \$'000 Inflows (Outflows)	2029/30 \$'000 Inflows (Outflows)	2030/31 \$'000 Inflows (Outflows)	2031/32 \$'000 Inflows (Outflows)	2032/33 \$'000 Inflows (Outflows)	2033/34 \$'000 Inflows (Outflows)	2034/35 \$'000 Inflows (Outflows)	2035/36 \$'000 Inflows (Outflows)
Cash flows from operating activities											
Rates and charges	82,128	86,778	89,826	93,535	97,395	101,368	105,496	109,700	114,108	118,640	123,348
Statutory fees and fines	3,136	3,489	3,560	3,649	3,732	3,807	3,884	3,960	4,040	4,121	4,204
User fees	3,254	3,643	3,751	3,882	4,009	4,130	4,255	4,381	4,513	4,649	4,789
Grants - operating	17,589	16,526	16,862	17,283	17,678	18,035	18,399	18,760	19,138	19,521	19,915
Grants - capital	18,973	16,409	9,022	5,903	3,745	3,600	3,601	3,600	3,600	3,600	3,601
Contributions - monetary	8,473	7,186	10,833	14,105	10,368	6,382	6,964	8,321	6,531	6,640	5,715
Interest received	2,250	1,900	2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737
Other receipts	1,431	2,338	2,408	2,807	3,009	2,672	2,431	2,549	2,655	2,569	2,604
Net GST refund / payment	7,212	7,448	5,883	5,311	5,710	6,475	6,500	6,386	6,649	6,885	7,635
Employee costs	(40,503)	(42,198)	(43,434)	(44,747)	(46,151)	(47,982)	(49,968)	(51,978)	(54,355)	(56,855)	(59,493)
Materials and services	(56,334)	(53,166)	(54,217)	(55,026)	(56,467)	(57,898)	(59,368)	(60,807)	(62,350)	(63,908)	(65,531)
Trust funds and deposits repaid	(4,716)	-	-	-	-	-	-	-	-	-	-
Other payments	(2,992)	(1,514)	(1,564)	(1,611)	(1,656)	(1,698)	(1,741)	(1,783)	(1,829)	(1,874)	(1,922)
Net cash provided by/(used in) operating activities	39,901	48,839	44,929	47,169	43,535	41,141	42,793	45,522	45,233	46,619	47,604
Cash flows from investing activities											
Payments for property, infrastructure, plant & equipment	(34,459)	(55,519)	(31,143)	(26,340)	(26,117)	(29,238)	(30,138)	(27,041)	(29,041)	(28,361)	(34,741)
Proceeds from sale of property, infrastructure, plant & equipment	4,164	330	342	352	361	371	380	389	399	409	419
Payments for investment property	(4,000)	-	-	-	-	-	-	-	-	-	-
Payments for intangible assets	(790)	(1,922)	-	-	-	-	-	-	-	-	-
Payments for investments	-	(5,700)	(10,000)	(16,000)	(13,000)	(5,500)	(6,964)	(13,000)	(12,000)	(14,000)	(9,000)
Net cash provided by/(used in) investing activities	(35,085)	(62,811)	(40,801)	(41,988)	(38,755)	(34,367)	(36,722)	(39,651)	(40,642)	(41,952)	(43,322)
Cash flows from financing activities											
Finance costs	(629)	(798)	(1,302)	(1,138)	(1,065)	(1,003)	(828)	(663)	(530)	(410)	(283)
Proceeds from borrowings	-	34,964	1,148	3,050	3,200	-	-	-	-	-	-
Repayment of borrowings	(3,279)	(20,386)	(4,921)	(5,247)	(4,276)	(4,213)	(3,898)	(3,404)	(2,628)	(2,749)	(2,875)
Interest paid - lease liability	(36)	(74)	(67)	(54)	(57)	(62)	(43)	(53)	(70)	(69)	(49)
Repayment of lease liabilities	(530)	(403)	(366)	(380)	(409)	(443)	(469)	(491)	(501)	(485)	(477)
Net cash provided by/(used in) financing activities	(4,474)	13,304	(5,507)	(3,769)	(2,607)	(5,721)	(5,239)	(4,610)	(3,730)	(3,713)	(3,685)
Net increase/(decrease) in cash & cash equivalents	342	(668)	(1,379)	1,412	2,172	1,053	831	1,260	861	954	597
Cash and cash equivalents at the beginning of the financial year	10,669	11,011	10,343	8,964	10,376	12,548	13,601	14,432	15,692	16,554	17,508
Cash and cash equivalents at the end of the financial year	11,011	10,343	8,964	10,376	12,548	13,601	14,432	15,692	16,554	17,508	18,105

Budgeted Capital Works Statement
For the ten years ending 30 June 2036

	Forecast	Budget				Projections					
	Actual	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	2025/26	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property											
Land	639	6,000	3,400	-	-	-	2,000	-	2,000	-	-
Total land	639	6,000	3,400	-	-	-	2,000	-	2,000	-	-
Buildings	10,346	23,278	8,563	5,915	1,665	6,665	6,665	1,665	1,665	1,665	8,465
Building improvements	-	1,535	-	-	-	-	-	-	-	-	-
Total buildings	10,346	24,813	8,563	5,915	1,665	6,665	6,665	1,665	1,665	1,665	8,465
Total property	10,985	30,813	11,963	5,915	1,665	6,665	8,665	1,665	3,665	1,665	8,465
Plant and equipment											
Plant, machinery and equipment	2,623	1,125	1,400	1,400	1,400	2,000	2,000	2,200	2,200	2,400	2,400
Computers and telecommunications	1,811	1,301	100	65	65	65	65	65	65	65	65
Total plant and equipment	4,434	2,426	1,500	1,465	1,465	2,065	2,065	2,265	2,265	2,465	2,465
Infrastructure											
Roads	10,160	9,523	8,103	10,605	12,553	10,503	10,503	10,703	11,223	11,223	11,223
Bridges	1,195	550	300	700	700	1,100	1,100	1,100	1,100	1,100	1,100
Footpaths and cycleways	2,438	955	855	855	855	1,330	1,330	1,330	1,560	1,560	1,560
Drainage	791	903	895	970	970	970	970	1,495	1,495	1,495	1,495
Recreational, leisure and community facilities	4,455	4,820	3,980	2,660	4,760	3,373	2,373	5,450	4,450	5,450	4,450
Other infrastructure	-	853	1,025	775	775	575	575	575	825	825	825
Total infrastructure	19,039	17,604	15,158	16,565	20,613	17,850	16,850	20,653	20,653	21,653	20,653
Total capital works expenditure	34,458	50,843	28,621	23,945	23,743	26,580	27,580	24,583	26,583	25,783	31,583
Represented by:											
Asset renewal expenditure	9,725	16,113	13,496	15,886	18,783	18,854	17,854	21,463	20,463	21,663	20,663
Asset expansion expenditure	21,523	32,348	11,610	4,940	840	5,840	7,840	840	3,590	1,590	8,390
Asset upgrade expenditure	3,210	2,382	3,515	3,120	4,120	1,886	1,886	2,279	2,529	2,529	2,529
Total capital works	34,458	50,843	28,621	23,945	23,743	26,580	27,580	24,583	26,583	25,783	31,583
Funding sources represented by:											
Grants	12,084	16,285	8,486	5,714	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Contributions	-	-	-	-	-	-	-	-	-	-	-
Council Cash	22,374	15,559	15,006	15,101	16,862	17,900	18,900	20,902	22,902	22,102	27,902
Borrowings	-	18,000	1,148	3,050	3,200	-	-	-	-	-	-
Reserves	-	939	3,400	-	-	5,000	5,000	-	-	-	-
Asset Sales	-	60	580	80	80	80	80	80	80	80	80
Total capital works expenditure	34,458	50,843	28,621	23,945	23,743	26,580	27,580	24,583	26,583	25,783	31,583

Budgeted Statement of Human Resources
For the ten years ending 30 June 2036

	Forecast	Budget				Projections					
	Actual	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	2025/26	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Staff expenditure											
Employee costs - Operating	41,784	43,190	44,529	45,909	47,332	49,273	51,293	53,396	55,852	58,421	61,109
Employee costs - Capital	2,514	2,822	2,881	2,942	3,004	3,067	3,131	3,197	3,264	3,332	3,402
Total staff expenditure	44,298	46,012	47,410	48,851	50,336	52,340	54,424	56,593	59,116	61,753	64,511
Staff numbers	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT	EFT
Employees	351	353	341	343	345	347	349	351	353	355	357
Total staff numbers	351	353	341	343	345	347	349	351	353	355	357

Appendix 2 Performance Ratios

Period start		1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29	1 Jul 30	1 Jul 31	1 Jul 32	1 Jul 33	1 Jul 34	1 Jul 35
Period end		30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30	30 Jun 31	30 Jun 32	30 Jun 33	30 Jun 34	30 Jun 35	30 Jun 36
VAGO Ratios												
Net result	%	10.7%	21.6%	13.2%	11.6%	17.5%	5.4%	6.5%	7.5%	4.0%	4.3%	4.9%
Adjusted underlying result	%	(9.4%)	(9.7%)	(8.4%)	(6.9%)	(3.8%)	(2.9%)	(1.6%)	(0.9%)	(0.4%)	0.1%	0.7%
Liquidity	x	2.55	2.25	2.38	2.84	3.12	3.19	3.32	3.60	3.75	3.92	4.00
Internal financing	%	115.8%	88.0%	144.3%	179.1%	166.7%	140.7%	142.0%	168.3%	155.8%	164.4%	137.0%
Indebtedness	%	33.0%	41.8%	35.7%	33.0%	31.0%	26.1%	22.0%	19.3%	16.7%	13.7%	10.8%
Capital replacement ratio	x	1.25	1.77	0.96	0.80	0.82	0.89	0.90	0.79	0.84	0.81	0.97
Renewal gap ratio	x	0.47	0.59	0.53	0.58	0.71	0.63	0.59	0.70	0.66	0.69	0.65
Local Government Performance Reporting												
Operating position												
Adjusted underlying result	%	-9.4%	-9.7%	-8.4%	-6.9%	-3.8%	-2.9%	-1.6%	-0.9%	-0.4%	0.1%	0.7%
Liquidity												
Working capital (current assets as a percentage of current liabilities)	%	254.5%	224.5%	238.0%	284.1%	312.4%	319.3%	332.0%	360.4%	374.6%	392.4%	399.7%
Obligations												
Loans and borrowings (as a percentage of rate revenue)	%	21.0%	37.1%	31.4%	27.7%	25.5%	20.3%	15.7%	12.0%	9.2%	6.5%	3.9%
Loans and borrowings payments (as a percentage of rate revenue)	%	4.8%	24.9%	7.0%	6.9%	5.6%	5.2%	4.5%	3.8%	2.8%	2.7%	2.6%
Indebtedness (Non-current liabilities compared to own-source revenue)	%	33.0%	41.8%	35.7%	33.0%	31.0%	26.1%	22.0%	19.3%	16.7%	13.7%	10.8%
Asset renewal and upgrade (compared to depreciation)	%	46.8%	58.9%	52.7%	57.5%	71.5%	63.0%	58.9%	69.6%	66.4%	68.7%	64.8%
Stability												
Rates concentration (Rates compared to adjusted underlying revenue)	%	70.9%	73.2%	73.1%	73.6%	73.9%	74.3%	74.6%	75.0%	75.3%	75.7%	76.0%
Efficiency												
Expenditure level (expenditure per assessment)	\$ / assessment	4,173.7	4,210.6	4,212.0	4,178.9	4,089.3	4,115.9	4,128.0	4,161.7	4,200.5	4,246.8	4,286.8
Revenue level (average rate per assessment)	\$ / assessment	2,753.2	2,843.8	2,890.4	2,924.6	2,958.5	3,018.7	3,079.4	3,140.4	3,201.9	3,263.8	3,326.1