# Financial Plan.
## 2024/25

Contents

## 1 Summary

The Financial Plan (FP) 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 considering Council's service objectives and financial challenges.

The FP is designed to provide the following objectives:

- establish a prudent and sound financial framework, combining and integrating financial strategies as expressed in the 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 can be measured;
- ensure that Council complies 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;
- allow Council to meet the objectives of the Act 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;

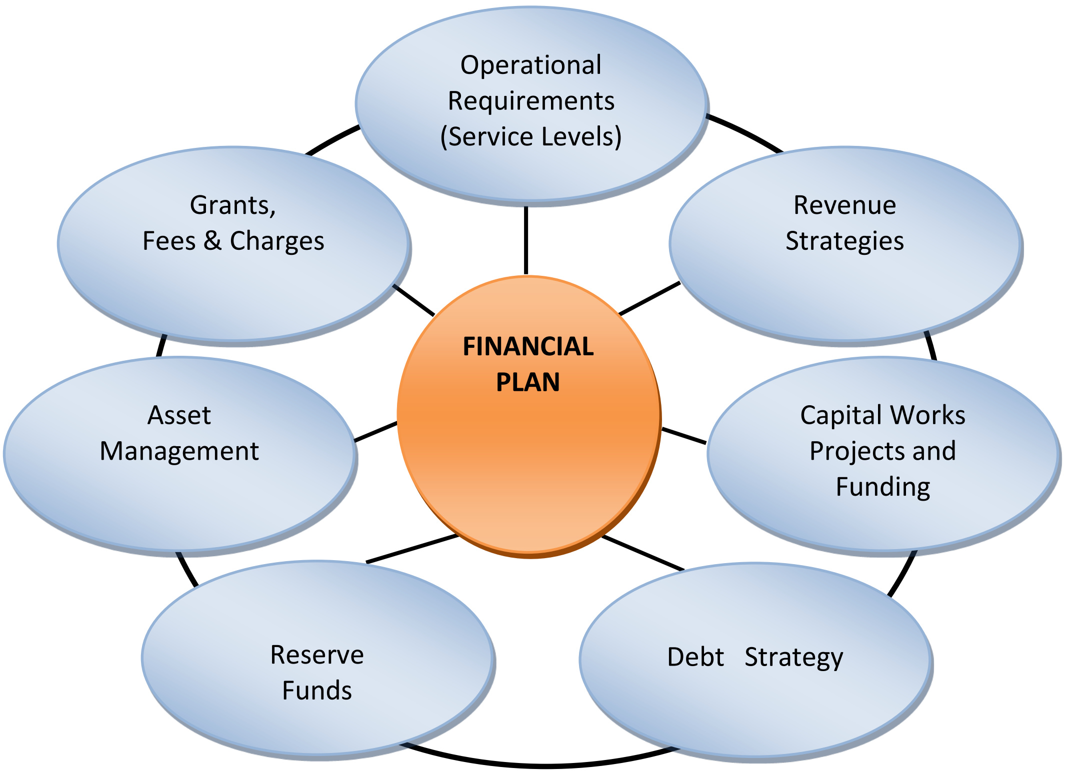
The FP will be reviewed on an annual basis and represents a comprehensive approach to document and integrate the various strategies (financial and other) of Council. The development of the long-term financial projections represents the output of several strategy areas that is represented by the diagram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

While meeting Council's service needs within a financially sustainable framework, the funding scenarios within the FP are designed to consider the impact to the community particularly regarding 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 FP 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 FP is designed to provide a financially sustainable model that will deliver on the expectations identified within the Community Vision. More specifically the purpose of the FP 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.

A deliberative engagement process for the Financial Plan was conducted in August 2021. This was part of a wider deliberative engagement process which included the formation of a Deliberative Panel who in July 2021 recommended a draft Community Vision to the Council that was adopted in October 2021. The Community Vision and the outcomes of the deliberative process influenced the Council Plan 2021-2025 and the development of this FP.



## 2 Objective of the Financial Plan

The FP 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 FP.

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

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

The FP framework includes the ability to manage funding for capital works as well as 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.

| Summary - Strategy Recommendations |
|---|
| 1. That Council endorse the rating parameters applied in this Strategy based on the rate cap increase of 2.75 per cent for 2024/25 in line with the Essential Services Commission rate cap figure. Future years rate increases will be modelled in accordance with estimated CPI projections.<br><br>2. That Council applies differential rates for:<br>• General Residential properties.<br>• Farms at a discount of 20 percent to the general rate.<br>• Vacant land with a surcharge of 80 percent.<br>• Commercial and Industrial Vacant land with a surcharge of 140 percent. (New Differential introduced from 2024/25).<br>• Commercial and Industrial properties with a surcharge of 30 percent.<br>• Urban Living at a discount of 10 percent.<br>• Residential Development with a surcharge of 30 percent.<br><br>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 60 per cent prudential limit (Indebtedness Ratio).<br><br>4. That Council continues to review its critical infrastructure renewal requirements and allocate funds to the replacement of existing assets. |

## 3.1 Sustainable Financial 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 Plan.

- Increasing the capital works investment, funded from operational sources to a sufficient level that allows Council 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, aim to address it through the period of this FP.

- That Council endorse through this FP, 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.

## 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 1 Financial Statements.

LGPRF measures include:

- Expenses per property assessment – total expenses divided by total number of properties indicates the average cost of operating Council for each ratepayer.
- Average rate per property – total rate revenue divided by number of property assessments indicates the average rates paid for each property.
- 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.
- Adjusted underlying surplus (or deficit).
- 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 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 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 2024/25 is 2.75 per cent. Council does not propose to seek a variation to the 2024/25 rate cap. The continuous increasing gap to maintain the service standards may require a variation in rate cap in coming years.

Baw Baw Shire Council currently applies the Capital Improved Valuation methodology to levy its rates. Council currently applies differential rating (versus uniform rating) and has eight differential rates in use. The table below highlights the various "surcharges and discounts" that are utilised 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 2024/25 Rate in $ | Differential Rating Category |
|---|---|---|
| General (Residential) | 0.00253571 | 1.0 |
| Commercial and Industrial | 0.00329642 | 1.3 |
| Vacant land | 0.00456428 | 1.8 |
| Commercial and Industrial Vacant Land | 0.00608571 | 2.4 |
| Farm | 0.00202857 | 0.8 |
| Urban Living | 0.00228214 | 0.9 |
| Residential Development | 0.00329642 | 1.3 |
| Recreational | 0.00253571 | 1.0 |

Council currently utilises a service charge to fully recover the cost of the waste disposal services. Council has agreed to follow the Local Government Minister's advice and remove the costs associated with litter and waste collection from public spaces and the provision of public bins; street, footpath and drain cleaning services from the waste service charge from 2024/25 onwards.

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.
   - Recreational properties same as general rate.
   - Farms at a discount of 20 percent to the general rate.
   - Vacant land with a surcharge of 80 percent.
   - Commercial and Industrial Vacant land with a surcharge of 140 percent.
   - Commercial and Industrial properties with a surcharge of 30 percent.
   - Urban Living at a discount of 10 percent.
   - Residential Development with a surcharge of 30 percent.

2. That Council continues to allow a 100 percent discount on the Cultural and Recreational properties subject to a two-yearly review being undertaken, with the exception of the Warragul Country Club land which receives a 47% rebate.
3. That Council removes the costs associated with litter and waste collection from public spaces and provision of public bins and street, footpath and drain cleaning from the waste service charge. To meet the Local Government Minister's Guidelines from 1 July 2024, this will be funded from council revenue and reduce Council's capacity to fund its capital program.

## 4.2 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 FP includes rate revenue for 2024/25 of $63.0 million based on the rate cap of 2.75 percent, plus growth of $0.95 million, over prior year levels. The total rate revenue generated is therefore $63.95 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 $12.13 million is included for waste service charges (including supplementary waste). Total revenue from rates and service charges for 2024/25, including growth (supplementary rates and interest charges) is $76.26 million.

Council's annual costs are expected to increase by 5.05 percent compared to current year adopted budget or 4.26 per cent compared to forecast, which includes operational carryovers and temporary staff forecast. The increase is mainly due to increased contract costs, provision for additional staff to cover growth in services and costs to fund the road maintenance contract.

Council is budgeting for a surplus of $21.18 million during 2024/25 (before the impact of asset revaluation increments) however it should be noted that $26.64 million of income, comprising non-recurrent capital grants plus monetary and non-monetary contributions, is dedicated specifically to fund capital projects and reserves. Excluding this income Council's 2024/25 budget would reflect a deficit of $5.46 million.

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 2024/25 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.

## 4.3 Revenue from Grants and Contributions

The FP includes grant revenue as an integral component of Council's funding mix for the coming ten years. 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. 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. For the 2024/25 budget year Council proposes to receive a total of $15.55 million in operating grants and a further $16.40 million in capital grants, as well as $4.87 million in monetary contributions and $7.16 million in non-monetary contributions.

## 4.4 Revenue from User Charges, Fees and Fines

User charges, fees and fines for 2024/25 are expected to total $5.25 million, representing in the order of the 4.04 per cent of total operating income.

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.

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 Plan based on an annual rate increase of 2.75 percent per annum. In addition, supplementary rates are expected to raise a further 1.49 percent for growth (mainly new ratepayers).<br><br>2. That Council continue its focus on securing grant revenue particularly for capital works projects and.<br><br>3. 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. |

# 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 2019/20 to 2024/25.

| | 2019/20 $'000s | 2020/21 $'000s | 2021/22 $'000s | 2022/23 $'000s | 2023/24 $'000s | 2024/25 $'000s |
|---|---|---|---|---|---|---|
| Total Debt | 11,168 | 15,323 | 13,906 | 13,906 | 20,243 | 20,717 |

During the 2024/25 budget year Council is proposing to borrow a total of $1.00 million:

- Borrow $1.00 million for Rokeby Noojee Trail (Stage 1)
- Refinance $8.00 million loan facility (two $4.00 million loan financing agreements).
- Refinance $6.49 million borrowed for Leisure centre.

## 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) | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Indebtedness | Total non-current liabilities as a % of own revenue | 60% | 16.1% | 29.2% | 35.8% | 35.9% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Debt Servicing | Interest costs as a % of total revenue | 5.0% | 0.3% | 0.4% | 0.6% | 0.7% |
| Debt Commitment | Principal and Interest as a % of rates | 10.0% | 11.9% | 6.3% | 1.0% | 1.8% |

- Indebtedness – total non-current liabilities divided by own revenue is to be a maximum of 60 per cent. Council's ratio is aligned with both prudent guidelines and the Borrowing Policy and is projected to be 35.9 per cent at the completion of the 2024/25 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 per cent. Council's ratio is projected to be 0.7 per cent for the 2024/25 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 percent. Council's ratio is within the prudential guideline and projected to be 1.8 percent for the 2024/25 financial year. The increase from the 2023/24 year is mainly due to additional loans and increased interest rates throughout the year highlighted in the Long-term Infrastructure Plan.

### 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.

Council is proposing to borrow $1.00 million for Rokeby Noojee trail in 2024/25 and refinance three loan facilities. Two facilities of $4.00 million each and another one for $6.49 million. In 2025/26 Council is proposing additional borrowing of $10.00 million, respectively to partly fund the Baw Baw Civic Precinct.

Projected future borrowings have been structured to ensure that Council does not exceed an indebtedness level more than 60 percent of annual rate revenue (Indebtedness Ratio), which is an increase on previous levels of debt. This position has been taken by Council in order to fund existing intergenerational projects and ensure that Council maintains appropriate cash reserves. Borrowings will be maintained within the level of 60 percent over the future projections, the indebtedness ratio remains below 60 percent at the completion of the 2024/25 financial year.

Future years borrowing ratios may also be impacted by the recognition of operating leases that are now included to the budgeted financial statements that comprise a total of $1.3 million lease liability at the end of the 2024/25 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 FP and determine the funding mechanism to meet annual debt servicing and redemption requirements;<br><br>2. That Council remain within the maximum 60 per cent prudential limit (Indebtedness Ratio) and;<br><br>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
- Revolving Sustainability Fund

### 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 the Shire. Funds are contributed in accordance with Section 18 of the Subdivision Act 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.

### 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 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.

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 2024/25 financial years notwithstanding the increased level of activity. Council's current information 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 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 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.

### 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 / 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.

### 6.1.9 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.

### 6.1.10 Revolving Sustainability Fund

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

### 6.1.11 Waste Management Reserve

Newly established reserve established 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.

## 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

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/Strategic Land Reserve
- Capital Development Reserve
- Revolving Sustainability Fund
- Waste Management Reserve

## 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 decrease based on estimated contribution income, and usage. 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 loan repayment reserve is a discretionary reserve to accumulate sufficient funds to repay interest only loans.

| Reserves | Forecast 2023-24 $'000 | Forecast 2024-25 $'000 | Forecast 2025-26 $'000 | Forecast 2026-27 $'000 | Forecast 2027-28 $'000 |
|---|---|---|---|---|---|
| Open Space | | | | | |
| Opening balance | $3,614 | $2,524 | $2,085 | $2,098 | $2,373 |
| Transfer to reserve | $439 | $500 | $513 | $525 | $538 |
| Transfer from reserve | ($1,529) | ($939) | ($500) | ($250) | ($250) |
| **Closing balance** | **$2,524** | **$2,085** | **$2,098** | **$2,373** | **$2,661** |
| | | | | | 0 |
| Open Space - Development Contributions | | | | | |
| Opening balance | $1,255 | $1,395 | $1,645 | $1,645 | $1,645 |
| Transfer to reserve | $139 | $250 | $0 | 0 | 0 |
| Transfer from reserve | $0 | $0 | $0 | $0 | 0 |
| **Closing balance** | **$1,395** | **$1,645** | **$1,645** | **$1,645** | **$1,645** |
| | | | | | 0 |
| Development Contributions - DCP01 | | | | | |
| Opening balance | $1,366 | $830 | $530 | $143 | ($232) |
| Transfer to reserve (Levy income) | $800 | $500 | $513 | $525 | $538 |
| Transfer from reserve (Capital projects) | ($1,336) | ($800) | ($900) | (900) | (900) |
| **Closing balance** | **$830** | **$530** | **$143** | **($232)** | **($593)** |
| Development Contributions - DCP02 | | | | | |
| Opening balance | $4,368 | $4,752 | $4,674 | $3,852 | $3,992 |
| Transfer to reserve (Levy income) | $1,500 | $2,422 | $1,600 | $1,640 | $1,681 |
| Transfer from reserve (Capital projects) | ($1,116) | ($2,500) | ($2,422) | (1,500) | (1,500) |
| **Closing balance** | **$4,752** | **$4,674** | **$3,852** | **$3,992** | **$4,173** |
| Development Contributions - DCP03 | | | | | |
| Opening balance | $1,627 | $2,412 | $2,814 | $2,412 | $3,232 |
| Transfer to reserve (Levy income) | $800 | $1,202 | $800 | $820 | $841 |
| Transfer from reserve (Capital projects) | ($15) | ($800) | ($1,202) | 0 | 0 |
| **Closing balance** | **$2,412** | **$2,814** | **$2,412** | **$3,232** | **$4,073** |
| Native Vegetation Offset Scheme | | | | | |
| Opening balance | $546 | $546 | $546 | $546 | $546 |
| Transfer to reserve | $0 | $0 | $0 | $0 | 0 |
| Transfer from reserve | $0 | $0 | $0 | $0 | ($17) |
| **Closing balance** | **$546** | **$546** | **$546** | **$546** | **$529** |
| Land Sales - statutory | | | | | |
| Opening balance | $151 | $151 | $151 | $151 | $151 |
| Transfer to reserve | $0 | $0 | $0 | $0 | 0 |
| Transfer from reserve | $0 | $0 | $0 | $0 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Closing balance | $151 | $151 | $151 | $151 | $151 |
| ` | | | | | |
| Defined Benefits Super | | | | | |
| Opening balance | $679 | $679 | $679 | $679 | $679 |
| Transfer to reserve | $0 | $0 | $0 | $0 | 0 |
| Transfer from reserve | $0 | $0 | $0 | $0 | 0 |
| Closing balance | $679 | $679 | $679 | $679 | $679 |
| | | | | | |
| Land Sales - discretionary | $627 | $627 | $627 | $627 | |
| Opening balance | $ 627 | $627 | $627 | $627 | $627 |
| Transfer to reserve | $0 | $0 | $0 | $0 | 0 |
| Transfer from reserve | $0 | $0 | $0 | $0 | 0 |
| Closing balance | $627 | $627 | $627 | $627 | $627 |
| | | | | | |
| Loan Repayment | $2,500 | $3,000 | $221 | $0 | $0 |
| Opening balance | $0 | $2,500 | $3,000 | $221 | $1,221 |
| Transfer to reserve | $2,500 | $500 | $500 | $1,000 | $1,500 |
| Transfer from reserve | $0 | $0 | (3,279) | 0 | 0 |
| Closing balance | $2,500 | $3,000 | $221 | $1,221 | $2,721 |
| Community Infrastructure/Strategic Land Reserve | | | | | |
| Opening balance | $1,294 | $794 | $1,387 | $1,987 | $1,987 |
| Transfer to reserve | $500 | $1,500 | $2,000 | 0 | 0 |
| Transfer from reserve | ($1,000) | ($907) | ($1,400) | 0 | 0 |
| Closing balance | $794 | $1,387 | $1,987 | $1,987 | $1,987 |
| | | | | | |
| Capital Development Reserve | | | | | |
| Opening balance | $1,096 | $1,096 | $0 | 0 | 0 |
| Transfer to reserve | $0 | $0 | $0 | 0 | 0 |
| Transfer from reserve | $0 | ($1,096) | $0 | 0 | 0 |
| Closing balance | $1,096 | $0 | $0 | $0 | 0 |
| | | | | | 0 |
| Revolving Sustainability Fund | | | | | |
| Opening balance | $338 | $306 | $286 | $266 | $266 |
| Transfer to reserve | $218 | $100 | $100 | $120 | $120 |
| Transfer from reserve | ($250) | ($120) | ($120) | ($120) | ($120) |
| Closing balance | $306 | $286 | $266 | $266 | $266 |
| Reserve Summary | | | | | |
| Opening Balance | $16,962 | $18,612 | $18,425 | $14,626 | $16,487 |
| Transfer to Reserves | $6,896 | $6,975 | $6,025 | $4,631 | $5,218 |
| Transfer from Reserves | ($5,246) | ($7,162) | ($9,824) | ($2,770) | ($2,787) |
| Closing Balance | $18,612 | $18,425 | $14,626 | $16,487 | $18,918 |

# 7 Service Planning

The key objective of Council's Financial Plan 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.

Council's proposed operating revenue for 2024/25 is $128.20 million while its operating costs are expected to total $107.02 million.

The FP is premised on Council continuing to review its service levels across the Shire and where possible and cost effective, maintain them at 2023/24 levels.

Future service requirements 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.

## 7.2 Financial Performance Analysis

The surplus of $21.18 million is converted into an adjusted underlying result that better reflects Council's level of financial sustainability. This result excludes grants received for capital purposes which are non-recurrent and capital contributions from other sources to arrive at the adjusted result for 2024/25 of a deficit of $5.46 million.

The underlying result is not a cause for ongoing concern. The annual operating results are the subject of annual external audit by the Victorian Auditor General's Office (VAGO) and their recent review by Council's Audit and Risk committee. Neither of these bodies have raised any concerns with Council's current or ongoing financial sustainability based on the current and expected financial environment that Council is operating in.

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.

# 8 Asset Management

Asset Management is a major component of the FP 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 2023 was $883,390 million (written down value).

| Fixed Asset Category<br>As at 30 June 2023 | Replacement Value $'000s | Accumulated Depreciation $'000s | Written Down Value $'000s |
|---|---|---|---|
| Land (including land under roads) | 222,902 | - | 222,902 |
| Buildings | 147,414 | 67,309 | 80,105 |
| Plant and Equipment | 7,301 | 3,274 | 4,028 |
| Fixtures, fittings and furniture | 4,630 | 4,316 | 313 |
| Roads | 511,707 | 211,603 | 300,104 |
| Bridges | 59,460 | 28,183 | 31,277 |
| Footpaths and cycle ways | 56,749 | 14,727 | 42,022 |
| Drainage | 109,832 | 21,518 | 88,314 |
| Parks, open space and streetscapes | 78,810 | 32,482 | 46,328 |
| Off street car parks | 13,786 | 5,097 | 8,689 |
| Works in Progress | 59,305 | 0 | 59,305 |
| **Total** | **1,271,896** | **388,509** | **883,389** |

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 $977.7 million replacement value and $596.8 million written down value as at 30 June 2023. The 2022/23 annual depreciation for infrastructure and building assets totalled $20.6 million.

This result indicates that Council's infrastructure and building assets have a total useful life of 47.46 years ($977.7 million replacement value divided by $20.6 million depreciation) and an average remaining useful life of 28.97 years ($596.8 million written down value divided by $20.6 million depreciation).

That is, based on the audited annual financials, Council's infrastructure and building assets are in the order of 38.95 per cent utilised (18.49 years divided by 47.46 years) and have in the order of 61.0 per cent of their life remaining (28.97 years divided by the total life of 47.46 years).

The depreciation amount of $20.6 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 certain asset classes in order to reassess useful lives and therefore the annual depreciation charge.

The FP includes annual capital renewal and upgrade in the order of $32.6 million for 2024/25 that is compared to the estimated 2024/25 depreciation expense of $21.7 million. The renewal and upgrade expenditure to depreciation ratio for 2024/25 is 148 percent (target 100 percent) with the ensuing three financial years, 2025/26 to 2027/28, projected to be 197 percent, 159 per cent and 121 percent respectively.

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

| Infrastructure and Building Assets 2022/23 | Replacement Value $M | Written Down Value $M | Annual Depreciation $M |
|---|---|---|---|
| Infrastructure | 830.3 | 516.7 | 18.7 |
| Building | 147.4 | 80.1 | 2.4 |
| **Total** | **977.7** | **596.8** | **21.1** |

### 8.1.1 Infrastructure Assets

Council's infrastructure assets are in relatively sound condition and on average 16.8 years or 37.8 per cent through their average total life of 44.4 years:

- Average total life of 44.4 years ($830.3 million divided by $18.7 million depreciation)

- Average remaining life of 27.6 years ($516.7 million divided by $18.7 million depreciation).

This high-level result indicates that in the order of $18.7 million per annum is the minimum 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 28 years or 45.6 per cent through their average total life of 61.4 years:

- Average total life of 61.4 years ($147.4 million replacement value divided by $2.4 million depreciation)

- Average remaining life of 33.4 years ($80.1 million written down value divided by $2.4 million depreciation)

This high-level result indicates that $2.4 million per annum is required to replace Council's building assets.

### 8.1.3 Asset Sales

During the review of the FP 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.

## 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 Financial Plan 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 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'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.<br><br>2. 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 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.

Future years of the Plan 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 in Appendix 1 Capital Works Statement

The ten-year future capital program includes a total of $346.55 million including: $108.85 million for strategic capital projects, $199.88 million for renewal of assets and $37.82 million in general capital projects. This will 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 2020/21 to 2024/25 financial year. The 2024/25 budget includes project works carried forward from the prior 2023/24 year.

| Capital Expenditure Type | 2020/21 Actual $000's | 2021/22 Actual $000's | 2022/23 Actual $000's | 2023/24 Forecast $000's | 2024/25 Budget $000's |
|---|---|---|---|---|---|
| Renewal | 9,939 | 12,258 | 9,558 | 21,120 | 25,584 |
| Upgrade | 6,082 | 6,330 | 6,801 | 10,870 | 6,328 |
| New/Expansion | 6,190 | 7,361 | 8,823 | 11,170 | 9,290 |
| **Total** | **$22,211** | **$25,949** | **$25,183** | **$43,160** | **$41,202** |

## 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 FP establishes a framework for Council to benchmark its performance within the LG sector. The future year operating projections are modelled on the 2024/25 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 FP. 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 than 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 2.75 per cent for the 2024/25 year, based on the state government rate cap, with future annual increases consistent with CPI estimates per annum for the ensuing years of the FP. In addition, it is expected that during the 2024/25 year a further increase in the order of 1.5 percent per annum will be received for growth (additional properties) as a result of supplementary rates.

Overall waste charges will decrease by 1.9 per cent in 2024/25, though individual general residential garbage rate is expected to reduce by 5% or $24. Council is following the Local Government Minister's advice to remove the costs associated with litter and waste collection from public spaces and the provision of public bins; street, footpath and drain cleaning services from the waste service charge from 1 July 2024 onwards.  This cost funded from Council revenue, effectively resulting in the reduction of Council's capital program in future years to fund these additional costs.

#### 10.2.2 Fees and charges revenue

Revenue from user fees and charges are expected to decrease by 1.29 per cent for the 2024/25 year compared to the 2023/24 forecast.

#### 10.2.3 Grants and subsidies

Recurrent Operating grants are expected to be in line with current forecast.

#### 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 2024/25 budget includes a 6.5 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 (SG guarantee increase by 0.5% in 2024/25 and 2025/26), increased Workcover premium rate, the Enterprise Bargaining Agreement (EBA) increment, banding increment factored in budget, combined with the addition of new approved positions. The ensuing years, from 2025/26 to 2027/28, reflect annual increases of 4.6 per cent per annum, which covers banding increment (salary increases within band), EBA increases, external factors such as superannuation increases and marginal increase in positions for the delivery of existing services.

#### 10.2.6 Materials, contracts and services

Materials, contracts and services are expected to increase by 8.3 percent compared to the prior year budget. Future year cost increases are expected to be in the order of 2.5 per cent per annum based on future CPI predictions.

The 2024/25 result reflects the forecast on par with budget expenditure from the prior 2023/24 year. Some of the increase in 2024/25 is due to the recognition of SaaS fees for Council's ERP software, increased contract costs, election costs and other material increases. 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 and waste services contracts that are impacted by cost drivers, including the road construction index and transport costs and continued growth in service as Council inherits additional assets and creates new council assets.

- Fuel increases, utility increases and cost escalations due to current market conditions, shortage of material and contractors.

- Council transition costs as a part of council election costs.

### 10.2.7 Borrowing costs

Borrowing costs for 2024/25 are budgeted at $0.9 million that is an increase on the prior year. This result is mainly due to additional drawdowns. State government has opened the Treasury Corporation of Victoria as a borrowing channel, which is providing Council with better rates than major banks offer. During the 2024/25 budget year total borrowing is expected to increase by $1.00 million, and the refinancing of $8.00 million loan funding facility made up of two loan agreements.

# Appendix 1 Financial Statements

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Period start | 1 Jul 23 | 1 Jul 24 | 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 |
| Period end | 30 Jun 24 | 30 Jun 25 | 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 |

## 18.02 Budget

### Baw Baw Shire Council

### Budgeted Comprehensive Income Statement

| **For the four years ending 30 June 2028** | **Forecast Actual** | **Budget** | **Projections** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** | **2030/31** | **2031/32** | **2032/33** | **2033/34** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Income** | | | | | | | | | | | |
| Rates and charges | 73,931 | 76,256 | 79,574 | 82,819 | 86,161 | 89,602 | 93,148 | 96,800 | 100,563 | 104,439 | 108,434 |
| Statutory fees and fines | 2,562 | 2,819 | 2,903 | 2,990 | 3,080 | 3,172 | 3,267 | 3,365 | 3,466 | 3,570 | 3,678 |
| User fees | 2,464 | 2,432 | 2,529 | 2,630 | 2,736 | 2,845 | 2,959 | 3,077 | 3,200 | 3,328 | 3,461 |
| Grants - Operating | 14,707 | 15,553 | 15,941 | 16,420 | 16,912 | 17,420 | 17,942 | 18,481 | 19,035 | 19,606 | 20,194 |
| Grants - Capital | 19,472 | 16,400 | 22,131 | 19,413 | 11,765 | 11,765 | 11,765 | 11,765 | 11,765 | 11,765 | 11,835 |
| Contributions - monetary | 3,017 | 4,811 | 4,362 | 5,118 | 4,563 | 4,668 | 4,775 | 4,886 | 4,999 | 5,111 | 5,232 |
| Contributions - non-monetary | 7,316 | 7,163 | 7,513 | 7,513 | 7,513 | 7,513 | 7,663 | 7,663 | 7,663 | 7,663 | 7,663 |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 440 | - | - | - | - | - | - | - | - | - | - |
| Fair value adjustments for investment property | - | - | - | - | - | - | - | - | - | - | - |
| Net gain/(loss) on disposal of investment property | - | - | - | - | - | - | - | - | - | - | - |
| Net gain/(loss) on disposal of intangible assets | - | - | - | - | - | - | - | - | - | - | - |
| Share of net profits/(losses) of associates and joint ventures | - | - | - | - | - | - | - | - | - | - | - |
| Other income | 3,110 | 2,772 | 2,472 | 2,372 | 2,272 | 2,172 | 2,072 | 1,672 | 1,672 | 1,672 | 1,672 |
| **Total Income** | 127,019 | 128,205 | 137,425 | 139,275 | 135,002 | 139,157 | 143,592 | 147,709 | 152,363 | 157,155 | 162,169 |
| **Expenses** | | | | | | | | | | | |
| Employee costs | (34,260) | (37,764) | (39,485) | (41,285) | (43,166) | (45,134) | (47,192) | (49,344) | (51,595) | (53,948) | (56,409) |
| Materials and services | (40,237) | (41,173) | (41,404) | (42,439) | (43,500) | (44,587) | (45,702) | (46,844) | (48,016) | (49,216) | (50,446) |
| Depreciation | (21,888) | (21,546) | (21,979) | (21,718) | (22,748) | (22,737) | (21,829) | (23,486) | (24,051) | (24,521) | (25,061) |
| Amortisation - intangible assets | (250) | (250) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (300) |
| Amortisation - right of use assets | (802) | (675) | (595) | (259) | (183) | (169) | (169) | (169) | (169) | (169) | (169) |
| Bad and doubtful debts | - | - | - | - | - | - | - | - | - | - | - |
| Borrowing costs | (708) | (900) | (960) | (1,241) | (1,209) | (1,175) | (960) | (763) | (724) | (572) | (530) |
| Finance Costs - leases | (68) | (35) | (27) | (23) | (22) | (20) | (18) | - | - | - | - |
| Other expenses | (4,442) | (4,681) | (4,521) | (4,866) | (5,615) | (6,768) | (6,576) | (6,939) | (7,307) | (8,229) | (8,607) |
| **Total Expenses** | (102,655) | (107,024) | (109,271) | (112,129) | (116,743) | (120,891) | (122,746) | (127,846) | (132,161) | (136,956) | (141,523) |
| **Surplus/(deficit) for the year** | 24,364 | 21,181 | 28,154 | 27,145 | 18,259 | 18,265 | 20,846 | 19,863 | 20,202 | 20,198 | 20,646 |
| **Other comprehensive income** | | | | | | | | | | | |
| Items that will not be reclassified to surplus or deficit in future periods: | | | | | | | | | | | |
| Net asset revaluation increment /(decrement) | - | - | - | - | - | - | - | - | - | - | - |
| Share of other comprehensive income of associates and joint ventures | - | - | - | - | - | - | - | - | - | - | - |
| Items that may be reclassified to surplus or deficit in future periods | - | - | - | - | - | - | - | - | - | - | - |
| **Total comprehensive result** | 24,364 | 21,181 | 28,154 | 27,145 | 18,259 | 18,265 | 20,846 | 19,863 | 20,202 | 20,198 | 20,646 |

# Baw Baw Shire Council
## Budgeted Balance Sheet

| For the four years ending 30 June 2028 | Forecast Actual | Budget | Projections | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 62,069 | 54,669 | 51,233 | 54,812 | 60,412 | 60,849 | 61,712 | 66,253 | 68,729 | 73,050 | 77,131 | 106,905 |
| Trade and other receivables | 12,412 | 11,174 | 11,928 | 12,100 | 11,744 | 12,140 | 12,508 | 12,892 | 13,255 | 13,699 | 14,125 | 13,346 |
| Other financial assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-current assets classified as held for sale | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 |
| Other assets | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 | 3,803 |
| **Total current assets** | 79,434 | 70,796 | 68,114 | 71,865 | 77,108 | 77,942 | 79,173 | 84,098 | 86,937 | 91,702 | 96,209 | 125,205 |
| **Non-current assets** | | | | | | | | | | | | |
| Trade and other receivables | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments in associates and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - |
| Property, infrastructure, plant & equipment | 911,667 | 938,486 | 975,674 | 999,251 | 1,012,345 | 1,025,878 | 1,041,408 | 1,056,264 | 1,071,591 | 1,087,532 | 1,104,073 | 1,103,340 |
| Right-of-use assets | 3,593 | 2,918 | 2,323 | 2,064 | 1,881 | 1,712 | 1,543 | 1,374 | 1,205 | 1,036 | 867 | 867 |
| Investment property | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible asset | 752 | 960 | 1,136 | 1,330 | 1,545 | 1,778 | 2,029 | 2,300 | 2,000 | 1,700 | 1,400 | 1,400 |
| Landfill rehabilitation intangible asset | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total non-current assets** | 916,012 | 942,364 | 979,133 | 1,002,645 | 1,015,771 | 1,029,368 | 1,044,980 | 1,059,938 | 1,074,796 | 1,090,268 | 1,106,340 | 1,105,607 |
| **Total assets** | 995,446 | 1,013,160 | 1,047,247 | 1,074,510 | 1,092,879 | 1,107,310 | 1,124,153 | 1,144,037 | 1,161,732 | 1,181,969 | 1,202,549 | 1,230,812 |
| **Liabilities** | | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | | |
| Trade and other payables | 11,523 | 7,229 | 7,356 | 7,629 | 7,926 | 8,312 | 8,564 | 8,877 | 9,176 | 9,587 | 9,934 | 9,975 |
| Trust funds and deposits | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 | 4,435 |
| Unearned income/revenue | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 | 7,816 |
| Provisions | 7,781 | 8,031 | 8,531 | 9,031 | 9,531 | 10,031 | 10,531 | 11,031 | 11,531 | 12,031 | 12,531 | 13,031 |
| Interest-bearing loans and borrowings | 4,000 | 3,903 | 655 | 687 | 4,720 | 4,755 | 792 | 3,305 | 872 | 914 | 114 | 10,000 |
| Lease liabilities | 131 | 103 | - | - | - | - | - | - | - | - | - | - |
| **Total current liabilities** | 35,686 | 31,517 | 28,793 | 29,598 | 34,428 | 35,349 | 32,139 | 35,464 | 33,830 | 34,783 | 34,830 | 45,257 |
| **Non-current liabilities** | | | | | | | | | | | | |
| Provisions | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 |
| Interest-bearing loans and borrowings | 16,243 | 16,814 | 26,159 | 25,473 | 20,753 | 15,997 | 15,205 | 11,900 | 11,028 | 10,114 | 10,000 | - |
| Lease liabilities | 1,161 | 1,292 | 604 | 604 | 604 | 604 | 604 | 604 | 604 | 604 | 604 | 604 |
| **Total non-current liabilities** | 29,542 | 30,244 | 38,901 | 38,215 | 33,495 | 28,739 | 27,947 | 24,642 | 23,770 | 22,856 | 22,742 | 12,742 |
| **Total liabilities** | 65,228 | 61,761 | 67,694 | 67,812 | 67,922 | 64,088 | 60,085 | 60,106 | 57,600 | 57,639 | 57,572 | 57,999 |
| **Net assets** | 930,218 | 951,398 | 979,553 | 1,006,698 | 1,024,957 | 1,043,222 | 1,064,068 | 1,083,931 | 1,104,132 | 1,124,331 | 1,144,977 | 1,172,812 |
| **Equity** | | | | | | | | | | | | |
| Accumulated surplus | 468,812 | 490,180 | 522,132 | 547,417 | 563,244 | 582,998 | 602,931 | 620,595 | 638,532 | 658,840 | 679,486 | 707,321 |
| Reserves | 461,406 | 461,219 | 457,420 | 459,281 | 461,712 | 460,224 | 461,137 | 463,335 | 465,600 | 465,491 | 465,491 | 465,491 |
| **Total equity** | 930,218 | 951,398 | 979,553 | 1,006,698 | 1,024,957 | 1,043,222 | 1,064,068 | 1,083,931 | 1,104,132 | 1,124,331 | 1,144,977 | 1,172,812 |

## Baw Baw Shire Council

### Budgeted Statement of Cash Flows

**For the four years ending 30 June 2028**

| | Forecast Actual | Budget | Projections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023/24 $'000 Inflows (Outflows) | 2024/25 $'000 Inflows (Outflows) | 2025/26 $'000 Inflows (Outflows) | 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) |
| **Cash flows from operating activities** | | | | | | | | | | | |
| Rates and charges | 73,931 | **77,229** | 79,301 | 82,552 | 85,905 | 89,300 | 92,856 | 96,500 | 100,276 | 104,098 | 108,106 |
| Statutory fees and fines | 2,562 | **3,140** | 3,186 | 3,281 | 3,381 | 3,480 | 3,586 | 3,693 | 3,805 | 3,917 | 4,036 |
| User fees | 2,464 | **2,709** | 2,773 | 2,884 | 3,000 | 3,119 | 3,244 | 3,374 | 3,510 | 3,649 | 3,795 |
| Grants - operating | 14,707 | **15,751** | 15,910 | 16,380 | 16,876 | 17,374 | 17,899 | 18,436 | 18,994 | 19,555 | 20,146 |
| Grants - capital | 14,489 | **16,609** | 21,660 | 19,637 | 12,397 | 11,762 | 11,765 | 11,765 | 11,768 | 11,763 | 11,830 |
| Contributions - monetary | 3,017 | **4,811** | 4,362 | 5,118 | 4,563 | 4,668 | 4,775 | 4,886 | 4,999 | 5,111 | 5,232 |
| Interest received | 2,253 | **2,100** | 1,800 | 1,700 | 1,600 | 1,500 | 1,400 | 1,000 | 1,000 | 1,000 | 1,000 |
| Dividends received | - | **-** | - | - | - | - | - | - | - | - | - |
| Trust funds and deposits taken | 86 | **-** | - | - | - | - | - | - | - | - | - |
| Other receipts | (2,160) | **1,297** | 1,215 | 1,182 | 1,246 | 1,195 | 1,207 | 1,217 | 1,230 | 1,238 | 1,251 |
| Net GST refund / payment | - | **3,219** | 3,543 | 3,586 | 3,788 | 3,984 | 4,055 | 4,169 | 4,289 | 4,462 | 4,591 |
| Employee costs | (34,260) | **(39,345)** | (38,864) | (40,637) | (42,521) | (44,463) | (46,523) | (48,667) | (50,921) | (53,243) | (55,707) |
| Materials and services | (40,237) | **(47,501)** | (45,523) | (46,589) | (47,765) | (48,937) | (50,171) | (51,426) | (52,723) | (54,017) | (55,380) |
| Short-term, low value and variable lease payments | - | **-** | - | - | - | - | - | - | - | - | - |
| Trust funds and deposits repaid | - | **-** | - | - | - | - | - | - | - | - | - |
| Other payments | (4,442) | **(5,400)** | (4,988) | (5,321) | (6,110) | (7,339) | (7,251) | (7,600) | (8,006) | (8,967) | (9,434) |
| **Net cash provided by/(used in) operating activities** | 32,410 | **34,618** | 44,375 | 43,773 | 36,360 | 35,643 | 36,842 | 37,347 | 38,219 | 38,564 | 39,465 |
| **Cash flows from investing activities** | | | | | | | | | | | |
| Payments for property, infrastructure, plant and equipment | (43,160) | **(41,202)** | (51,653) | (37,781) | (28,329) | (28,757) | (29,695) | (30,680) | (31,714) | (32,799) | (33,939) |
| Proceeds from sale of property, infrastructure, plant and equipment | 750 | **-** | - | - | - | - | - | - | - | - | - |
| Payments for investment property | - | **-** | - | - | - | - | - | - | - | - | - |
| Proceeds from investment property | - | **-** | - | - | - | - | - | - | - | - | - |
| Payments for intangible assets | - | **(458)** | (476) | (495) | (515) | (533) | (551) | (571) | - | - | - |
| Proceeds from intangible assets | - | **-** | - | - | - | - | - | - | - | - | - |
| Payments for investments | - | **-** | - | - | - | - | - | - | - | - | - |
| Proceeds from investments | 49,563 | **-** | - | - | - | - | - | - | - | - | - |
| Loan and advances made | - | **-** | - | - | - | - | - | - | - | - | - |
| Repayments of loans and advances | - | **-** | - | - | - | - | - | - | - | - | - |
| **Net cash provided by/(used in) investing activities** | 7,153 | **(41,660)** | (52,129) | (38,276) | (28,844) | (29,290) | (30,246) | (31,250) | (31,714) | (32,799) | (33,939) |
| **Cash flows from financing activities** | | | | | | | | | | | |
| Finance costs | (775) | **(900)** | (960) | (1,241) | (1,209) | (1,175) | (960) | (763) | (724) | (572) | (530) |
| Proceeds from borrowings | 6,490 | **1,000** | 10,000 | - | - | - | - | - | - | - | - |
| Repayment of borrowings | - | **(526)** | (3,903) | (655) | (687) | (4,720) | (4,755) | (792) | (3,305) | (872) | (914) |
| Interest paid - lease liability | (56) | **(35)** | (27) | (23) | (22) | (20) | (18) | - | - | - | - |
| Repayment of lease liabilities | (126) | **103** | (791) | - | - | - | - | - | - | - | - |
| **Net cash provided by/(used in) financing activities** | 5,533 | **(358)** | 4,319 | (1,918) | (1,917) | (5,915) | (5,733) | (1,555) | (4,029) | (1,444) | (1,444) |
| **Net increase/(decrease) in cash & cash equivalents** | 45,096 | **(7,400)** | (3,436) | 3,579 | 5,599 | 438 | 863 | 4,541 | 2,476 | 4,321 | 4,082 |
| Cash and cash equivalents at the beginning of the financial year | 16,973 | **62,069** | 54,669 | 51,233 | 54,812 | 60,412 | 60,849 | 61,712 | 66,253 | 68,729 | 73,050 |
| **Cash and cash equivalents at the end of the financial year** | 62,069 | **54,669** | 51,233 | 54,812 | 60,412 | 60,849 | 61,712 | 66,253 | 68,729 | 73,050 | 77,131 |

# Appendix 2 Performance Ratios

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Period start | | 1 Jul 23 | 1 Jul 24 | 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 |
| | Period end | | 30 Jun 24 | 30 Jun 25 | 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 |
| **15.02** | **VAGO Ratios** | | | | | | | | | | | | |
| **15.02.01** | **VAGO Ratios** | | | | | | | | | | | | |
| | Net result | % | 19.2% | 16.5% | 20.5% | 19.5% | 13.5% | 13.1% | 14.5% | 13.4% | 13.3% | 12.9% | 12.7% |
| | Adjusted underlying result | % | (3.9%) | (5.4%) | (3.2%) | (2.2%) | (2.7%) | (2.8%) | (0.8%) | (1.7%) | (1.4%) | (1.5%) | (1.2%) |
| | Liquidity | x | 2.23 | 2.25 | 2.37 | 2.43 | 2.24 | 2.20 | 2.46 | 2.37 | 2.57 | 2.64 | 2.76 |
| | Internal financing | % | 75.1% | 84.0% | 85.9% | 115.9% | 128.3% | 123.9% | 124.1% | 121.7% | 120.5% | 117.6% | 116.3% |
| | Indebtedness | % | 35.8% | 35.9% | 44.5% | 42.1% | 35.5% | 29.4% | 27.5% | 23.5% | 21.8% | 20.2% | 19.4% |
| | Capital replacement ratio | x | 1.97 | 1.91 | 2.35 | 1.74 | 1.25 | 1.26 | 1.36 | 1.31 | 1.32 | 1.34 | 1.35 |
| | Renewal gap ratio | x | 1.46 | 1.91 | 2.35 | 1.74 | 1.25 | 1.26 | 1.36 | 1.31 | 1.32 | 1.34 | 1.35 |
| **15.03** | **Local Government Performance Reporting Framework** | | | | | | | | | | | | |
| **15.03.01** | **Operating position** | | | | | | | | | | | | |
| | Adjusted underlying result | % | -3.9% | -5.4% | -3.2% | -2.2% | -2.7% | -2.8% | -0.8% | -1.7% | -1.4% | -1.5% | -1.2% |
| **15.03.02** | **Liquidity** | | | | | | | | | | | | |
| | Working capital (current assets as a percentage of current liabilities) | % | 222.6% | 224.6% | 236.6% | 242.8% | 224.0% | 220.5% | 246.4% | 237.1% | 257.0% | 263.6% | 276.2% |
| **15.03.03** | **Obligations** | | | | | | | | | | | | |
| | Loans and borrowings (as a percentage of rate revenue) | % | 27.8% | 27.6% | 34.2% | 32.0% | 29.9% | 23.4% | 17.4% | 15.9% | 12.0% | 10.7% | 9.4% |
| | Loans and borrowings payments (as a percentage of rate revenue) | % | 1.1% | 1.9% | 6.2% | 2.3% | 2.2% | 6.7% | 6.2% | 1.6% | 4.1% | 1.4% | 1.3% |
| | Indebtedness (Non-current liabilities compared to own-source revenue) | % | 35.8% | 35.9% | 44.5% | 42.1% | 35.5% | 29.4% | 27.5% | 23.5% | 21.8% | 20.2% | 19.4% |
| | Asset renewal and upgrade (compared to depreciation) | % | 146.2% | 191.2% | 235.0% | 174.0% | 124.5% | 126.5% | 136.0% | 130.6% | 131.9% | 133.8% | 135.4% |
| **15.03.04** | **Stability** | | | | | | | | | | | | |
| | Rates concentration (Rates compared to adjusted underlying revenue) | % | 73.7% | 74.0% | 74.1% | 74.5% | 74.8% | 75.3% | 75.6% | 76.1% | 76.3% | 76.6% | 76.7% |
| **15.03.05** | **Efficiency** | | | | | | | | | | | | |
| | Expenditure level (expenditure per assessment) | $ / assessment | 3,535.9 | 3,637.2 | 3,658.7 | 3,698.9 | 3,794.2 | 3,870.9 | 3,872.2 | 3,973.5 | 4,046.9 | 4,131.8 | 4,206.5 |
| | Revenue level (average rate per assessment) | $ / assessment | 2,546.5 | 2,591.6 | 2,664.3 | 2,732.0 | 2,800.3 | 2,869.1 | 2,938.5 | 3,008.6 | 3,079.4 | 3,150.8 | 3,223.0 |