



Draft Financial Plan 2025-26 to 2034-35

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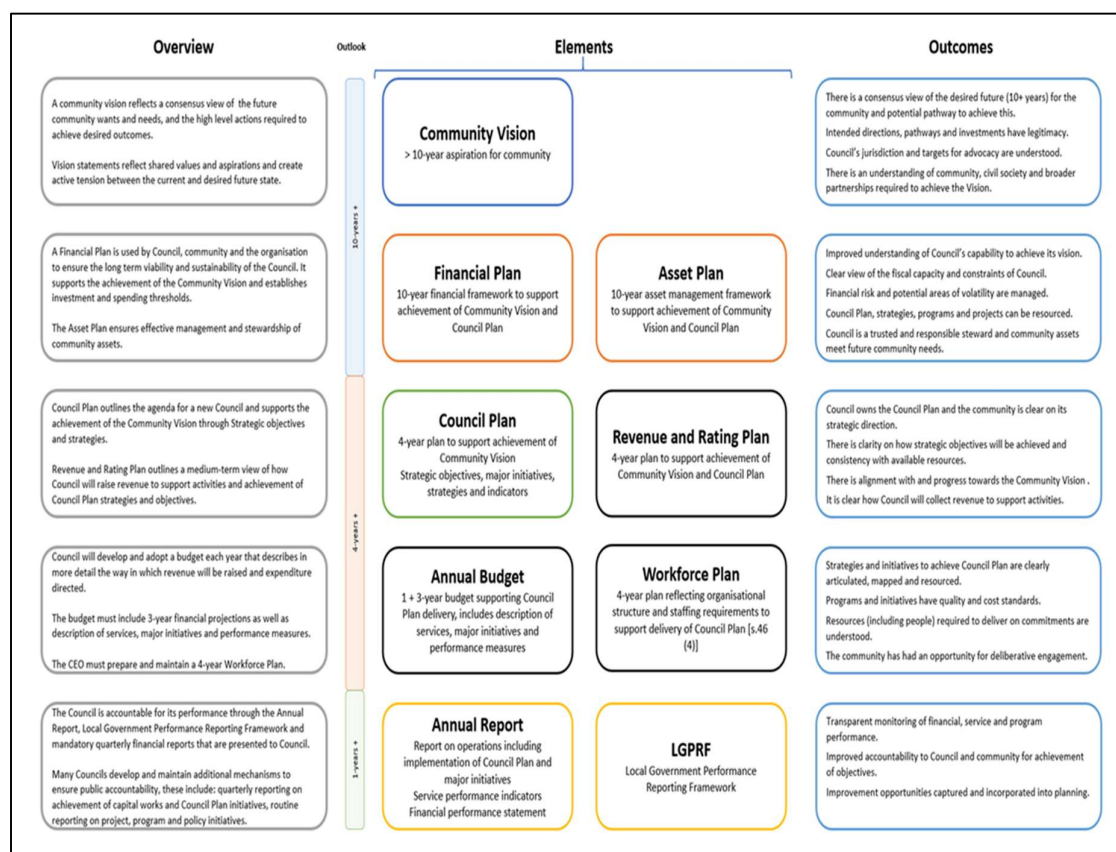
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1. LEGISLATIVE REQUIREMENTS

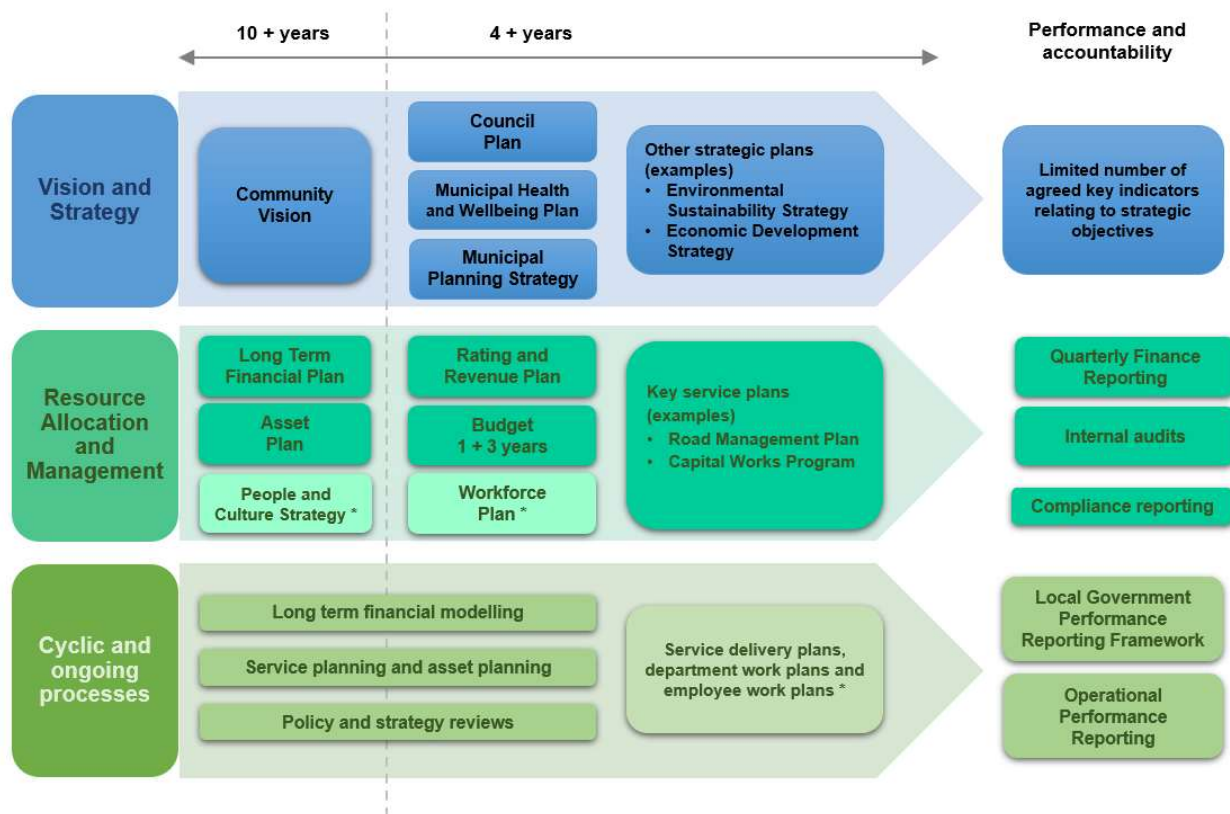
This section describes how the Financial Plan links to the achievement of the Community Vision and the Council Plan within the Integrated Strategic Planning and Reporting framework. This framework guides the Council in identifying community needs and aspirations over the long term (Community Vision), medium term (Council Plan) and short term (Annual Budget) and then holding itself accountable (Annual Report).

The following diagram provides an overview of the core legislated elements of an integrated strategic planning and reporting framework and outcomes.



Source: Department of Jobs, Precincts and Regions - <https://engage.vic.gov.au/local-government-act-2020/integrated-strategic-planning-and-reporting-framework>

The following figure demonstrates how each element might inform or be informed by other parts of the integrated framework.



1.1 Strategic Planning Principles

The Financial Plan is developed in the context of the following strategic planning principles, which reflect the strategic principles outlined in section 89 of the *Local Government Act 2020*:

- Council has an integrated approach to planning, monitoring and performance reporting.
- The Financial Plan underpins Council's capacity to fund the aspirations and actions of the Council Plan which are formulated in the context of the Community Vision.
- The Financial Plan statements articulate the 10-year financial resources available to implement the goals and aspirations of the Council Plan to achieve the Community Vision,
- Council's strategic planning principles identify and address the risks to effective implementation of the Financial Plan. The financial risks are included at section 1.2.2 below.
- The Financial Plan will be subject to regular review, nominally annually, to monitor progress and to identify and adapt to changing circumstances.

1.2 Financial Management Principles

The Financial Plan demonstrates the following financial management principles, which reflect the financial management principles outlined in section 101 of the *Local Government Act 2020*:

- 1.2.1 Revenue, expenses, assets, liabilities, investments and financial transactions are managed in accordance with Council's financial policies and strategic plans.
- 1.2.2 Management of the following financial risks:
 - a) the financial viability of the Council (refer to section 2.1 Financial Policy Statements).
 - b) the management of current and future liabilities of the Council. The estimated 10 year-liabilities are disclosed in section 3.2 Balance Sheet projections.
 - c) the beneficial enterprises of Council (where appropriate).
- 1.2.3 Financial policies and strategic plans are designed to provide financial stability and predictability to the community.
- 1.2.4 Council maintains accounts and records that explain its financial operations and financial position (refer section 3 Financial Statements).

1.3 Engagement Principles

In line with the *Local Government Act 2020* and Council's Community Engagement Policy, a deliberative engagement process was undertaken over February and March 2025 to inform the development of the Council Plan and the Financial Plan.

The consultation process included:

- Online Community survey
- Face to face engagement – 12 themed focus groups, six drop-in sessions, six pop-up sessions
- Community Workshops – Three workshops involving 23 participants reflecting a wider cross section of the Colac Otway community
- Briefing sessions with Councillors

1.4 Service Performance Principles

Council services are designed to be fit for purpose, targeted to the community needs and value for money. The service performance principles that will guide Councils planning are consistent with section 106 of the *Local Government Act 2020* and include:

- a) Services are provided in an equitable manner and are responsive to the diverse needs of the community. The Council Plan is designed to identify the key services and projects to be delivered to the community. The Financial Plan provides the mechanism to demonstrate how the service aspirations within the Council Plan may be funded.
- b) Services are accessible to users in the community whom the services are intended.
- c) Council provides quality services that are value for money to the community. The Local Government Performance Reporting Framework (LGPRF) is designed to communicate Council's performance regarding the provision of quality and efficient services.
- d) Council will seek to continuously improve service delivery in response to performance monitoring.

1.5 Asset Plan Integration

Integration with the Asset Plan is a key principle of Council's strategic financial planning principles. The purpose of this integration is designed to ensure that future funding is allocated in a manner that supports service delivery in terms of the plans and the effective management of Council's assets into the future.

The Asset Plan sets out the operational and strategic practices that will ensure that Council manages assets across their life cycle in a financially sustainable manner. The Asset Plan, and associated asset management policies, strategies and sub-plans, provide Council with a sound base to understand the risk associated with managing its assets for the community's benefit.

The Asset Plan will inform future reviews of the 10-year Financial Plan by identifying the amount of investment required for renewal, backlog and maintenance over the life of each asset category. The level of funding will incorporate knowledge of asset condition, the risk assessment issues as well as the impact of reviewing and setting intervention and service levels for each asset class.

In addition to identifying the operational and strategic practices that ensure that Council manages assets across their life cycle in a financially sustainable manner, the Asset Plan quantifies the asset portfolio and the financial implications of those practices. Together the Financial Plan and Asset Plan seek to balance projected investment requirements against projected budgets.

1.6 Revenue and Rating Plan Integration

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Colac Otway Shire which in conjunction with other income sources will adequately finance the objectives in the Council Plan.

Integration between the Financial Plan and the Revenue and Rating plan is a key principle of Council's strategic financial principles. The purpose of this integration is to ensure that Council's revenue is raised for the community in a manner that support Council's longer term financial Plans and broader plans as set out in the Council Plan.

2. FINANCIAL PLAN CONTEXT

This section describes the context and external/internal environment in determining the 10-year financial projections and assumptions.

2.1 What does sustainability mean

The following definition is taken from the *Local Government Planning and Performance and Reporting Framework Guidelines* (LGPPRF) developed in May 2013.

Sustainability is where a Council has the capacity to deliver services, absorb changes and shocks and make decisions in the best interests of the community over the long term.

This includes:

- meeting the agreed service needs of the community
- absorbing foreseeable changes and unexpected shocks without having to make disruptive revenue or expenditure adjustments
- having strong governance and management frameworks in place covering community engagement, planning, monitoring, reporting, and decision making.
- This definition is holistic and reflects the objectives of Colac Otway Shire to establish a financially sustainable position across its 10-year planning horizon.

The development of a 10 Year *Long Term Financial Plan* (LTFP) is considered essential to undertaking a sustainability assessment and is now mandatory under section 91 of the *Local Government Act 2020*.

2.2 What are the external influences on our finances

Council's financial situation is impacted by a range of external influences, some predictable and some highly variable. The following sections provide high-level information about key external influences.

2.2.1 Population

Population is an important factor for Council to consider when planning the range of services to provide, setting the level of service to meet community expectations and maintaining the assets required to deliver those services. Population is also a key measure to use by governments to calculate grant funding to councils.

The Colac Otway Shire population forecast for 2025 is 22,100. The Australian Bureau of Statistics (ABS) forecasts low levels of population growth, averaging 0.3% per year from 2025, reaching 22,600 residents by the year 2032.

Council's services are not only impacted by the number of people residing in the municipality, but also the demographic composition of that population. According to ABS data, the population under working age (14 years old and under) for Colac Otway Shire will increase by 2.3%. The working age population (15 to 69 years of age) is also anticipated to experience low levels of growth, increasing by 5.5% over the same period. The population of 70 years and over (retirement age), is forecast to decrease by 9.6% over the same period.

Older populations may have declining personal income levels, increased demand for health services and changing housing needs. These attributes can impact Council's ability to seek contributions through user fees, shift service delivery focus and require changes in land use and development.

Conversely, Council may counter trends generated by an aging population by attracting a higher proportion of 'productive age' residents who may seek to relocate from large metropolitan and regional centres due to lack of housing affordability and the attractiveness of the country lifestyle offered by the region. This demographic shift has the potential to generate demand for better lifestyle and an increase in the visitor economy, safety, housing and affordability, and advances in technology offer rural areas like Colac Otway Shire the opportunity to grow.

2.2.2 Inflation forecasts

The ABS suggests there is no single best measure of inflation. A range of indexes can be used to plan for future expenditure. The Australian Consumer Price Index ("CPI") is considered the most suitable approach when the primary purpose of the CPI is as a macro-economic indicator of price inflation affecting households.

The Consumer Price Index (CPI) rose 0.9% in the March 2025 quarter, according to the latest data from the ABS. Annual inflation for the March 2025 quarter decreased to 3.7% following a reduction of 4.3% in the December quarter. Key drivers included Electricity prices increasing in the March quarter.

Source:

2.2.3 Interest rate movement

The Reserve Bank of Australia (RBA) cash rate is currently at 3.85% as of 6 May 2025. The Cash rate is expected to remain at the current level as inflation has eased further and is within target range (2% to 3%). The unemployment rate is low, at 4.5%, however the global outlook has worsened and is more unpredictable than usual.

Source: [In Brief: Statement on Monetary Policy – May 2025 | RBA](#)

2.2.4 Fair Go Rates System

The Fair Go Rates system caps the increase to Council's total revenue from general rates and the municipal charge to a figure based on the Consumer Price Index. Each year the Minister for Local Government will set the rate cap for the next financial year.

In circumstances where the rate cap is insufficient to fund the provision of services and infrastructure to the community Council can apply to the Essential Services Commission for an increase higher than the cap. The cap applies to Council's total income received from General Rates and the Municipal Charge; it does not apply to waste charges or the Emergency Services and Volunteers Fund.

The introduction of a rate cap means that councils are not able to introduce step-changes to rate increases or raise rates that exceed the cap in the short term (without an approved exemption) to respond to large shocks or projects. This means that Council may need to use cash reserves strategically to 'smooth' the funding of major investments over a number of years.

2.2.5 Climate change impacts

Climate change may impact Council's operations and finances:

- i. Directly, e.g. through increased frequency and severity of natural disasters impacting the built, natural and social environments of the municipality; and
- ii. Indirectly, e.g. through changes in State, National and International climate-related policies that impact how councils go about its business.

The key areas expected to be impacted in the municipality are public health, Council's infrastructure assets and the impact to the environment, summarised as follows:

- Public health impacts could include a higher demand on health services due to extreme changes in weather pattern, such as heat waves, and the socioeconomic impacts from changes in costs of living.

There are also the impacts on the health of the community in relation to outdoor activities as a result of closure to areas that have been impacted by natural disasters.

- Council's approach to infrastructure provision and management could include a change in plant, equipment and materials, the change in construction standards and infrastructure capacity to deal with a hotter climate and higher intensity rainfall events that are expected to occur more frequently, keeping these assets to a standard that can withstand the more frequent weather events and the access and cost of potable water supplies. Other factors to consider are the increased costs associated with emergency response to disasters, the frequency and intensity of these extreme weather events, which then will impact the longevity of Council's assets in the future.

All of these items have impacts on Council's future planning. Some will have a negative impact where costs will be driven up by the need for compliance, but others will reduce as a result of the reduced usage of fuels and energy.

2.2.6 Cost-shifting of other levels of government

Cost shifting occurs when Commonwealth and State governments transfer program or service responsibilities to local government with insufficient funding or provide grants that do not keep pace with the actual delivery costs incurred by councils. Rate revenue is commonly used by councils to cover funding shortfalls and meet increasing service demands, new government policy, rising costs and community expectations.

2.2.7 Legislative changes

Council is exposed to changes in legislation that affects Council's finances, e.g. recent changes to the Environment Protection Act impacts on Council's obligations across a range of services from public health to road maintenance, and changes to landfill levies can increase the cost of disposal for all Council's rubbish collection services. The Local Government Act 2020 has also introduced a range of new practices that councils are implementing at their own cost.

2.2.8 Superannuation – Defined Benefit

Council is exposed to financial obligations relating to Defined Benefits Superannuation. If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's Vested Benefit Index (VBI) is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purpose of SPS 160 and the Fund is required to put a plan in place to fund the shortfall within three years of the shortfall occurring. This may include payments from councils. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 98%.

2.2.9 Revenue in lieu of rates

Council receives revenue in lieu of rates from the Mt Gellibrand Wind Farm through an agreement that is based on provisions of section 94(4) of the *Electricity Industry Act 2000*.

Any valuation principle that reduces the valuation of a specific category of properties relative to other rating categories, will affect the amount of revenue to be raised from that rating category and result in a shift of the rating burden to other rating categories. While Council's overall rate revenue could be maintained under this arrangement, the distribution of rate burden would shift and warrant a further review of Council's Rating and Revenue Plan.

2.3 What are the internal influences on our finances

2.3.1 Council's strategic direction

The Financial Plan provides a 10-year financial projection regarding how the actions of the Council Plan may be funded to achieve the Community Vision that is by 2050 Colac Otway Shire will be a destination where people come to appreciate our unique and diverse environment and friendly communities.

The strategic direction established through Council's integrated strategic planning work will help to ensure that Council's financial resources are focused on achieving Council's strategic objectives.

The Draft Council Plan was endorsed in July 2025 for the purpose of seeking community feedback and outlined three key themes:

- People
- Place
- Prosperity

Different themes will require different levels of investment to achieve the desired outcomes due to Council having a different role across these areas.

2.3.2 Service Planning

Council has adopted a 'bottom up' budgeting process to determine service delivery costs based on Council's current service delivery programs and practices. Council has invested considerable effort to gather valuable information regarding existing service delivery, including affirming the current:

- list of services
- regulated, documented or inferred service levels; and
- understanding of direct costs of delivery.

The service planning work conducted over recent years is important because it provides a comprehensive basis for the current financial projections and establishes a baseline for Council and the community to use when assessing service level changes.

When Council considers resource redirection or reduction, this requires a knowledge base to advise sound and informed comparative choice decisions.

This analysis will guide decision making with respect to the range of services and the level of service Council can realistically afford now and into the future. It challenges the capacity of the organisation to understand current and future demand, growth in demand and establishes the basis for community consultation.

2.3.3 Workforce matters

As a regional council, Colac Otway faces a number of significant challenges to ensure it has the workforce it needs to deliver its services in the most efficient and effective manner.

Not least of these challenges is its ability to attract the people to the region with the skills and experiences Council needs. Improved technology and flexible ways of working, including remote working, has created more opportunities but it is not suitable for all roles.

The majority of Council's workforce operates under an Enterprise Agreement. The negotiated agreement sets out the employment conditions under which Council employees will work for the Council.

Under the *Local Government Act 2020* the Chief Executive Officer must develop and maintain a Workforce Plan that:

- describes the organisational structure of the Council
- specifies the projected staffing requirements for a period of at least 4 years
- sets out measures to seek to ensure gender equality, diversity and inclusiveness
- and sets out any key actions Council intends to implement or address and the associated timelines.

Council must ensure that the Workforce Plan complies with gender equality, diversity and inclusiveness, as prescribed by the regulations.

Council has a Workforce Plan which informs this plan. The Workforce Plan is currently being reviewed, which will comply with the requirements of the *Local Government Act 2020* and will inform future reviews of Council's Financial Plan.

2.3.4 Assets

The *Local Government Act 2020* requires Council to adopt a 10-Year Asset Plan by 30 June 2025.

The Asset Plan will be a strategic plan that will:

- provide an overview of the key elements and processes required by Council for the responsible management of assets
- ensure Council is positioned to comply with regulatory requirements
- establish funding allocations needed to provide the required levels of service over a minimum period of 10 years.

The Asset Plan will be informed by operational Asset Management Plans, which are currently being developed for six classes of infrastructure assets, namely:

- Roads
- Buildings
- Pathways
- Stormwater
- Bridges
- Recreation.

The Asset Management Plans are the basis for Council to determine alignment of its assets with delivery of Council's 52 services.

Council's adoption of the Asset Plan will enable integration of its strategic asset management approach with the Financial Plan.

2.3.5 Other Policies

Council policies are developed and implemented to provide direction and governance around how Council intends to do its business. At the time a policy is implemented there may be circumstances prevailing that require particular content in the policy. Over time, as the circumstances change, the particular policy may need to be reviewed to ensure it remains relevant.

Council has a number of policies that will, or could have an effect on, the Financial Plan including the Borrowing Policy and the Investment Policy. As new policies are developed, or current policies are reviewed, account should be taken of the effects on the Financial Plan. The result may require either the Financial Plan or the policy to be reviewed appropriately.

2.4 Assumptions that underpin the Financial Plan

The financial planning relies on a variety of assumptions that may change over time and therefore the Financial Plan will evolve as it is updated to reflect a series of impacts and decisions.

This section presents information regarding the assumptions to the Comprehensive Income Statement for the 10 years from 2025-26 to 2034-35. The assumptions comprise the annual escalations/movement for each line item of the Comprehensive Income Statement.

A summary of assumptions is included on the following pages.

Table 1 - Assumptions underpinning movement over the life of the Financial Plan

Escalation Factors % movement	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35
Average Rate Revenue increase (incl. municipal charge)	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Supplementary Rates	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Waste Charges	9.70%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Statutory fees and fines	1.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
User fees	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Grants - operating	1.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Financial Assistance Grants	60.01%	18.75%	5.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Contribution – monetary	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Income	35.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Share of net profit/(loss) in JV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employee costs	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Materials and services	6.00%	6.00%	6.00%	6.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Other expenses	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

2.4.1 Rates and charges

Average rate revenue is assumed to increase by 3.0% in the 2024-25 year which is based on the State Government rate cap. The modelling applies an increase in future periods of 2.5% in subsequent years. It is expected that supplementary rates will increase by \$120k in the 2025-26 and for the remainder of the model.

2.4.2 Waste Charges

Waste charges are proposed to increase by 9.7% compared to 2024-25 levels in order to defray the total costs of kerbside waste management incurred across the Shire. The future year's waste charges, from 2026-27 onwards, are assumed to have increased to fully cover the remaining waste management costs (other than kerbside waste costs) that are currently funded by General Rates. These costs are estimated to increase in line with the growth percentage increase to ensure Council continues to recover the full costs of providing waste services.

2.4.3 Statutory fees and fines

The Financial Plan indexes statutory fees, set by legislation, an indexation of 1.5% for the 2025-26 financial year, and has been assumed to be 2.5% for the remainder of the Financial Plan. This is often a best case scenario given some fees are outside of Council control and therefore may be subject to increases less than CPI.

2.4.4 User fees

Revenue from user fees is expected to increase by 4.0% for the 2025-26 year. Details of user fees for the 2025-26 budget year can be found in Council's schedule of Fees and Charges that is adopted in conjunction with the Budget.

Revenue increases for the remaining years of the modelling are based on a conservative annual rate of increase of 4.0%.

2.4.5 Grants

Council currently receives grants for tied (specific purpose grants) and un-tied Financial Assistance grant funding received via the Victorian Local Government Grants Commission (VLGGC). Operating grants are expected to increase by 1.5% for the 2025-26 financial year, and has been assumed to be 2.5% for the remainder of the Financial Plan

2.4.6 Development Contributions

Council can receive contributions from developers. These contributions represent funds to enable Council to provide the necessary infrastructure and infrastructure improvements to accommodate development growth. These contributions are for specific purposes and often require Council to outlay funds for infrastructure works often before receipt of this income source. These contributions are statutory contributions and are transferred to a restricted reserve until utilised for a specific purpose through the capital works program or delivered as works in kind by developers.

2.4.7 Other income

Revenue from other income mainly comprises investment income plus the recovery income from a variety of sources and rental income received from the hire of Council buildings.

2.4.8 Employee costs

The 2025-26 year includes a 3.0% increase for employee costs that mainly reflects the salary increase for all staff pursuant to the Enterprise Bargaining Agreement. An indexation of 3.0% has been assumed for the remainder of the Financial Plan and will need to be reviewed after the next Enterprise Bargaining Agreement is established.

2.4.9 Materials and services

Material costs include items required for the maintenance and repairs of Council buildings, roads, drains and footpaths which are more governed by market forces based on availability than CPI. Council's payments to family day carers are also included under this category. Other associated costs included under this category are utilities and consumable items for a range of services. Council also utilises external expertise on a range of matters, including legal services and audit. An assumption of CPI growth has been used for planning purposes.

2.4.10 Depreciation and amortisation

Depreciation estimates have been based on the projected capital spending contained within this Financial Plan document. Depreciation has been further increased by the indexing of the replacement cost of Council's fixed assets.

2.4.11 Borrowing costs

Borrowing costs comprise the interest expense to service Council's loan portfolio that is described in Section 5.1 Borrowing Plan.

2.4.12 Other expenses

Other expenses include administration costs such as Councillor allowances, election costs, sponsorships, partnerships, community grants, lease expenditure, emergency services and volunteers fund, audit costs and other costs associated with the day to day running of Council.

2.5 Challenges and opportunities Council faces

2.5.1 Challenges and opportunities

Colac Otway faces a number of challenges that include:

- Council has significantly diminished cash reserves that will impact service delivery and infrastructure management, particularly in the short term until reforms are established and start to deliver improvements.
- Balancing the constraints of the Fair Go Rates System with affordability of services for the community, and understanding the capacity of the community to contribute to costs of services such as through user fees.
- Sharing Council's financial challenges with the community in a transparent and understandable manner and having the time and resources to engage in meaningful ways with the community as Council reviews its operations and finances.
- Building the capacity to enable the consideration of the changing expectations of the community.
- Harnessing the benefits of technology and managing the risks such as cybersecurity.
- Council may need to spend some money now to achieve future financial savings, but is constrained in being able to make immediate financial commitments to undertake this work.
- Council is challenged in setting fees and charges for Council services that provides a balance between affordability and user pays.
- Uncertainty around the provision of grant funding from both State and Federal government.
- Operational costs incurring rises greater than CPI and rate cap (ie: employee costs, insurance)

There are opportunities that Council can utilise to enable positive change along with increased financial sustainability. These opportunities include the following:

- Council may use borrowings for projects that deliver intergenerational benefits.
- Council may undertake a strategic review of its waste services to ensure that waste charges are used strategically.
- Explore opportunities to reduce cost through collaborative procurement.
- Explore opportunities to reduce cost through sharing services and systems with others.
- Explore how development contributions can offset future costs that may otherwise fall to Council.
- Focus on targeted service reviews and business reforms that deliver financial benefits while still delivering important services to the community.
- Explore opportunities for accessing income/revenue other than rates.
- Explore environmentally friendly opportunities, e.g. green economy, defined as low carbon, resource efficient and socially inclusive.
- Explore business partnering opportunities.

2.6 Financial Policy Statements

This section defines the policy statements, and associated measures, that demonstrates Council's financial sustainability to fund the aspirations of the Community Vision and the Council Plan.

Table 2 – Financial Policy Statements

Policy Statement	Measure	Calculation	Units	Target	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Maintain a working capital ratio above 150% to maintain sufficient working capital to meet debt obligations as they fall due.	Liquidity	Current assets /Current liabilities	x	More than 1.5	2.73	2.89	3.01	3.06	3.12	3.17	3.22	3.25	3.27	3.29
Maintain cash-backed Other Reserves above 100% to ensure sufficient funding is available for externally restricted allocations (Statutory reserves, conditional grant funds held) and internally restricted allocations.	Cash compared to Other Reserves	Cash and cash equivalents/other reserves	%	More than 100%	158%	181%	199%	207%	158%	156%	158%	169%	186%	195%
Council will only borrow where it has capacity to meet working capital and debt servicing obligations.	Loans and Borrowings	Interest bearing loans and borrowings/rates revenue	%	Less than 70%	1.2%	1.1%	1.0%	0.8%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%
Achieve and maintain a renewal gap ratio above 1.1 to prioritise asset renewal over other capital works allocations.	Renewal gap ratio	Renewal and upgrade expenditure/depreciation	x	More than 1.1	0.73	0.62	0.61	0.59	0.57	0.55	0.53	0.51	0.49	0.48

2.7 Strategic actions

A review of Council's current financial situation (using 2025-26 as the baseline year) projected over the following nine years (using assumptions as per section 2.4) demonstrates that without taking action Council is not financially sustainable.

Council has identified the following strategic actions that will work to address this situation, and enable Council to continue to deliver important services into the future:

- Conduct service reviews to identify areas where processes can be streamlined, technology leveraged, and resources better allocated to improve productivity.
- Set and structure waste charges at a sustainable level that covers the full cost of providing the service.
- Identify assets that are surplus to municipal needs and proactively sell assets to fund new infrastructure.
- Advocate to State and Federal Government for the funding of capital and infrastructure projects and services.
- Advocate to State and Federal Government;
 - for funding upfront when responding to emergency and disaster events.
 - to distribute to Council funds collected via the landfill waste levy to support waste management programs aimed at reducing waste generation.
 - for an increase in Federal Assistance Grants to assist in the financial sustainability of council.
- Maintain a positive cash position ensuring Council remains financially sustainable in the long term.
- Set rate increases in accordance with recommended rate cap (as per Minister of Local Government) under the Fair Go Rates System.
- Set Council fees and charges at a level that achieves balance between community benefit and financial stability.
- Continue to identify alternative sources of revenue and advocate for external funding to reduce the burden on rate revenue.
- Develop an Asset Plan, inclusive of asset renewal funding strategy addressing the next 10-year renewal program and incorporate this into the Financial Plan.

3. FINANCIAL PLAN STATEMENTS

This section presents information regarding the Financial Plan Statements for the 10 years from 2024-25 to 2034-35.

- Comprehensive Income Statement
- Recurrent Cash Statement*
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Capital Works
- Statement of Human Resources

* The Recurrent Cash Statement provides details of Council's recurrent cash position, and cash inflows and outflows over the 10-year period relating to Compliance, Non-Discretionary, Commitments, and Discretionary spend – including Assets Renewal and Operating Projects. This statement demonstrates the responsible approach that Council will take in managing a positive cash position over the 10-year period of the Financial Plan. This is shown in the line 'Total Cash Available – Post Strategic Action' at the bottom of the statement. The Comprehensive Income Statement shows deficit positions in each of the financial years over the duration of the Financial Plan, however when non-cash items, such as depreciation and amortisation, are removed from this view and we account for budgeted and projected cash inflows and outflows over this period we clearly see that Council will be managing to a positive cash position.

3.1 Comprehensive Income Statement

Colac Otway Shire Council

Budgeted Comprehensive Income Statement

For the ten years ending 30 June 2035

	Budget	Projections								
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
Income / Revenue										
Rates and charges	38,748	41,557	42,968	44,430	45,944	47,537	49,191	50,909	52,694	54,549
Statutory fees and fines	1,003	1,018	1,033	1,049	1,075	1,102	1,130	1,158	1,187	1,217
User fees	9,242	9,623	9,999	10,388	10,804	11,236	11,685	12,152	12,639	13,144
Grants - Operating	10,281	10,538	10,801	11,072	11,348	11,632	11,923	12,221	12,526	12,840
Grants - Capital	2,725	3,236	3,406	3,491	3,578	3,668	3,760	3,854	3,950	4,049
Contributions - monetary	25	25	25	25	25	25	25	25	25	25
Share of net profits/(losses) of associates and joint ventures	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Other income	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Total income / revenue	63,099	67,072	69,307	71,529	73,850	76,274	78,788	81,393	84,095	86,898
Expenses										
Employee costs	26,538	27,600	28,704	29,852	30,748	31,670	32,620	33,599	34,607	35,645
Materials and services	22,284	23,499	24,691	26,173	27,351	28,582	29,868	31,212	32,617	34,085
Depreciation	15,538	16,315	17,131	17,987	18,887	19,831	20,822	21,864	22,957	24,105
Depreciation - right of use assets	101	101	101	101	101	101	101	101	101	101
Bad and doubtful debts	5	10	10	10	10	10	10	10	10	10
Borrowing costs	14	23	21	19	18	17	16	15	14	-
Other expenses	1,801	1,837	1,874	1,911	1,949	1,988	2,028	2,069	2,110	2,152
Total expenses	66,281	69,385	72,533	76,055	79,064	82,200	85,466	88,870	92,416	96,098
Surplus/(deficit) for the year	(3,182)	(2,313)	(3,226)	(4,525)	(5,215)	(5,925)	(6,679)	(7,476)	(8,321)	(9,200)
Other comprehensive income										
Items that will not be reclassified to surplus or deficit in future periods										
Net asset revaluation gain /(loss)	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Items that may be reclassified to surplus or deficit in future periods										
(detail as appropriate)	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive result	(3,182)	(2,313)	(3,226)	(4,525)	(5,215)	(5,925)	(6,679)	(7,476)	(8,321)	(9,200)

3.2 Recurrent Cash Statement

Colac Otway Shire Council Recurrent Cash Statement

For the ten years ending 30 June 2035

	Budget	Projections								
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
Recurrent Cash										
Rates & Charges	38,748	41,557	42,968	44,430	45,944	47,537	49,191	50,909	52,694	54,549
Statutory fees and fines	1,003	1,018	1,033	1,049	1,075	1,102	1,130	1,158	1,187	1,217
User fees	9,242	9,623	9,999	10,388	10,804	11,236	11,685	12,152	12,639	13,144
Grants	13,006	13,774	14,207	14,563	14,927	15,300	15,682	16,074	16,476	16,888
Other Revenue	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075
Total Income	63,074	67,047	69,282	71,504	73,825	76,249	78,763	81,368	84,070	86,873
Employee Costs	26,538	27,600	28,704	29,852	30,748	31,670	32,620	33,599	34,607	35,645
Materials & Services (excluding Operating)	21,208	22,358	23,482	24,892	25,993	27,162	28,385	29,662	30,997	32,392
Bad and doubtful debts	5	10	10	10	10	10	10	10	10	10
Borrowing costs	14	23	21	19	18	17	16	15	14	-
Other expenses	1,801	1,837	1,874	1,911	1,949	1,988	2,028	2,069	2,110	2,152
Total Expenditure Existing	49,566	51,829	54,091	56,684	58,718	60,848	63,059	65,355	67,738	70,199
Total Recurrent Cash	13,508	15,218	15,191	14,820	15,106	15,401	15,703	16,013	16,332	16,673
Compliance and Non-Discretionary										
Reserves	48	48	48	48	48	48	48	48	48	48
Compliance Allowance	-	120	120	120	120	120	120	120	120	120
Non-Discretionary Allowance	-	200	200	600	200	200	200	600	200	200
Rehabilitation Costs (Operating) - Landfills	-	-	-	-	2,275	2,250	1,800	1,000	50	1,250
Total Compliance and Non-Discretionary	48	368	368	768	2,643	2,618	2,168	1,768	418	1,618
Allocations to Commitments										
Debt Principal	(477)	41	42	46	47	47	48	49	50	51
Assets - renewal (Includes R2R)	10,372	-	-	-	-	-	-	-	-	-
Assets - Upgrade	321	321	326	330	-	-	-	-	-	-
Net Allocations to Reserves	332	440	530	623	720	822	928	1,040	1,156	1,277
Allocations from Reserves - Waste	-	-	-	(300)	(8,275)	(2,250)	(1,800)	(1,000)	(50)	(1,250)
Total Allocations to Commitments	10,548	802	898	699	(7,508)	(1,381)	(824)	89	1,156	78
Discretionary Cash Available	2,911	14,048	13,926	13,353	19,971	14,164	14,359	14,157	14,758	14,977
Discretionary Allocations										
Operating Projects	1,076	1,141	1,209	1,282	1,358	1,420	1,483	1,550	1,620	1,693
Assets - Renewal (Includes R2R)	-	10,374	10,524	10,678	10,873	10,957	11,039	10,720	11,200	11,292
Assets - New (Transfer Stations)	-	-	-	300	6,000	-	-	-	-	-
Assets - New (Capital Projects)	200	200	203	206	206	206	206	206	206	206
Total Discretionary Allocations	1,276	11,715	11,936	12,465	18,437	12,582	12,728	12,476	13,026	13,191
Cash Available - Pre Strategic Action	1,635	2,333	1,989	888	1,534	1,582	1,631	1,681	1,733	1,786
Strategic Actions										
Disposal of Surplus Assets and Property	-	250	250	250	250	250	250	250	250	250
Total Strategic Actions	-	250	250	250	250	250	250	250	250	250
Total Cash Available - Post Strategic Action	1,635	2,583	2,239	1,138	1,784	1,832	1,881	1,931	1,983	2,036

3.3 Balance Sheet

Colac Otway Shire Council

Balance Sheet

For the ten years ending 30 June 2035

	Budget	Projections								
	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
Assets										
Current assets										
Cash and cash equivalents	21,086	24,407	27,470	29,621	24,255	25,062	26,475	29,250	32,742	35,209
Trade and other receivables	4,013	4,120	4,230	4,343	4,333	4,323	4,313	4,303	4,293	4,283
Inventories	177	177	177	177	177	177	177	177	177	177
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Contract assets										
Other assets	267	267	267	267	267	267	267	267	267	267
Total current assets	25,543	28,971	32,144	34,409	29,032	29,829	31,232	33,997	37,479	39,937
Non-current assets										
Property, infrastructure, plant & equipment	600,958	595,516	589,425	582,947	580,888	571,969	562,140	550,951	539,149	526,292
Investments in associates, joint arrangement and Right-of-use assets	147	147	147	147	147	147	147	147	147	147
	2,673	2,564	2,460	2,359	2,258	2,157	2,056	1,955	1,854	1,753
Total non-current assets	603,778	598,227	592,032	585,453	583,293	574,273	564,343	553,053	541,150	528,192
Total assets	629,321	627,199	624,177	619,861	612,325	604,102	595,576	587,050	578,630	568,129
Liabilities										
Current liabilities										
Trade and other payables	4,656	4,889	5,134	5,390	5,390	5,390	5,390	5,390	5,390	5,390
Trust funds and deposits	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Contract and other liabilities										
Provisions	14,106	14,106	14,106	14,106	11,831	9,581	7,781	6,781	6,731	5,481
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-
Total current liabilities	20,362	20,595	20,840	21,096	18,821	16,571	14,771	13,771	13,721	12,471
Non-current liabilities										
Provisions	5,077	5,077	5,077	5,077	5,077	5,077	5,077	5,077	5,077	5,077
Interest-bearing liabilities	477	436	394	348	301	254	206	157	107	56
Lease liabilities	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	5,554	5,513	5,471	5,425	5,378	5,331	5,283	5,234	5,184	5,133
Total liabilities	25,916	26,109	26,311	26,521	24,199	21,902	20,054	19,005	18,905	17,604
Net assets	603,405	601,091	597,866	593,340	588,126	582,201	575,522	568,045	559,725	550,525
Equity										
Accumulated surplus	141,337	137,009	131,597	125,005	125,510	120,842	114,909	107,315	97,861	89,160
Reserves	462,068	464,082	466,269	468,335	462,615	461,358	460,613	460,731	461,864	461,365
Total equity	603,405	601,091	597,866	593,340	588,126	582,201	575,522	568,045	559,725	550,525

3.4 Statement of Changes in Equity

Colac Otway Shire Council
Statement of Changes in Equity
For the ten years ending 30 June 2035

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2026 Budget				
Balance at beginning of the financial year	561,908	144,836	404,066	13,006
Surplus/(deficit) for the year	(3,182)	(3,182)	-	-
Net asset revaluation gain /(loss)	44,679	-	44,679	-
Transfers to other reserves	-	(317)	-	317
Transfers from other reserves	-	-	-	-
Balance at end of the financial year	603,405	141,337	448,745	13,323
2027				
Balance at beginning of the financial year	603,405	141,337	448,745	13,323
Surplus/(deficit) for the year	(2,313)	(2,313)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(4,014)	-	4,014
Transfers from other reserves	-	2,000	-	(2,000)
Balance at end of the financial year	601,092	137,010	448,745	15,337
2028				
Balance at beginning of the financial year	601,092	137,010	448,745	15,337
Surplus/(deficit) for the year	(3,226)	(3,226)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(4,186)	-	4,186
Transfers from other reserves	-	2,000	-	(2,000)
Balance at end of the financial year	597,866	131,598	448,745	17,523
2029				
Balance at beginning of the financial year	597,866	131,598	448,745	17,523
Surplus/(deficit) for the year	(4,525)	(4,525)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(4,367)	-	4,367
Transfers from other reserves	-	2,300	-	(2,300)
Balance at end of the financial year	593,341	125,005	448,745	19,590
2030				
Balance at beginning of the financial year	593,341	125,005	448,745	19,590
Surplus/(deficit) for the year	(5,215)	(5,215)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(4,555)	-	4,555
Transfers from other reserves	-	10,275	-	(10,275)
Balance at end of the financial year	588,126	125,511	448,745	13,870

	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
	\$'000	\$'000	\$'000	\$'000
2031				
Balance at beginning of the financial year	588,126	125,511	448,745	13,870
Surplus/(deficit) for the year	(5,925)	(5,925)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(2,993)	-	2,993
Transfers from other reserves	-	4,250	-	(4,250)
Balance at end of the financial year	582,201	120,843	448,745	12,613
2032				
Balance at beginning of the financial year	582,201	120,843	448,745	12,613
Surplus/(deficit) for the year	(6,679)	(6,679)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(3,054)	-	3,054
Transfers from other reserves	-	3,800	-	(3,800)
Balance at end of the financial year	575,522	114,910	448,745	11,867
2033				
Balance at beginning of the financial year	575,522	114,910	448,745	11,867
Surplus/(deficit) for the year	(7,476)	(7,476)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(3,118)	-	3,118
Transfers from other reserves	-	3,000	-	(3,000)
Balance at end of the financial year	568,046	107,315	448,745	11,985
2034				
Balance at beginning of the financial year	568,046	107,315	448,745	11,985
Surplus/(deficit) for the year	(8,321)	(8,321)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(3,183)	-	3,183
Transfers from other reserves	-	2,050	-	(2,050)
Balance at end of the financial year	559,725	97,861	448,745	13,119
2035				
Balance at beginning of the financial year	559,725	97,861	448,745	13,119
Surplus/(deficit) for the year	(9,200)	(9,200)	-	-
Net asset revaluation gain /(loss)	-	-	-	-
Transfers to other reserves	-	(2,751)	-	2,751
Transfers from other reserves	-	3,250	-	(3,250)
Balance at end of the financial year	550,525	89,160	448,745	12,619

3.5 Statement of Cash Flows

Colac Otway Shire Council

Statement of Cash Flows

For the ten years ending 30 June 2035

	Budget	Projections								
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities										
Rates and charges	38,748	41,557	42,968	44,430	45,944	47,537	49,191	50,909	52,694	54,549
Statutory fees and fines	1,003	1,018	1,033	1,049	1,075	1,102	1,130	1,158	1,187	1,217
User fees	9,242	9,623	9,999	10,388	10,804	11,236	11,685	12,152	12,639	13,144
Grants - operating	10,281	10,538	10,801	11,072	11,348	11,632	11,923	12,221	12,526	12,840
Grants - capital	11,946	3,236	3,406	3,491	3,578	3,668	3,760	3,854	3,950	4,049
Contributions - monetary	25	25	25	25	25	25	25	25	25	25
Interest received	-	-	-	-	-	-	-	-	-	-
Trust funds and deposits taken	-	-	-	-	-	-	-	-	-	-
Other receipts	1,175	1,069	1,065	1,061	1,175	1,175	1,175	1,175	1,175	1,175
Employee costs	(26,538)	(27,600)	(28,704)	(29,852)	(30,748)	(31,670)	(32,620)	(33,599)	(34,607)	(35,645)
Materials and services	(22,284)	(23,499)	(24,691)	(26,173)	(29,626)	(30,832)	(31,668)	(32,212)	(32,667)	(35,335)
Trust funds and deposits repaid	-	-	-	-	-	-	-	-	-	-
Other payments	(1,801)	(1,837)	(1,874)	(1,911)	(1,949)	(1,988)	(2,028)	(2,069)	(2,110)	(2,152)
Net cash provided by/(used in) operating activities	21,797	14,130	14,029	13,579	11,626	11,884	12,571	13,613	14,811	13,866
					73,950					
Cash flows from investing activities										
Payments for property, infrastructure, plant and equipment	(32,753)	(10,895)	(11,053)	(11,514)	(17,079)	(11,163)	(11,245)	(10,926)	(11,406)	(11,498)
Proceeds from sale of property, infrastructure, plant and equipment	-	250	250	250	250	250	250	250	250	250
Payments for investments	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Proceeds from sale of investments	-	-	-	-	-	-	-	-	-	-
Net cash provided by/ (used in) investing activities	(32,853)	(10,745)	(10,903)	(11,364)	(16,929)	(11,013)	(11,095)	(10,776)	(11,256)	(11,348)
Cash flows from financing activities										
Finance costs	(14)	(23)	(21)	(19)	(18)	(17)	(16)	(15)	(14)	-
Proceeds from borrowings	500	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(23)	(41)	(42)	(46)	(47)	(47)	(48)	(49)	(50)	(51)
Interest paid - lease liability	-	-	-	-	-	-	-	-	-	-
Repayment of lease liabilities	-	-	-	-	-	-	-	-	-	-
Net cash provided by/(used in) financing activities	463	(64)	(63)	(65)	(65)	(64)	(64)	(64)	(64)	(51)
Net increase/(decrease) in cash and cash equivalents	(10,593)	3,320	3,063	2,150	(5,368)	807	1,412	2,773	3,491	2,466
Cash and cash equivalents at the beginning of the financial year	31,680	21,086	24,407	27,470	29,621	24,255	25,062	26,475	29,250	32,742
Cash and cash equivalents at the end of the financial year	21,086	24,407	27,470	29,621	24,255	25,062	26,475	29,250	32,742	35,209

3.6 Statement of Capital Works

Colac Otway Shire Council

Statement of Capital Works

For the ten years ending 30 June 2035

	Budget	Projections								
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
Property										
Land	-	-	-	-	-	-	-	-	-	-
Buildings	1,081	1,081	1,081	1,381	7,290	1,105	1,127	1,150	1,173	1,196
Total land and Buildings	1,081	1,081	1,081	1,381	7,290	1,105	1,127	1,150	1,173	1,196
Total property	1,081	1,081	1,081	1,381	7,290	1,105	1,127	1,150	1,173	1,196
Plant and equipment										
Plant, machinery and equipment	2,152	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Fixtures, fittings and furniture	-	-	-	-	-	-	-	-	-	-
Computers and telecommunications	40	42	44	46	47	48	49	50	51	52
Total plant and equipment	2,192	2,042	2,044	2,046	2,047	2,048	2,049	2,050	2,051	2,052
Infrastructure										
Roads	6,265	6,390	6,518	6,648	6,535	6,490	6,721	6,138	6,714	6,844
Bridges	610	622	635	647	806	905	725	957	828	758
Footpaths and cycleways	375	383	390	398	-	206	206	206	206	206
Drainage	40	41	42	42	43	44	45	46	47	48
Other infrastructure	330	337	343	350	357	364	372	379	387	394
Total infrastructure	7,620	7,772	7,928	8,086	7,742	8,010	8,069	7,726	8,182	8,250
Total capital works expenditure	10,893	10,895	11,053	11,514	17,079	11,163	11,245	10,926	11,406	11,498
Represented by:										
New asset expenditure	200	200	203	506	6,206	206	206	206	206	206
Asset renewal expenditure	10,372	10,374	10,524	10,678	10,873	10,957	11,039	10,720	11,200	11,292
Asset upgrade expenditure	321	321	326	330	0	0	0	0	0	0
Total capital works expenditure	10,893	10,895	11,053	11,514	17,079	11,163	11,245	10,926	11,406	11,498
Funding Sources represented by:										
Grants	2,725	3,236	3,406	3,406	3,491	3,578	3,668	3,760	3,854	3,950
Contributions	-	-	-	-	-	-	-	-	-	-
Council Cash	6,010	5,159	5,647	6,108	11,588	5,585	5,577	5,166	5,552	5,548
Council Reserves	2,158	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Borrowings	-	500	-	-	-	-	-	-	-	-
Total capital works expenditure	10,893	10,895	11,053	11,514	17,079	11,163	11,245	10,926	11,406	11,498

3.7 Statement of Human Resources

Colac Otway Shire Council
Statement of Human Resources
For the ten years ending 30 June 2035

	Budget		Projections							
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
Staff expenditure										
Employee costs - operating	26,538	27,600	28,704	29,852	30,748	31,670	32,620	33,599	34,607	35,645
Employee costs - capital	902	938	976	1,015	1,045	1,077	1,109	1,142	1,177	1,212
Total staff expenditure	27,440	28,538	29,680	30,867	31,793	32,747	33,729	34,741	35,784	36,857
Staff numbers	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
Employees	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9
Total staff numbers	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9

Colac Otway Shire Council

Summary of Planned Human Resources Expenditure

A summary of human resources expenditure categorised according to the organisational structure of Council for 2025-26 is included in the following table.

For the ten years ending 30 June 2035

	Budget	Projections								
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
Chief Executive Office										
Permanent - Full time	1,506	1,566	1,629	1,694	1,745	1,797	1,851	1,907	1,964	2,023
Women	977	1,016	1,057	1,099	1,132	1,166	1,201	1,237	1,274	1,312
Men	346	360	374	389	401	413	425	438	451	464
Vacant positions	183	190	198	206	212	219	225	232	239	246
Permanent - Part time	384	399	415	431	444	458	471	486	500	515
Women	260	270	281	292	301	310	319	329	339	349
Men	63	66	68	71	73	75	78	80	82	85
Vacant positions	61	63	66	68	70	73	75	77	79	82
Total Chief Executive Office	1,890	1,965	2,044	2,125	2,189	2,255	2,322	2,392	2,464	2,538
Corporate Services										
Permanent - Full time	3,661	3,807	3,959	4,118	4,242	4,369	4,500	4,635	4,774	4,917
Women	1,381	1,436	1,494	1,553	1,600	1,648	1,697	1,748	1,801	1,855
Men	1,977	2,056	2,138	2,224	2,291	2,359	2,430	2,503	2,578	2,655
Vacant positions	303	315	327	341	351	362	373	384	395	407
Permanent - Part time	409	425	442	460	474	488	503	518	533	549
Women	202	210	218	227	234	241	248	255	263	271
Men	166	173	180	187	193	198	204	210	217	223
Vacant positions	41	42	44	46	47	49	50	52	53	55
Total Corporate Services	4,070	4,232	4,401	4,578	4,715	4,857	5,003	5,153	5,307	5,467
Community and Economy										
Permanent - Full time	5,950	6,188	6,436	6,694	6,895	7,102	7,315	7,534	7,760	7,993
Women	3,315	3,447	3,585	3,729	3,841	3,956	4,075	4,197	4,323	4,453
Men	2,042	2,124	2,209	2,297	2,366	2,437	2,511	2,586	2,663	2,743
Vacant positions	593	617	642	668	688	708	730	751	774	797
Permanent - Part time	4,138	4,303	4,475	4,654	4,794	4,937	5,085	5,238	5,395	5,557
Women	3,684	3,831	3,984	4,144	4,268	4,396	4,528	4,664	4,804	4,948
Men	171	178	185	192	198	204	210	216	223	230
Vacant positions	283	294	306	318	327	337	347	358	369	380
Total Community and Economy	10,088	10,491	10,911	11,348	11,688	12,039	12,400	12,772	13,155	13,550
Infrastructure and Environment										
Permanent - Full time	9,630	10,016	10,416	10,833	11,158	11,493	11,838	12,193	12,559	12,935
Women	1,632	1,698	1,766	1,836	1,891	1,948	2,006	2,067	2,129	2,192
Men	7,311	7,603	7,907	8,224	8,471	8,725	8,987	9,256	9,534	9,820
Vacant positions	687	715	743	773	796	820	845	870	896	923
Permanent - Part time	358	373	387	403	415	427	440	453	467	481
Women	294	306	318	331	341	351	361	372	384	395
Men	64	67	69	72	74	76	79	81	84	86
Vacant positions	0	0	0	0	0	0	0	0	0	0
Total Infrastructure and Environment	9,988	10,389	10,803	11,236	11,573	11,920	12,278	12,646	13,026	13,416
Casuals, temporary and other expenditure	502	523	545	565	582	599	617	636	655	674
Capitalised labour costs	902	938	976	1,015	1,045	1,077	1,109	1,142	1,177	1,212
Total staff expenditure	27,440	28,538	29,680	30,867	31,793	32,747	33,729	34,741	35,784	36,857

Colac Otway Shire Council

Summary of Planned Human Resources Expenditure

A summary of human resources full-time equivalent (FTE) employees, categorised according to the organisational structure of Council for 2025-26, is included in the following table.
For the ten years ending 30 June 2035

	Budget	Projections								
	2025-26 FTE	2026-27 FTE	2027-28 FTE	2028-29 FTE	2029-30 FTE	2030-31 FTE	2031-32 FTE	2032-33 FTE	2033-34 FTE	2034-35 FTE
Chief Executive Office										
Permanent - Full time	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Women	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Men	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Vacant positions	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Permanent - Part time	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Women	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Men	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Vacant positions	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total Chief Executive Office	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1
Corporate Services										
Permanent - Full time	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Women	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Men	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Vacant positions	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Permanent - Part time	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Women	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Men	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Vacant positions	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Corporate Services	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7
Community and Economy										
Permanent - Full time	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Women	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Men	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Vacant positions	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Permanent - Part time	45.2	45.2	45.2	45.2	45.2	45.2	45.2	45.2	45.2	45.2
Women	40.4	40.4	40.4	40.4	40.4	40.4	40.4	40.4	40.4	40.4
Men	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Vacant positions	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total Community and Economy	93.2	93.2	93.2	93.2	93.2	93.2	93.2	93.2	93.2	93.2
Infrastructure and Environment										
Permanent - Full time	90.7	90.7	90.7	90.7	90.7	90.7	90.7	90.7	90.7	90.7
Women	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Men	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5
Vacant positions	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Permanent - Part time	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Women	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Men	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Vacant positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Infrastructure and Environment	95.6	95.6	95.6	95.6	95.6	95.6	95.6	95.6	95.6	95.6
Casuals and temporary staff	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Capitalised labour	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Total staff numbers	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9	250.9

4. FINANCIAL PERFORMANCE INDICATORS

A range of indicative financial indicators are used to assess the financial sustainability of Council's 10-year Financial Plan. The indicators aim to assist the reader to gain a better understanding of the key measures, which are often not apparent when financial information is presented in the financial statements. Use of indicators over a ten year horizon allows trends to be assessed to confirm the financial sustainability of Council's service delivery, infrastructure renewal, rating, liquidity and indebtedness.

This section of the Financial Plan presents the forecast 10 year period against a number of financial performance indicators:

- i. VAGO indicators: The Victorian Auditor General publishes seven financial sustainability indicators, for each Council, on an annual basis assess the financial viability of councils.
- ii. LGPRF indicators: Local Government regulations require Councils to report actual results against prescribed indicators contained in the Local Government Performance Reporting Framework (LGPRF). Prescribed financial performance indicators are included in the annual budget. Results against these indicators are also reported in Council's annual performance statement included in the annual report.
- iii. Other indicators: Council uses additional key strategic financial performance indicators to assist in monitoring achievement of specific financial strategies, such as ensuring Council's intended allocations to Other Reserves (equity) are cash-backed with funds to deliver future outcomes.

4.1 VAGO indicators

VAGO use sustainability indicators to assess if councils have some excess capacity at any point in time to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies. VAGO use the following risk matrix to measure performance against seven indicators, which enables assessment of the overall financial sustainability of each council. VAGO indicators are included in the table on the following page including risk ratings used by VAGO.

Table 3 - VAGO Financial Sustainability Risk Indicator levels

VAGO financial sustainability risk indicator levels							
Risk	Net result	Adjusted underlying result	Liquidity	Internal financing	Indebtedness	Capital replacement	Renewal gap
High	Less than negative 10% Insufficient revenue is being generated to fund operations and asset renewal.	Less than 0% Insufficient surplus being generated to fund operations	Less than 0.75 Immediate sustainability issues with insufficient current assets to cover liabilities.	Less than 75% Limited cash generated from operations to fund new assets and asset renewal.	More than 60% Potentially long-term concern over ability to repay debt levels from own-source revenue.	Less than 1.0 Spending on capital works has not kept pace with consumption of assets.	Less than 0.5 Spending on existing assets has not kept pace with consumption of these assets.
Medium	Negative 10%–0% A risk of long-term run down to cash reserves and inability to fund asset renewals.	0%–5% Surplus being generated to fund operations	0.75–1.0 Need for caution with cashflow, as issues could arise with meeting obligations as they fall due.	75–100% May not be generating sufficient cash from operations to fund new assets.	40–60% Some concern over the ability to repay debt from own-source revenue.	1.0–1.5 May indicate spending on asset renewal is insufficient.	0.5–1.0 May indicate insufficient spending on renewal of existing assets.
Low	More than 0% Generating surpluses consistently.	More than 5% Generating strong surpluses to fund operations	More than 1.0 No immediate issues with repaying short-term liabilities as they fall due.	More than 100% Generating enough cash from operations to fund new assets.	40% or less No concern over the ability to repay debt from own-source revenue.	More than 1.5 Low risk of insufficient spending on asset renewal.	More than 1.0 Low risk of insufficient spending on asset base.

Source: VAGO

Table 4 - VAGO Financial Sustainability Indicator meanings

Indicator	Meaning
Net result (Net result/total revenue)	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term. The net result and total revenue are obtained from the comprehensive operating statement.
Adjusted underlying result (Adjusted underlying surplus (or deficit)/adjusted underlying revenue)	This measures an entity's ability to generate surplus in its ordinary course of business, excluding non-recurrent capital grants, non-monetary asset contributions and other contributions to fund capital expenditure from its net result. A surplus or increasing surplus suggests an improvement in the operating position.
Liquidity (Current assets/current liabilities)	This measures an entity's ability to pay existing liabilities in the next 12 months. A ratio of one or more means that an entity has more cash and liquid assets than short-term liabilities. A ratio less than one means that an entity does not have sufficient cash and liquid assets to pay short-term liabilities.
Internal financing (Net operating cash flow/net capital expenditure)	This measures an entity's ability to finance capital works using cash generated from its operating cash flows. The higher the percentage, the greater the ability for the entity to finance capital works from its own funds. Net operating cash flows and net capital expenditure are obtained from the cash flow statement.
Indebtedness (Non-current liabilities/own-sourced revenue)	This assesses an entity's ability to pay liabilities beyond 12 months, as and when they fall due, from the funds Council generates. The lower the ratio, the less revenue the entity is required to use to repay its total debt. Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.
Capital replacement (Cash outflows for the addition of new infrastructure, property, plant and equipment/depreciation)	This compares the rate of spending on new infrastructure, property, plant and equipment with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciating rate. This is a long-term indicator because capital expenditure can be deferred in the short term if there are insufficient funds available from operations and borrowing is not an option. Cash outflows for infrastructure are taken from the cash flow statement. Depreciation is taken from the comprehensive operating statement.
Renewal gap (Renewal and upgrade expenditure/depreciation)	This compares the rate of spending on renewing, restoring and replacing existing assets with depreciation. Ratios higher than 1.0 indicate that spending on existing assets is faster than the depreciation rate.

Note: indebtedness includes liabilities more broadly than Council's loans, eg. future liabilities due to ongoing leases are included in this calculation

Table 5 – Projected VAGO ratios

AGO Ratios	Target	Units	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Net result	>0	%	(5.0%)	(5.8%)	(7.1%)	(8.9%)	(9.7%)	(10.5%)	(11.3%)	(12.1%)	(13.0%)	(13.8%)
Adjusted underlying result	>5.0	%	(5.0%)	(5.9%)	(7.1%)	(8.9%)	(9.7%)	(10.5%)	(11.3%)	(12.2%)	(13.0%)	(13.8%)
Liquidity	>1.0	x	2.73	2.89	3.01	3.06	3.12	3.17	3.22	3.25	3.27	3.29
Internal financing	>100	%	112.4%	125.8%	121.3%	115.1%	113.8%	113.2%	112.4%	112.0%	111.1%	110.4%
Indebtedness	<40	%	9.7%	9.3%	9.0%	8.7%	8.5%	8.2%	7.9%	7.7%	7.4%	7.2%
Capital replacement ratio	>1.5	x	0.73	0.63	0.61	0.59	0.57	0.55	0.53	0.52	0.50	0.48
Renewal gap ratio	>1.0	x	0.73	0.62	0.61	0.59	0.57	0.55	0.53	0.51	0.49	0.48

NB: Refer to VAGO Risk Matrix above for definitions of High (red), Medium (orange) and Low (green) risk indicator results.

4.2 LGPRF indicators

The table of LGPRF projected performance indicators below is aligned with the measures included in Council's annual budget and reported in the performance statement in Council's annual report. Council's five year historical performance against the VAGO financial indicators and key Council strategic financial indicators, are also reported in Council's annual report.

The tables below highlight Council's projected performance across a range of key financial performance indicators and are based on a set of assumptions. These indicators provide an analysis of Council's 10-year financial projections and should be interpreted in the context of the Council's objectives, financial strategies and financial management principles.

Table 6 - LGPRF Indicator meanings

Indicator	Meaning
Adjusted underlying result (Adjusted underlying surplus (or deficit)/adjusted underlying revenue)	This measures an entity's ability to generate surplus in its ordinary course of business, excluding non-recurrent capital grants, non-monetary asset contributions and other contributions to fund capital expenditure from its net result. A surplus or increasing surplus suggests an improvement in the operating position.
Working capital (Liquidity) (Current assets/current liabilities)	This measures an entity's ability to pay existing liabilities in the next 12 months. A percentage of 100% or more means that an entity has more cash and liquid assets than short-term liabilities. A percentage of less than 100% means that an entity has insufficient cash and liquid assets to pay short-term liabilities.
Unrestricted cash (Unrestricted cash/current liabilities)	This measures availability of cash that is not subject to external restrictions (Council is bound by an Act or contractual agreement restricting the use of cash held) to pay existing liabilities in the next 12 months.

Indicator	Meaning
	<p>The larger the percentage, the stronger capacity Council has to make internal decisions to allocate cash to meet other specific objectives, e.g. internal allocations from Other Reserves (excluding Reserves already subject to external restrictions).</p> <p>A percentage below 100% indicates that Other Reserves are not cash-backed and are insufficient to fund all internal allocations by Council. Results below 100% cannot be sustained in the long term.</p> <p>Unrestricted cash is obtained from the notes to the financial statements and current liabilities is obtained from the balance sheet. Unrestricted cash represents cash and cash equivalents less externally restricted cash, which includes some reserves and liabilities (statutory reserves, trust funds and deposits, conditional grant funds held)</p>
Loans and borrowings (debt) (Interest bearing loans and borrowings/rate revenue)	<p>This measures an entity's ability to repay borrowings.</p> <p>The higher the percentage, the greater the ability for the entity to repay borrowings from its own funds.</p> <p>Loans and borrowings are obtained from the balance sheet and rate revenue is obtained from the comprehensive income statement.</p>
Loans and borrowings payments (debt commitment) (Interest and principal repayments on interest bearing loans and borrowings/rate revenue)	<p>This measures an entity's ability to repay borrowings and interest.</p> <p>The higher the percentage, the greater the ability for the entity to repay borrowing commitments from its own funds.</p> <p>Interest and principal repayments are obtained from the cash flow statement and rate revenue is obtained from the comprehensive income statement.</p>
Indebtedness (Non-current liabilities/own-sourced revenue)	<p>This assesses an entity's ability to pay liabilities beyond 12 months, as and when they fall due, from the funds Council generates.</p> <p>The lower the ratio, the less revenue the entity is required to use to repay its total debt.</p> <p>Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions. Non-current liabilities is obtained from the balance sheet.</p>
Asset renewal and upgrade (Asset renewal and upgrade expenditure/depreciation)	<p>This assesses an entity's rate of spending on infrastructure, property, plant and equipment.</p> <p>A percentage below 100% indicates that spending on capital works has not kept pace with consumption of assets.</p> <p>This is a long term indicator, as capital expenditure can differ in the short-term if there are insufficient funds available from operations or borrowings.</p> <p>Asset renewal and upgrade expenditure is obtained from the capital works statement and depreciation is obtained from the comprehensive income statement.</p>
Rates concentration (Rate revenue/adjusted underlying revenue)	<p>This assesses an entity's reliance on rate revenue.</p> <p>A percentage above 50% indicates that Council is generating the majority of its revenue from its own sources.</p> <p>A ratio below 50% indicates Council has a higher dependence on other recurrent sources of revenue other than rates, such as recurrent grant funding.</p> <p>Rate revenue and adjusted underlying revenue are obtained from the comprehensive income statement. Adjusted underlying revenue excludes non-recurrent revenue, such as non-recurrent capital grant funding and contributions.</p>

Table 7 – Projected LGPRF indicators

Local Government Performance Reporting Framework	Target	Units	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Operating position												
Adjusted underlying result	>5.0	%	(5.0%)	(5.9%)	(7.1%)	(8.9%)	(9.7%)	(10.5%)	(11.3%)	(12.2%)	(13.0%)	(13.8%)
Liquidity												
Working capital (current assets as a percentage of current liabilities)	>100	%	273.1%	289.1%	301.3%	306.3%	312.0%	317.0%	321.6%	324.7%	327.4%	329.3%
Unrestricted cash (unrestricted cash compared to current liabilities)	>100	%	240.3%	256.5%	269.0%	274.3%	280.1%	285.2%	289.9%	293.1%	295.9%	297.9%
Obligations												
Loans and borrowings (as a percentage of rate revenue)	<70	%	1.2%	1.1%	1.0%	0.8%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%
Loans and borrowings payments (as a percentage of rate revenue)	<20	%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Indebtedness (Non-current liabilities compared to own-source revenue)	<70	%	11.1%	10.4%	10.0%	9.6%	9.2%	8.8%	8.4%	8.1%	7.7%	7.4%
Asset renewal and upgrade (compared to depreciation)	>110%	%	72.5%	62.2%	60.5%	58.5%	56.6%	54.7%	52.9%	51.1%	49.5%	47.8%
Stability												
Rates concentration (Rates compared to adjusted underlying revenue)	>50	%	61.2%	60.9%	60.9%	61.0%	61.1%	61.2%	61.3%	61.4%	61.5%	61.5%

4.3 Other Council Strategic Financial Indicators

Improvement in long-term liquidity is a key strategic financial indicator for Council. Council needs the ability to maintain sufficient working capital to meet its obligations as they fall due, including the ability to fund Council's intended allocations from Other Reserves, which fund external obligations and Council's internal allocations set aside to fund future Council objectives. As a result, Council also measures its ability to fund Other Reserves from projected cash levels over the long-term, that is, cash compared to other reserves.

Indicator	Meaning
Cash compared to Other Reserves (Cash and cash equivalents/Other Reserves)	<p>A result above 100% indicates that Council's intended future allocations of cash will be cash-backed, and the larger the percentage, the better positioned Council will be to meet cash flow needs for working capital commitments and internal allocations from Other Reserves to meet specific Council objectives.</p> <p>A result less than 100% indicates insufficient cash to fund Council's intended future allocations of cash. Insufficient cash to fund allocations from Other Reserves cannot sustained in the long term as future decisions to allocate funds from Other Reserves to meet Council objectives will inhibit Council's ability to meet working capital commitments.</p> <p>Cash and cash equivalents and other reserves are obtained from the balance sheet.</p>

Table 8 – Other projected indicators

Council Strategic Financial Indicators	Target	Units	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Cash compared to Other Reserves												
Cash levels available to fund intended Council allocations (Cash compared to Other Reserves)	>100	%	158.4%	181.3%	199.1%	207.1%	158.4%	155.9%	157.6%	169.3%	186.2%	195.1%

5. STRATEGIC FINANCIAL PLANNING

This section describes key strategies and policies that will support the Financial Plan. These will also be reviewed to inform updates to the Financial Plan.

5.1 Borrowing Strategy

5.1.1 Current Debt Position

The total amount borrowed as at 30 June 2025 is \$0. At the end of the 2025-26 financial year Council will have \$0.48 million in outstanding borrowings.

5.1.2 Future Borrowing Requirements

The current appetite for Council to borrow funds is relatively low so no additional borrowings are projected to be undertaken for the duration of the modelling.

5.1.3 Performance Indicators

The following table highlights Council's projected performance across a range of debt management performance indicators. Council maintains its loan borrowing within prudent and manageable limits as demonstrated by the following performance indicators.

Table 9 – Projected debt management performance indicators

Debt Performance Indicators										
Ratio	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Loans and borrowings - As a percentage of rates revenue	1.2%	1.1%	1.0%	0.8%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%
Loans and borrowings payments - As a percentage of rates revenue	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Indebtedness (Non-Current liabilities compared to own-source revenue)	11.1%	10.4%	10.0%	9.6%	9.2%	8.8%	8.4%	8.1%	7.7%	7.4%
Debt Commitment Ratio	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Note: indebtedness includes liabilities more broadly than Council's loans, eg. future liabilities due to ongoing leases are included in this calculation

5.2 Reserves Strategy

5.2.1 Current Reserves

Carried Forward Projects Reserve

- Purpose – The Carried Forward Projects Reserve recognises the funds allocated and received in prior financial periods that are committed to unfinished projects. This includes grants received in advance for specific projects and funds allocated from prior financial years for projects that are still incomplete at the end of the current financial year.
- Movements – Transfers to the reserve (inflows) for unfinished projects are funded in prior financial periods and not budgeted, but forecast during the financial year. Transfers from the reserve (outflows) are applied and forecast after the budget is adopted to allocate funds from prior financial periods to complete unfinished capital projects on an annual basis.

Waste Management Reserve

- Purpose - The Waste Management Reserve is discretionary in nature and set up as a source of funding for the replacement of kerbside bins.
- Movements - Transfers to the reserve (inflows) comprise funds collected from the waste collection service charge. Transfers from the reserve (outflows) are used only in connection with the waste collection service.

Long Service Leave Reserve

- Purpose - The Long Service Leave Reserve ensures that the nominal long service leave balances owing to employees are maintained.
- Movements – Transfers to/from the reserve (inflows/outflows) comprise an annual increase or decrease to the balance of the reserve to adjust the nominal amount owing to employees.

Landfill Rehabilitation (Alvie) Reserve

- Purpose - The Landfill Rehabilitation (Alvie) Reserve is discretionary in nature and holds funds required to restore the Alvie landfill site. The rehabilitation reserve will continue to grow until sufficient funds are available to meet this obligation.
- Movements - Transfers to the reserve (inflows) comprise funds set aside in the annual budget process to fund Council's obligations to restore the Alvie landfill site. Transfers from the reserve (outflows) are applied to budgeted rehabilitation and aftercare works at the landfill site on an annual basis.

Recreational Lands Reserve

- Purpose - The Recreational Lands 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 the Subdivision Act and transfers are restricted to the purpose of creating open space such as parks, playgrounds, pavilions and other such items where it is deemed that these works should occur at a later point than the initial development.

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

Colac Livestock Selling Centre Reserve

- Purpose - The Colac Livestock Selling Centre Reserve is discretionary in nature and holds funds for works at the Colac Livestock Selling Centre and all funds are derived from any surplus made from the operations of the Colac Livestock Selling Centre.
- Movements – Transfers to/from the reserve (inflows/outflows) comprise an annual increase or decrease to the balance of the reserve to adjust the funds available for works at the Colac Livestock Selling Centre.

Rehabilitation Reserve

- Purpose - The Rehabilitation Reserve is discretionary in nature and holds funds required to restore the various closed waste disposal sites across the Colac Otway Shire. The rehabilitation reserve will continue to grow until sufficient funds are available to meet this obligation.
- Movements - Transfers to the reserve (inflows) comprise funds set aside in the annual budget process to fund Council's obligations to restore the closed landfill sites. Transfers from the reserve (outflows) are applied to budgeted rehabilitation and aftercare works at the landfill site on an annual basis.

Plant Replacement Reserve

- Purpose – This reserve funds the replacement of Council's plant at the end of their useful lives.
- Movements – Inflows to the reserve accrue out of any plant operating surplus and are mainly sourced from budget savings in plant maintenance and operations. Transfers from the reserve are applied to the changeover of plant throughout the year.

Tirrengower Drainage Reserve

- Purpose - The Tirrengower Drainage Reserve funds are collected via a special rate and must be expended in accordance with the purpose of the drainage scheme at Tirrengower.
- Movements - Transfers to the reserve (inflows) comprise funds collected from ratepayers contributing under the drainage scheme and deriving benefits from the Tirrengower drainage works. Transfers from the reserve (outflows) are applied to Tirrengower drainage works in connection with the scheme.

Strategic Projects Reserve

- Purpose - The Strategic Projects Reserve holds funds set aside by Council for strategic projects and acquisitions of new or expanded assets that are of an intergenerational nature.
- Movements - Transfers to the reserve (inflows) comprise budgeted and unbudgeted funds required to deliver strategic projects and acquisitions identified by Council. Transfers from the reserve (outflows) are applied to fund delivery of budgeted strategic capital projects on an annual basis.

Financial Assistance Grants received in advance Reserve

- Purpose - The Financial Assistance Grants received in advance Reserve holds any Commonwealth Financial Assistance Grant funding received in advance of its intended allocation.
- Movements - Transfers to the reserve (inflows) comprise the Financial Assistance Grant allocation received from the Commonwealth in advance for the coming financial year. Transfers from the reserve (outflows) apply the funding allocation received in advance in the previous financial year to fund delivery of budgeted operational and capital works.

Water Saving Urban Design Reserve

- Purpose - The Water Saving Urban Design Reserve holds funds contributed by developers for works associated with construction of future water quality infrastructure within the shire. Funds are contributed in accordance with the Subdivision Act and transfers are restricted to the purpose of providing future water saving urban design infrastructure.
- Movements - Transfers to the reserve (inflows) comprise contribution income from subdividers. Transfers from the reserve (outflows) are applied to fund budgeted water saving urban design capital projects on an annual basis.

Asset Revaluation Reserve

- Purpose - The Asset Revaluation Reserve is required to comply with legislative financial reporting requirements and accounts for property, plant and equipment revaluation movements to their fair value during the financial year.
- Movements - Transfers to/from the reserve (increments/decrements) comprise revaluation increments (increases) and decrements (decreases to the extent prior increments are included in the reserve for that class of asset) for property, plant and equipment revalued during the financial year.

5.2.2 Reserve Usage Projections

The table below discloses the balance and annual movement for each reserve over the 10-year life of the Financial Plan. Total amount of reserves, for each year, is to align with the Statement of Changes in Equity.

Table 10 – Projected Reserve Usage
Colac Otway Shire Council

Budgeted Reserves

For the four years ending 30 June 2029

	Budget		Projections							
	2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	2029-30 \$'000	2030-31 \$'000	2031-32 \$'000	2032-33 \$'000	2033-34 \$'000	2034-35 \$'000
Reserves										
Asset Revaluation Reserve	448,745	448,745	448,745	448,745	448,745	448,745	448,745	448,745	448,745	448,745
Colac Livestock Selling Centre Reserve	3	23	43	63	83	103	123	143	163	183
Financial Assistance Grants Received in Advance	0	0	0	0	0	0	0	0	0	0
Waste Management Reserve	1,704	1,774	1,844	1,914	1,984	2,054	2,124	2,194	2,264	2,334
Landfill Rehabilitation (Alvie) Reserve	1,319	1,319	1,319	1,019	0	0	0	0	0	0
Long Service Leave Reserve	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070
Plant Replacement Reserve	3,229	3,054	2,935	2,872	2,866	2,921	3,038	3,218	3,463	3,776
Recreational Lands Reserve	2,180	2,205	2,230	2,255	2,280	2,305	2,330	2,355	2,380	2,405
Rehabilitation Reserve	1,174	3,224	5,392	7,684	2,850	1,400	400	200	950	0
Water Sensitive Urban Design	89	89	89	89	89	89	89	89	89	89
Strategic Projects Reserve	436	436	436	436	436	436	436	436	436	436
Tirrengower Drainage Scheme Reserve	121	144	167	190	213	236	259	282	305	328
Total Equity Reserves	462,068	464,082	466,269	468,335	462,615	461,358	460,613	460,731	461,864	461,365

5.3 Treasury Management Strategy

5.3.1 Proposed approach to managing cash and other liquid assets

Councils approach to liquidity levels, allocation of surplus cash, treasury management instruments the council intends to use, and consideration of tools to ensure sufficient liquidity when needed are all driven by councils Investment Policy (16.3).

The approach to investment risk levels acceptable to the council in terms of practices, as well as the risks associated with different investment approaches such as those of different Authorised Deposit Institutions and other securities in accordance with s.103 of the Local Government Act 2020 are all driven by councils Investment Policy (16.3).

5.4 Investment Strategy

5.4.1 Proposed approach to investments

Council's approach to cash balances, cash from developer contributions, sale of land holdings and other assets is set out in council's Investment Policy (16.3), and Asset Accounting Policy (16.6).

The approach to investment risk levels acceptable to the council in terms of term deposits, investments, acquisition or disposal of assets (land, buildings, illiquid assets), and desired levels of risk and return on investments are detailed in councils Investment Policy (16.3), and Asset Accounting Policy (16.6).

Council intends to review land and building assets held and dispose of such assets that are surplus to requirements. Resultant cashflows will be used for projects that will provide long term benefit to the community and renewal of same.