

Financial Sustainability Strategy

2025-2029

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Introduction

The Banyule Financial Sustainability Strategy (Strategy) is integral to the delivery of the Community Vision and Banyule Plan. It sets out how the Banyule plans to finance its overall operations to meet its strategic objectives now and in the future. The Strategy summarises opportunities and the actions to be taken over a four year period to achieve the objectives set out in the Banyule Plan 2025-2029.

The Strategy references Council's Annual Budget 2025-2029 and further explores opportunities to maintain and improve Banyule's ongoing financial sustainability to ensure it delivers high quality community services and infrastructure.

Banyule's utilises the Victorian Audit General's Office (VAGO) Financial Sustainability Risk ratios, currently used to assess the Local Government sector in Victoria. Fundamentally, to be financially sustainable, councils should aim to generate enough revenue from their own operations to meet their financial obligations, and to fund asset replacement and asset acquisitions.

VAGO use seven (7) financial sustainability risk indicators over a four (4) year period to assess the potential financial sustainability risks in the local government sector. The financial sustainability indicators, risk assessment criteria and benchmarks used by Council in this report are described in Appendix A

The Strategy focuses on income generating capability of Council and identifies several opportunities to pursue alternate revenue sources. Additionally, the Strategy examines Banyule's cost containment objectives, reinforces current programs that identify operational improvements and proposes a number of opportunities to improve organisational efficiency.

Furthermore, the Strategy discusses the funding opportunities from a number of sources to ensure Banyule can continue to sustainably renew and redevelop its community infrastructure for future generations.

Banyule has established a target to set aside a minimum of \$65m in cash reserves to maintain long-term financial sustainability over the next four years (refer Appendix C). This will ensure that Banyule maintains cash backed reserves and provides capacity to meet planned and unplanned service and capital needs over the next four years.

Context

Banyule City Council is in a sound financial position. Council will deliver a healthy operational surplus in the 2025/26 financial year and generated consistent cash from operations. Total gross debt is at its lowest level in fifteen years. The challenge is, however, addressing the continuation of an Underlying Deficit since COVID-19.

Like every other Council, Banyule City Council's financial position over the coming decade is likely to be increasingly challenging. The State Government rate capping regime will significantly limit Council's ability to raise funds from its own operations. At the same time Council will continue to experience increasing cost pressures associated with an ageing population, ageing capital infrastructure and continued cost shifting from other levels of government. This situation is not expected to change in the foreseeable future.

The purpose of the Strategy is to ensure we can continue to deliver high quality services to our community, provide job security and stability for our highly valued workforce and continue to meet

our capital requirements while investing in new capital and infrastructure. The Strategy provides context and structure to many of the innovative financial strategies Council has adopted in recent years including our strategic approach to property acquisition and development. In addition, Banyule will continue to focus on operational efficiencies, support initiatives that deliver financial savings to Council and reduce reliance on property rates to fund services and infrastructure and reduce debt.

Background

To develop a Strategy, Council must be cognisant of the variety of factors that influence operations and ultimately impact finances. This includes external factors that are often out of the Council's control of in addition to internal factors that may be as a result of policy positions and operational decisions to meet council objectives. The following is a snapshot of both external and internal influences that have may affect financial sustainability.

External Influences

Several external influences have been taken into consideration in developing the Strategy. These include:

- Population Growth – include current population, expected population to grow to 160,176 by 2041.
- Rate Capping – The Victorian State Government continues with a cap on rate increases. The cap for 2025/26 has been set at 3.00%.
- Supplementary Rates – Supplementary rates are additional rates received after the budget is adopted each year, for the part of the year when a property value increases in value (e.g., due to improvements made or change in land class), or new residents become assessable. Supplementary rates income is based on historical and forecast data and is set at anticipated levels.
- Financial Assistance Grants – The largest source of government funding to Council is through the annual Victorian Local Government Grants Commission (VLGGC) allocation. The overall state allocation is determined by the Federal Financial Assistance Grant, with the increase of General-Purpose grant funding limited to the minimum increase assessable to Council.
- Capital Grant Funding – Capital grant opportunities are expected to arise continually in 2025/26, however, local factors and government finances place some doubt on the total pool available.
- High Inflation – In the short term, the inflation rate is expected to remain at the higher end of the Reserve Bank Australia (RBA). However, by 2025/26, it is forecasted to ease as both international pricing pressures and domestic inflationary forces diminish.
- Enterprise Agreement (EA) – Remaining competitive within the labour market to recruit the skilled specialists has been challenging. Council also relies heavily on contractor and agency in delivering operational, capital works and major initiative projects.

- Superannuation – Council has an ongoing obligation to fund any investment shortfalls in the Defined Benefits Scheme. The last call on Local Government was in the 2012/13 financial year where Council was required to pay \$9.12 million to top up its share of the Defined Benefits Scheme. The amount and timing of any liability is dependent on the global investment market. At present the actuarial ratios are at a level that additional calls from Local Government are not expected in the next 12 months.
- The super guarantee rate will increase to 12.00% from 1 July 2025.
- WorkCover - Changes in the insurance market, including fluctuations in premiums, availability of coverage, and insurer profitability, had upward pressure for WorkCover costs.
- Cost shifting - Local Government provides a service to the community on behalf of the State and Commonwealth Government over time, the funds received by Local Governments' does not increase in line with real cost increases, such as school crossing or library services, resulting in a further reliance on rate revenue to meet service delivery expectations.
- The *Local Government Act 2020* requires Council's to address climate change in its Banyule Plan as it is one of the key overarching governance principles. Councils have a duty of care in the context of climate change adaptation that is recognised in law. The Victorian Government outlines how failure to act may leave your council open to claims of negligence. In addition, climate change is a risk to council but tackling climate change can have economic as well as environmental benefits. Acting on climate change is no longer optional. Every council must:
 - o promote the economic, social, and environmental sustainability of the area, including mitigation and planning for climate change risks.
 - o give priority to achieving the best outcomes for your community, including future generations.
- Waste Disposal Costs – The Environment Protection Agency (EPA) regulation has a sustained impact on Council with regards to compliance with noise and contamination risks. Waste disposal costs are also impacted by industry changes such as increasing EPA landfill levies and negotiation of contracts e.g., recycling sorting and acceptance. The levy increased over time from \$125.90 per tonne in 2022/23 to \$167.90 per tonne in 2025/26.

Internal Influences

As well as external influences, there are a number of internal influences which are expected to impact on Banyule's financial sustainability over 2025-2029. These include:

- Adjusted Underlying Result – This measures Council ability to generate surplus in the ordinary course of business—excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure from net result. In 2025/26 underlying result is budgeted to be a deficit of \$2.75 million. It is anticipated not to return to an underlying surplus position during the four years of this budget due to cost and income pressures in current economic environment.

- Cash – Council must maintain sufficient cash reserves to ensure long-term sustainability and to maintain a robust liquidity position (cash to current liabilities ratio) for operational viability and financial solvency. It is important to note that this cash balance may be required in the future to address potential Superannuation liability calls for defined benefit members. Such a Superannuation call has not been incorporated into the current budget.
- Working Capital – This is a measure of the ability to pay existing liabilities in the next 12 months. A ratio of one or more means that there are two times more cash and liquid assets than short-term liabilities. Over the next four years, Banyule's Working Capital ratio is in the range 1.5:1 to 2:1, which means Banyule has short term assets available to meet short-term liabilities as they fall due.
- Service Planning – In this four-year budget, several strategies have been considered to meet the service needs of the community as well as remain financially sustainable. The following strategies are being implemented to ensure financial sustainability.
 - o Continuous improvement – Council develops and implements a Continuous Improvement program to deliver operational efficiency.
 - o Digital Transformation – Council maintains its investment in the maintenance and renewal of existing systems and infrastructure and provides additional funding for new systems to build customer capability and operational efficiency.
 - o Collaborative procurement – Council continues to actively participate in collaborative opportunities with the Northern Council Alliance to maximise procurement and purchasing power.

Financial Summary

The following table summarises the key financial results for the next four years as set out in the Annual Budget for years 2025-2029. They are the main financial metrics that Council plan, monitor and review to ensure long term financial sustainability. A full set of Financial Statements is available in Appendix B

Indicator	Budget		Projections		Trend
	2025/26	2026/27	2027/28	2028/29	+/-
	\$'000	\$'000	\$'000	\$'000	
Surplus/(deficit) for the year	18,078	8,273	8,716	8,492	o
Adjusted underlying result	(277)	(5,149)	(2,137)	(2,333)	o
Cash and other financial assets	72,084	68,552	61,509	58,660	-
Net Cash flows from operations	40,658	36,452	36,456	37,311	+
Capital works expenditure	73,066	45,832	43,282	40,064	-

Financial Sustainability Ratios

The following table lists Banyule's assessment against the VAGO Financial Sustainability Indicators. The table highlights that Council is considered to be a low risk in the long term. This is achieved by having a majority of low-risk indicators (Green).

The funding of capital works program heavily relies on both current year's operating cash result and previous years' cash surplus. However, in other years, through other investment activities, such as strategic property acquisition and sales, the funding requirement on current year's operating cash result will be significantly reduced, which results in lower risk indicator in internal financing.

Year	Net Results	Underlying Result	Liquidity	Internal Financing	Indebtedness	Capital Replacement	Renewal Gap
2025/26	8.56%	-0.14%	2.07	77.20%	10.06%	2.85	2.29
2026/27	4.07%	-2.71%	1.95	99.11%	9.30%	1.71	1.39
2027/28	4.20%	-1.09%	1.77	90.47%	7.90%	1.54	1.37
2028/29	4.02%	-1.16%	1.69	100.79%	6.78%	1.37	1.32

Income Opportunities

Rate revenue

Our Revenue and Rating Strategy is used to ensure that the Local Government Act's rating objectives of 'equity and efficiency' are achieved. It is important that Banyule has a strategy in place that is transparent to the community and reviewed annually as part of the budget process.

Council has set a rate in the budget which clearly reflects the community's wishes around service quality and level. The balance between fairness, equity and financial security has been carefully considered.

The rating parameters set for the strategic outlook period through to 2029 are indicated currently on the basis of a 3.00% rate increase for years 2025/26 then Council has projected 3.00%, 3.00% and 2.75% respectively for the following 3 years of this Strategy.

This indicative rate is predicated on a rate capping environment and not indicative of maintaining all Council's services at their current level.

Banyule will continue to revisit these figures when further information is received from the State Government on the extent of rate capping, this will be then matched with the community's desire to maintain current service levels versus a reduced rate environment.

Banyule values appropriate commercial and industrial development. However, we also acknowledge an increased impact on our shared infrastructure by these developments. We choose to differentially rate these properties to ensure an equitable outcome to infrastructure costs across our community.

Council has established a rating structure which is comprised of two key elements. These are:

- Property values, which form the central basis of rating under the *Local Government Act 1989*
- A Waste Rate (Kerbside and Public) for the cost recovery of waste services.

Striking a proper balance between these elements provides equity in the distribution of the rate burden across rateable properties and residents.

The existing rating structure comprises six differential rates being: residential improved, residential vacant, commercial improved, commercial vacant, industrial improved and industrial vacant.

Action:

Continue to annually review its Revenue and Rating Strategy to ensure it reflects Council's objectives of equity and efficiency to generate adequate funding for high quality services and Community infrastructure.

Target:

Rate increases to be in line with Rate Cap.

Supplementary Valuation income to increase by 1% per annum through efficiencies of internal processes.

Waste rates maintained at cost recovery.

Fees & Charges

Fees and Charges are the second major source of revenue for Council at 16% in 2025/26 which are continually impacted from the COVID-19. These fall into two broad categories: statutory fees and fines and user fees.

Statutory Fees & Charges are fixed by statute and can only be increased in line with the annual increases announced by State Government. The balance of fees and charges are discretionary in that Council can levy the amount it believes is equitable for each service/item.

In terms of other fees and charges, over which Council has discretion in setting, this Strategy includes the assumption that these fees will be increased by the cost escalation factor closely linked to employee cost increases in providing these services on an annual basis. Through the adoption of this approach, Council is endeavouring to ensure that greater pressure is not placed on annual rate increases to offset shortfalls in fee revenue.

It is further recommended that Council seek to maximise its fee revenue through its review of annual fees and charges in the annual budget process.

Action:

Continue to annually review fees and charges considering costs to provide quality services including reference to market conditions where appropriate.

Develop a Pricing Policy that ensure Banyule is adequately setting Fees & Charges that achieve the outcomes required by Council.

Target:

Revenue from Fees & Charges to grow at a minimum of the annual Rate Cap or greater.

Grant Income

Grants plays a crucial role in funding capital works projects. Banyule relies on capital grants to finance community infrastructure projects. These grants can come from various sources, including the state and federal governments.

Grants are essential for Banyule as they help to bridge the gap between the available budget and the cost of necessary projects. This reliance on grant funding allows Council to undertake significant capital works projects that might otherwise be unaffordable. These projects can include the construction and maintenance of roads, public buildings, parks, and other community facilities.

The grant environment is competitive, and we must demonstrate the value and impact of their proposed projects to secure funding. This involves detailed planning, community consultation and alignment with broader government priorities and policies.

Banyule has a good track record of attracting government grants for both small and large scale infrastructure projects. This has demonstrated the diligence and expertise in the detailed preparation of grant applications.

Overall, the reliance on grant funding is a critical aspect of how manage and deliver capital works projects, ensuring that communities continue to develop and thrive.

Action:

Continue to monitor grant opportunities.

Advocate to both State and Federal Governments for funding of Council infrastructure projects.

Ensure scoping for grant funding is undertaken when considering funding of all community infrastructure projects.

Target:

Attract a minimum capital grant income of \$5.0m per annum.

Investment interest

Interest income is predominantly made up of the interest received on Council's cash holdings. Interest represents 1.32% of Council's income budget. A number of reserves have been established to fund future investment in addition to statutory reserves. Council has traditionally invested cash reserves in bank term deposit with the major financial institutions in line with its Investment Policy. With interest rates at historical lows, the income generated from investments has declined over time placing pressure on other sources of income to fund operations. The current weighted average investment rate is 5.08% at the end of March 2025. Council will be establishing an investment strategy for achieving a better outcome from cash investment.

Action:

Continue to invest short term surplus cash with financial institutions in line with Banyule's Investment Strategy and Policy.

Target:

Interest on cash investments to generate a return of CPI plus 1.5%.

Return on Property Investments

The business of Council is linked to property – both regarding holding, using and managing property. It is aligned with the services that are provided and therefore creating a link between the business and the properties. Property investments are categorised as growth assets given the risk that they represent i.e. they do not have a defined date on which capital will be returned and recovering that capital could result in a loss being occurred.

As a component of Banyule's capital and diversifying investment income sources, investment properties have been categorised as:

- Acquired/held for capital growth
- Sale of proceeds of surplus land
- Held for long term yield

These properties include both commercial and residential properties. These properties are invested in to achieve returns generated by a growth in the value of the capital and/or provide an ongoing cash return through rental income.

The property investments need to be viewed as being available to generate a market linked return for the Council. Their ongoing holding are not critical for the ongoing operation of the Council's business i.e. the property can be readily sold, and the council business can be moved to a different location. If the property is required primarily for operational needs, then it is not deemed an investment property.

Action:

Review Council's Investment Strategy

Continue to identify opportunities to acquire investment property that provides an alternative revenue source.

Target:

Return on property investments to generate a return of CPI plus 1.5%.

Developer Contribution Scheme (DCP)

A DCP is a financial management tool to help fund Council's capital works commitment for projects that service a community's changing profile. Because Banyule has an established community, only a portion of total project cost can be allocated to a DCP and paid by developers. The balance must be found from other sources through Council's annual budgeting and four year capital planning.

Introducing a DCP enables Council to require developers to pay a contribution. In most instances, the need for payment is triggered by a planning permit condition. For smaller developments, like extensions to shops and offices, payment can be triggered by a building permit only. Contributions are then paid before a Statement of Compliance is given for land subdivision or before a building permit can be issued.

Development contributions fall into two categories, these are for:

- Development Infrastructure required for basic community health, safety or wellbeing. This includes to roads, paths and drains.

- Community Infrastructure. This includes construction of buildings or facilities that will be used for community or social purposes.

Action:

Continue to manage the current DCP and will introduce a new DCP to fund future Infrastructure investment.

Target:

DCP contributions to grow in line with Rate Cap or greater.

Funding Sources

Operating activities - Refers to the cash generated or used in the normal service delivery functions of Council. Cash remaining after paying for the provision of services to the community may be available for investment in capital works, or repayment of debt.

	Budget	Projections				Budget
	2025/26	2026/27	2027/28	2028/29	+/-	
Net cash provided by operating activities	40,658	36,452	36,456	37,311	0	

Cash reserves

In addition to using cash generated from its annual operations, and external contributions such as government grants, Council has significant cash reserves that are also used to fund a variety of capital projects. These reserves are either 'statutory' or 'discretionary' cash reserves. Statutory reserves relate to cash and investments held by Council that must be expended on a specific purpose as directed by legislation or a funding body, and include contributions to car parking, drainage and public reserves and recreation. Discretionary cash reserves relate to those cash and investment balances that have been set aside by Council and can be used at Council's discretion, even though they may be earmarked for a specific purpose.

	Budget	Projections				Budget
	2025/26	2026/27	2027/28	2028/29	+/-	
Cash reserves	72,084	68,552	61,509	58,660	-	

Action:

Continue to focus on increasing net cash generated from operating activities to fund capital investment and debt redemption.

Utilise reserves for either statutory or intended allocation purposes to fund capital investment including major infrastructure and Strategic Property investment.

Target:

Medium risk VAGO ratio for underlying result.

Net cash generated from operating activities to be \$35m or greater, with an increase to the target amount by \$1m or CPI (whichever is greater) per annum.

Cash Balance ratio (Liquidity) to remain at 1:1.5 or greater to cover budgeted short-term liabilities

Investing activities - Refers to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property and equipment.

	Budget	Projections			Budget
	2025/26	2026/27	2027/28	2028/29	+/-o/-
Net cash (used in) investing activities	52,668	36,781	40,295	37,017	o

Strategic Property Sales

From time to time, Council will evaluate its property portfolio to establish the suitability of its assets to deliver operational services to the community.

Property assets may be held for operational and non-operational reasons. Council holds and manages property assets as a means of responding to and providing for the evolving needs of the community.

Operational property holdings provide value via service delivery. Non-operational property is generally acquired or held for income generation.

The disposal of property assets in Banyule are governed by the Guidelines for the Sale and Exchange of Council Land. Council has agreed the following principles for property disposal:

1. The sale or exchange of Council Land must comply with the provisions of the Act
2. The sale of Council Land should be conducted through a public process (i.e. public auction, public tender or by registration of expressions of interest), unless circumstances exist that justify an alternative method of sale, for example the sale or exchange of Council Land by private treaty. Council should explain to the community the circumstances which led to its decision to use an alternative method of sale in the interest of probity, public accountability and transparency.
3. The sale of Council Land should be in the best interest of the community and provide the best result, both financial and non-financial, for Council and the community.
4. Generally, all sales of Council Land should occur at not less than market value assessed by a valuer engaged by Council. However, in the event that Council Land is sold for less than the market value, Council should explain the circumstances, reasons or factors which led to the decision to accept a sale price that is less than market value.
5. Prior to being offered for sale, Council Land should be appropriately zoned. This will ensure that the ultimate use of the Council Land is determined by that zone and the highest possible sale price is achieved.

Council has made a deliberate decision to diversify its income sources through investment in property assets that have the capacity to provide a return on investment. This includes investment in both commercial and residential properties.

Action:

Continue to explore opportunities to dispose of surplus council property as a viable alternate source of revenue. This may include a process where strategic property acquisition occurs with an intention of Council developing the property for sale in the short or medium term.

Target:

Banyule dispose of strategic property in line with assets identified as surplus to Council needs.

Strategic Property Acquisition

Council, from time to time, may acquire property assets that are deemed to increase its ability to:

1. Invest into an appreciating asset that can:
 - o Generate appropriate rental revenue
 - o Deliver an uplift in value
 - o Be later realised
2. Increase and provide pathways for property consolidation or growth
3. Enable a diversification of its property portfolio
4. Influence and shape occupancy that leads to social and economic development outcomes
5. Provide for catalyst planning outcomes that demonstrate leadership underpinned by broad community support

Whilst a comprehensive feasibility study will generally underpin acquisitions, it is acknowledged that short marketing campaigns may restrict Council's ability to conclude a study within a suitable timeframe. In such instances, the general principles that will guide Council's acquisition methodology should be to:

- Provide a financial return and a community benefit to Council
- Ensure the best use of existing, underutilised and/or surplus assets
- Complement and augment existing planning policy framework aspirations
- Lead best practice and high quality planning outcomes
- Stimulate local investment and infrastructure

Action:

Continue actively identify investment opportunities through strategic property acquisition with funding available from the Strategic Property Reserve.

Target:

Banyule to maintain Property Investment Portfolio in line with Council Investment Strategy.

Financing activities - Refers to cash generated or used in the financing of Council functions and include borrowings from financial institutions and advancing of repayable loans to other organisations. These activities also include repayment of the principal component of loan repayments for the year.

Borrowings

Borrowings are recognised as a legitimate and responsible financial management tool when used for appropriate purposes and in appropriate circumstances. The funding structure of a Council should

reflect its existing and planned cash requirements. Planned cash requirements should be based on an entity's strategic plans, existing financial position and budgeted and forecast cash flows.

Banyule City Council in 2013/14 increased its debt level to \$60.28 million due to strategic property acquisitions and expanding capital expenditure. Borrowing was identified as an important funding source for major capital works programs. Council has borrowed to finance large infrastructure projects and has since been in a phase of debt reduction, which will continue.

Council took the opportunity to pay out four of its loans early as the debt included an option to review and close out the loans. By following this disciplined approach to debt, Council has been able to achieve a low level of debt indebtedness significantly below the 40% level of the VAGO financial sustainability indicator, which compares indebtedness to own source revenue. Banyule has one loan remaining being for the construction of WaterMarc. The loan interest rate is fixed at 8.17% and is due to be fully paid out on 28 June 2035.

The purchase of the strategic properties and subsequent sale of these properties has enabled Council to use these funds to fund its major infrastructure projects over the next four years.

	Budget	Projections			Trend
	2025/26	2026/27	2027/28	2028/29	+/-
Current interest bearing loans & borrowings	1,304	1,407	1,529	1,659	o
Non-current interest bearing loans & borrowings	15,255	13,848	12,318	10,659	-
Total interest bearing loans & borrowings	16,559	15,255	13,847	12,318	-
Repayment of borrowings	(1,202)	(1,304)	(1,407)	(1,529)	+
Finance costs	1,406	1,304	1,197	1,075	-

Council is planning to repay \$5.442 million of interest-bearing loans and borrowings in 2025-2029 as per its debt management plan.

Action:

Continue to repay current borrowings including identifying opportunities to pay down significant proportions of debt to further reduce its indebtedness.

Consider loan funding as part of a funding strategy for major capital works programs in line with approved Business Case.

Target:

Restrict debt financing to major community infrastructure investment and preference that any debt finance undertaken is via Treasury Corporation Victoria (TCV) and includes options for early pay-out of the loans.

Expenditure Opportunities

Operational efficiency

The concept of operational efficiency encompasses the practice of improving all of your processes (all your organisations activities that lead to your final community service). All of these processes help the organisation achieve a target, which may be in terms of improved and cost effective services and greater capital works delivery.

Care needs to be taken to not confuse efficiency with cutting costs, because it has other objectives besides savings, such as improving our productivity and delivering an improved service with the customer at the centre.

There a number of ways Council is approaching operational efficiency to achieve Banyule's strategic goals. This includes a continued focus on:

- reducing expenditure on agency, consultancies and legal
- business-oriented initiatives that reduce Council reliance on property rates to fund services and infrastructure
- environmental sustainability initiatives, such as solar panels and water harvesting that also deliver financial savings to Council.

Service reviews

Service reviews are undertaken across Council each year and recommendations for improvements are implemented to ensure the best quality and cost of service delivery. Current review impacts are included in the Strategic Resource Plan. The purpose of the service review program is best described by the following goals:

- Stronger framework to enhance strategic performance.
- In-depth, evidence-based decision making to enhance service
- Adherence to Strategic Objectives
- Right service at the right price (to the right users/community)
- Leadership input/ownership through Director and Managers
- Sustainable Service Provision (incl. cost assessment)
- A more thorough Service assessment and enquiry for improved value and informed delivery.

There are a number of drivers for service reviews that contribute to the achievement of our Council Plan objectives.

- Strategic business improvement focus
- Issues / Imperatives facing service (timely, generally external)
- Collated evidence / knowledge base for service delivery and capability
- Service Delivery needs (incl. service provision to community)
- Ongoing sustainability (incl. revenue, budget magnitude, delivery model, etc.)

Action:

Continue to conduct service reviews to ensure operations meet quality, cost and service standards in line with community expectations.

Target:

Conduct 3 service reviews per year in addition to responding to funded service changes

Continuous Improvement

Continuous improvement means to consistently strive to improve services according to the highest standards. It is a process which, in the long term, achieves:

- Customer focus
- Enhanced quality of service delivery
- Simplified processes and procedures
- Attitudinal change
- Recognition of customers, both internal and external.

The Continuous Improvement process consists of strategies, systems and processes which drive incremental and sustainable change to increase operational efficiency by improving service quality and reducing costs.

Council currently conducts business improvement reviews that may generated multiple benefits from the from incremental process changes.

Action:

Leverage the Continuous Improvement Program to deliver operational efficiencies.

Target:

Conduct 4 cross organisational process reviews and 12 Local Level reviews per annum with an aim of achieving productivity improvement or saving of 1.0% per annum

Business Transformation

Investment in technology has proven to deliver operational efficiency by eliminating or reducing manual processes. The goal is to provide staff and the community with access to digital tools to conduct business and transact with Council. Business Transformation is high on the agenda at all levels of government with the aim of eliminating outdated manual processes, cope with the volumes of data and information and to provide access to information on demand.

Council has historically invested in business systems to ensure facilitate efficient business operations and enhanced customer interaction. This includes maintenance and renewal of existing systems and investment in new systems as required. Digital technology is now refocusing on the need for more adaptable, online and mobile technology which is reflected in the change in community demand to transact with Council online 24/7.

Council needs to ensure that it is keeping pace with community demands and efficient business systems to run Council operations. This requires a focus on ongoing investment in IT systems and

infrastructure with additional investment required to digitise manual process and provide online capability to the community.

Action:

Maintain investment in the maintenance and renewal of existing systems and infrastructure and provide additional funding to new systems that provides operational efficiency and an enhanced customer experience.

Target:

Implement projects identified in the revised Business Transformation and Digital Investment Plan.

Collaborative Procurement

Council is a member of the Northern Regional Procurement Excellence Network (RPEN) and utilises Procurement Australia and MAV Procurement for the procurement of goods, services and works undertaking a single competitive process. Each of the members of this group is able to enter into a contract with the preferred service provider identified through this competitive process. Alternatively, the members of the group may choose to enter into a contract with the council which conducted the public tender.

There are significant advantages participating in collaborative procurement opportunities where the buying power can provide greater benefits.

Banyule is actively involved in collaborative procurement particularly with the Northern Region. A significant amount of data analysis and documentation review has been undertaken by the group with the objective of identifying collaborative procurement opportunities across the region in an effort to achieve greater value for money.

Action:

Continue to actively participate in collaborative opportunities with Municipal Association Victoria (MAV), Procurement Australia (PA) and State Purchasing Contracts (SPC) in an effort to achieve greater value for money.

Continue to actively participate in collaborative opportunities with the Northern Council Alliance in an effort to achieve greater value for money.

Target:

Banyule to actively participate in a least one collaborative procurement opportunity per year with an aim to save 0.5% per annum on non-labour expenditure.

Conclusion

Banyule's Financial Sustainability Strategy provides Council with the ability to plan for a strong financial future. The actions outlined in the Strategy provide direction where Council will continue to

maximise its current financial position while continuing to explore other revenue and expenditure opportunities to guarantee the delivery of quality services and community infrastructure.

Appendix A – VAGO Financial Sustainability Ratios

Financial sustainability risk indicators

Indicator	Formula	Description
Net result margin (%)	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 the 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 (ratio)	Current assets / Current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities.
Internal financing (%)	Net operating cash flow / Net capital expenditure	This measures the ability of an entity to finance capital works from generated cash flow. The higher the percentage, the greater the ability for the entity to finance capital works from their own funds. Net operating cash flow and net capital expenditure are obtained from the cash flow statement.
Indebtedness (%)	Non-current liabilities / own-sourced revenue	Comparison of non-current liabilities (mainly comprising borrowings) to own-sourced revenue. The higher the percentage, the less the entity is able to cover non-current liabilities from the revenues the entity generates itself. Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.
Capital replacement (ratio)	Cash outflows for property, plant and equipment / Depreciation	Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciation rate. This is a long-term indicator, as 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.
Capital renewal gap (ratio)	Renewal and upgrade expenditure/depreciation	This compares the rate of spending on renewing, restoring and replacing existing assets with depreciation. Ratios higher than one indicate that spending on existing assets is faster than the depreciation rate.

Financial sustainability risk indicators—risk assessment criteria

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.

Comprehensive Income Statement

For the four years ending 30 June 2029

	Actual	Budget	Projections		
	2024/25	2025/26	2026/27	2027/28	2028/29
	'000	'000	'000	'000	'000
Income / Revenue					
Rates and charges	121,557	130,248	131,265	135,018	138,421
Statutory fees and fines	10,470	10,278	10,467	10,759	11,052
User fees	21,288	22,593	23,704	24,226	24,898
Grants - operating	14,955	14,644	13,744	13,914	14,153
Grants - capital	12,976	14,804	9,469	8,004	6,421
Contributions - monetary	6,562	6,155	6,783	6,047	6,199
Contributions - non-monetary	2,394	-	-	-	-
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	1,066	5,494	851	2,487	2,547
Rental income	3,027	3,346	3,411	3,500	3,593
Interest income	4,192	2,697	2,720	2,744	2,769
Other income	3,896	1,008	1,034	1,059	1,086
Total income	202,383	211,267	203,448	207,758	211,139
Expenses					
Employee costs	83,540	86,412	88,457	90,648	93,379
Materials and services	53,299	62,779	61,190	61,248	60,596
Depreciation	26,893	25,272	26,200	27,505	28,812
Utility charges	5,416	4,694	4,827	4,964	5,105
Depreciation - right of use assets	420	404	559	535	457
Donation expenses	1,029	860	858	887	906
Borrowing costs	1,500	1,406	1,304	1,197	1,075
Finance Costs - leases	38	44	38	22	23
Contribution expense	8,435	9,080	9,477	9,711	9,910
Bad and doubtful debts	673	614	630	645	662
Other expenses	2,050	1,624	1,635	1,680	1,722
Total expenses	183,293	193,189	195,175	199,042	202,647
Surplus/(deficit) for the year	19,090	18,078	8,273	8,716	8,492
Other comprehensive income					
Total other comprehensive income	-	-	-	-	-
Total comprehensive result	19,090	18,078	8,273	8,716	8,492
Less: Capital grants and contributions	(18,152)	(18,355)	(13,422)	(10,853)	(10,825)
Underlying result	938	(277)	(5,149)	(2,137)	(2,333)

Balance Sheet

For the four years ending 30 June 2029

	Actual	Budget	Projections		
	2024/25	2025/26	2026/27	2027/28	2028/29
	'000	'000	'000	'000	'000
Assets					
Current assets					
Cash and cash equivalents	40,069	25,155	21,623	14,580	11,731
Trade and other receivables	25,955	23,137	23,263	23,386	23,519
Other financial assets	63,293	46,929	46,929	46,929	46,929
Inventories	51	45	45	45	45
Prepayments	1,887	1,726	1,726	1,726	1,712
Non-current assets classified as held for sale	16,058	2,258	2,258	2,258	2,258
Contract assets	-	-	-	-	-
Other assets	-	-	-	-	-
Total current assets	147,313	99,250	95,844	88,924	86,194
Non-current assets					
Trade and other receivables	211	204	204	204	204
Investments in associates, joint arrangement and subsidiaries	3,801	3,586	3,586	3,586	3,586
Property, infrastructure, plant & equipment	1,997,053	1,992,679	2,004,143	2,019,433	2,030,198
Leasehold improvement	-	60	28	15	15
Right-of-use assets	700	1,007	899	481	24
Investment property	13,628	13,652	13,652	13,652	13,652
Non-current assets classified as held for sale	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total non-current assets	2,015,393	2,011,188	2,022,512	2,037,371	2,047,679
Total assets	2,162,706	2,110,438	2,118,356	2,126,295	2,133,873
Liabilities					
Current liabilities					
Trade and other payables	18,954	14,806	15,243	15,697	16,178
Trust funds and deposits	7,645	7,572	7,572	7,572	7,572
Provisions	16,209	17,163	17,781	18,415	19,068
Interest-bearing liabilities	1,202	1,304	1,407	1,529	1,659
Lease liabilities	227	557	578	516	37
Unearned Income	9,104	6,450	6,450	6,450	6,450
Total current liabilities	53,341	47,852	49,031	50,179	50,964
Non-current liabilities					
Provisions	1,235	1,169	1,169	1,173	1,170
Trust funds and deposits	594	667	667	667	667
Interest-bearing liabilities	16,558	15,255	13,848	12,318	10,659
Lease liabilities	429	574	447	47	10
Total non-current liabilities	18,816	17,665	16,131	14,205	12,506
Total liabilities	72,157	65,517	65,162	64,384	63,470
Net assets	2,090,549	2,044,921	2,053,194	2,061,911	2,070,403
Equity					
Accumulated surplus	595,101	589,594	584,444	597,939	604,889
Reserves	1,495,448	1,455,327	1,468,750	1,463,972	1,465,514
Total equity	2,090,549	2,044,921	2,053,194	2,061,911	2,070,403

Statement of Cash Flows

For the four years ending 30 June 2029

	Actual	Budget	Projections		
	2024/25	2025/26	2026/27	2027/28	2028/29
	'000	'000	'000	'000	'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Rates and charges	121,448	130,161	131,179	134,924	138,319
Statutory fees and fines	9,767	10,249	10,442	10,731	11,023
User fees	20,972	22,584	23,697	24,233	24,903
Grants - operating	15,579	15,189	15,728	16,349	15,272
Grants - capital	10,480	14,259	7,486	5,569	5,302
Contributions - monetary	5,931	6,155	6,783	6,047	6,199
Interest received	3,180	2,951	2,713	2,737	2,761
Rent received	3,142	3,346	3,411	3,500	3,593
Trust funds and deposits taken	-	-	-	-	-
Other receipts	2,572	1,008	1,034	1,059	1,086
Net GST refund / payment	-	-	-	-	-
Employee costs	(81,321)	(84,936)	(86,825)	(89,029)	(91,735)
Materials and services	(57,640)	(63,438)	(61,767)	(61,779)	(61,105)
Utility charges	(4,560)	(4,694)	(4,827)	(4,964)	(5,105)
Trust funds and deposits repaid	-	-	-	-	-
Other payments	(11,337)	(12,176)	(12,602)	(12,921)	(13,202)
Net cash provided by/(used in) operating activities	38,213	40,658	36,452	36,456	37,311
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(54,673)	(73,066)	(45,832)	(43,282)	(40,064)
Proceeds from sale of property, infrastructure, plant and equipment	27,704	20,398	9,051	2,987	3,047
Net cash provided by/ (used in) investing activities	(26,969)	(52,668)	(36,781)	(40,295)	(37,017)
Cash flows from financing activities					
Finance costs	(1,508)	(1,406)	(1,304)	(1,197)	(1,075)
Proceeds from borrowings	-	-	-	-	-
Repayment of borrowings	(1,096)	(1,202)	(1,304)	(1,407)	(1,529)
Interest paid - lease liability	(206)	(44)	(38)	(22)	(23)
Repayment of lease liabilities	(238)	(407)	(557)	(578)	(516)
Net cash provided by/(used in) financing activities	(3,048)	(3,059)	(3,203)	(3,204)	(3,143)
Net increase/(decrease) in cash & cash equivalents	8,196	(15,069)	(3,532)	(7,043)	(2,849)
Cash and cash equivalents at the beginning of the financial year	32,028	40,224	25,155	21,623	14,580
Cash and cash equivalents at the end of the financial year	40,224	25,155	21,623	14,580	11,731

Statement of Capital Works

For the four years ending 30 June 2029

	Actual	Budget	Projections		
	2024/25	2025/26	2026/27	2027/28	2028/29
	'000	'000	'000	'000	'000
Property					
Freehold land	63	-	-	-	-
Freehold buildings	20,710	34,280	14,550	14,958	14,080
Total property	20,773	34,280	14,550	14,958	14,080
Plant and equipment					
Motor vehicles	6,641	8,230	9,985	5,658	5,731
Plant and equipment	2,362	1,651	1,131	1,166	1,351
Furniture and fittings	30	235	240	245	250
Total plant and equipment	9,033	10,116	11,356	7,069	7,332
Infrastructure					
Roads, Streets, Bridges	18,703	12,789	10,278	10,143	7,614
Drainage	1,585	4,637	1,666	1,516	1,664
Parks and gardens	3,976	9,585	6,745	7,588	7,564
Playground	550	1,385	1,077	1,958	1,640
Total infrastructure	24,814	28,396	19,766	21,205	18,482
Other					
Art Collection	53	274	160	50	170
Total other	53	274	160	50	170
Total capital works expenditure	54,673	73,066	45,832	43,282	40,064
Represented by:					
Asset renewal expenditure	32,861	40,313	27,359	26,639	27,590
Asset upgrade expenditure	16,437	18,596	9,811	11,695	11,068
Asset expansion expenditure	1,871	8,834	2,461	640	220
New asset expenditure	3,504	5,323	6,201	4,308	1,186
Total capital works expenditure	54,673	73,066	45,832	43,282	40,064
Funding sources represented by:					
Government grant	10,803	13,535	8,168	1,670	54
Contribution	6,518	7,548	3,198	3,358	2,793
Council Cash	37,352	51,983	34,466	38,254	37,217
Total capital works expenditure	54,673	73,066	45,832	43,282	40,064

Appendix C – Banyule’s Budgeted Cash Funding

	Budget 2025/26	2026/27	Projections 2027/28	2028/29
Opening Cash:				
Reserves	46,929	46,929	46,929	46,929
Operating Cash at Bank	40,224	25,155	21,623	14,580
Total opening cash balance	87,153	72,084	68,552	61,509
Budgeted Net Cash Generated from Operations	40,658	36,452	36,456	37,311
Total Available Cash for Debt Repayment & Capital Program	127,811	108,536	105,008	98,820
Budgeted Debt Repayments (Per Debt Strategy)	2,608	2,608	2,608	2,608
Lease Repayment	451	595	600	539
Current Capital Works (Per Four Year Plan)	73,066	45,832	43,282	40,064
Asset sales (Including sales of properties)	(20,398)	(9,051)	(2,987)	(3,047)
Total cash required	55,727	39,984	43,503	40,164
Projected closing cash balance	72,084	68,552	61,505	58,656
Optimal Closing Cash Balance	71,778	73,547	75,269	76,446
Cash Balance Surplus/ (deficit)	306	(4,995)	(13,764)	(17,790)

Appendix D – Collated Actions and Targets

Category	Action	Target	Page No. Reference
Rate revenue	Continue to annually review its Revenue and Rating Strategy to ensure it reflects Council's objectives of equity and efficiency to generate adequate funding for high quality services and Community infrastructure.	- Rate increases to be in line with Rate Cap. - Supplementary Valuation income to increase by 1% per annum through efficiencies of internal processes. - Waste rates maintained at cost recovery.	Page 7.
Fees & Charges	- Continue to annually review fees and charges considering costs to provide quality services including reference to market conditions where appropriate. - Develop a Pricing Policy that ensure Banyule is adequately setting Fees & Charges that achieve the outcomes required by Council.	Revenue from Fees & Charges to grow at a minimum of the annual Rate Cap or greater.	Page 8.
Grant Income	- Continue to monitor grant opportunities. - Advocate to both State and Federal Governments for funding of Council infrastructure projects. - Ensure scoping for grant funding is undertaken when considering funding of all community infrastructure projects.	Attract a minimum capital grant income of \$5.0m per annum.	Page 9.
Investment interest	Continue to invest short term surplus cash with financial institutions in line with Banyule's Investment Strategy and Policy.	Interest on cash investments to generate a return of CPI plus 1.5%.	Page 9.
Return on Property Investments	- Review Council's Investment Strategy - Continue to identify opportunities to acquire investment property that provides an alternative revenue source.	Return on property investments to generate a return of CPI plus 1.5%.	Page 10.
Developer Contribution Scheme (DCP)	Continue to manage the current DCP and will introduce a new DCP to fund future Infrastructure investment.	DCP contributions to grow in line with Rate Cap or greater.	Page 11.
Cash reserves	- Continue to focus on increasing net cash generated from operating activities to fund capital investment and debt redemption. - Utilise reserves for either statutory or intended allocation purposes to fund capital investment including major infrastructure and Strategic Property investment.	- Medium risk VAGO ratio for underlying result. - Net cash generated from operating activities to be \$35m or greater, with an increase to the target amount by \$1m or CPI (whichever is greater) per annum. - Cash Balance ratio (Liquidity) to remain at 1:1.5 or greater to cover budgeted short-term liabilities	Page 12.

Strategic Property Sales	Continue to explore opportunities to dispose of surplus council property as a viable alternate source of revenue. This may include a process where strategic property acquisition occurs with an intention of Council developing the property for sale in the short or medium term.	Banyule dispose of strategic property in line with assets identified as surplus to Council needs.	Page 14.
Strategic Property Acquisition	Continue actively identify investment opportunities through strategic property acquisition with funding available from the Strategic Property Reserve.	Banyule to maintain Property Investment Portfolio in line with Council Investment Strategy.	Page 14.
Borrowings	- Continue to repay current borrowings including identifying opportunities to pay down significant proportions of debt to further reduce its indebtedness. - Consider loan funding as part of a funding strategy for major capital works programs in line with approved Business Case.	Restrict debt financing to major community infrastructure investment.	Page 15.
Service reviews	Continue to conduct service reviews to ensure operations meet quality, cost and service standards in line with community expectations.	Conduct 3 service reviews per year in addition to responding to funded service changes	Page 16.
Continuous Improvement	Leverage the Continuous Improvement Program to deliver operational efficiencies.	Conduct 4 cross organisational process reviews and 12 Local Level reviews per annum.	Page 17.
Business Transformation	Maintain investment in the maintenance and renewal of existing systems and infrastructure and provide additional funding to new systems that provides operational efficiency and an enhanced customer experience.	Implement projects identified in the revised Business Transformation and Digital Investment Plan.	Page 18.
Collaborative Procurement	- Continue to actively participate in collaborative opportunities with Municipal Association Victoria (MAV), Procurement Australia (PA) and State Purchasing Contracts (SPC) in an effort to achieve greater value for money. - Continue to actively participate in collaborative opportunities with the Northern Council Alliance in an effort to achieve greater value for money.	Banyule to actively participate in a least one collaborative procurement opportunity per year with an aim to save 0.5% per annum on non-labour expenditure.	Page 18.