1 Proposed 2026/27 Budget

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PURPOSE OF REPORT

The report presents for consideration the proposed *2026/27 Budget.*

BACKGROUND

The *Local Government Act 2020* establishes Overarching Governance Principles (s 9) that must be given effect through the performance of a Council's role, with some having specific reference to the integrated strategic planning and reporting framework include:

- Priority to be given to achieving the best outcomes for the municipal community including future generations.
- Economic, social, and environmental sustainability (including climate change risk) is to be promoted.
- The community is to be engaged in strategic planning and strategic decision making.
- Innovation and continuous improvement are to be pursued.
- Collaboration with other Councils and statutory bodies is to be pursued.
- Ongoing financial viability of the Council is to be ensured.
- Regional, state, and national plans are to be taken into account.
- Transparency of decisions and actions is to be ensured.

Strategic planning principles (s 89) require councils to:

- Adopt an integrated approach to planning monitoring and performance reporting.
- Ensure strategic planning addresses the Community Vision.
- Consider the resources needed for effective implementation.
- Identify and address the risks to effective implementation.
- Provide for ongoing monitoring of progress and regular reviews to identify and address changing circumstances.

Financial management principles (s 101) require councils to:

- Manage finances in accordance with financial policies and strategic plans.
- Monitor and manage financial risks prudently.
- Provide stability and predictability in the financial impact of decisions.
- Explain the financial operations and financial position by keeping appropriate records.

Service performance principles (s 106) require councils to:

- Plan and deliver services according to the Service Performance Principles.

- Provide services in an equitable manner and be responsive to diverse needs.
- Ensure services are accessible to intended target groups.
- Establish quality and cost standards to provide good value.
- Continuously improve services in response to performance monitoring.
- Include fair and effective processes for considering and responding to complaints.

The Council must prepare and adopt a budget for each financial year and the subsequent three financial years.

It is to be a 'rolling' Budget with an outlook of at least four-years.
The Budget must:

- Give effect to the Council Plan.
- Contain financial statements in the form required by the regulations (and accounting standards).
- Provide a general description of services and initiatives to be funded.
- Identify major initiatives from the Council Plan that will be priorities for each financial year.
- For services funded in the budget, the prescribed indicators, and measures of service performance.
- Total rate income and information on differential or fixed components of rates.
- A statement on whether Council intends to apply for an increase or variation to the rate cap.

The four-year budget will outline how resources will be allocated across initiatives, programs, services, and capital works, as well as financing and debt redemption/servicing. It also provides a comprehensive outline of all income to be derived from rates, fees and charges, grants, and other revenue.

It should include both the 'ongoing' services and programs as well as the new strategies and initiatives flowing from the Council Plan.

The Council must prepare and adopt a revised budget if rates are to be varied or to undertake borrowing not previously approved or to make material changes that should be the subject of community engagement.

Financial and operational modelling feeding into the Budget should consider the long-term implications of decisions by Council. Council's strategic risk register should link to the Budget.

The Budget is required to be adopted by 30 June each year or, any other date fixed by the Minister.

DISCUSSION

Rate Capping

The Victorian Government's rate capping system establishes limits by which Victorian councils can increase rates in a year without seeking an exemption from the Minister for Local Government.

The Minister has set the maximum percentage increase in average rates for the 2026/27 financial year at 2.75 per cent. The Council has not applied for a rate cap exemption.

Rate Revenue

In the 2026/27 financial year, general rates and the Municipal Charge are forecast to raise $19.424 million, an increase of $625,712 (3.33 per cent).

It is recommended that the full 2.75 per cent rate cap be applied in 2026/27 to:

- Ensure the organisation's ongoing long-term financial sustainability.
- Guard against economic uncertainty, particularly regarding the cost of fuel and materials.
- Fund the services needed for growing municipality that requires new infrastructure, programs and services.

Waste Management Charges

In 2026/27, it is forecast that Waste Management charges will raise $5.043 million based on a five per cent increase in the Waste Management charge.

The five per cent increase is recommended to part fund the impact of increased fuel costs will have on waste kerbside collection costs.

Employee Costs

Employee costs are budgeted to increase from a forecast $14.219 million in 2025/26 to $15.228 million in 2026/27.

Materials and Services

Expenditure on materials and services will decrease from a forecast $18.183 million in 2025/26 to $17.139 million in 2026/27.

Cash Position

The Council's year-end cash position is detailed in the table below:

Year (30 June)	2027	2028	2029	2030
Cash and cash equivalents	$21.958m	$19.246m	$17.590m	$16.934m

As non-recurrent capital grants are expended, the cash balance decreases. To maintain adequate cash balances in coming years, expenditure will need to be decreased or recurrent income increased.

Borrowings

New borrowings of $1.3 million are budgeted for in 2026/27 to part-fund the capital works program. Year-end borrowings peak at $2.237 million as at 30 June 2027, but decrease to $1.186 million as at 30 June 2030 with $1.409 million of borrowings projected to be redeemed over the term of the budget.

Proposed 2026/27 Fees and Charges

Fees and Charges for 2026/27 have been reviewed in line with a proposed 2.75 per cent increase in-line with the rate cap. However, for practical purposes some fees have been rounded to the nearest dollar.

Proposed *Fees and Charges 2026/27* are included in the proposed 2026/27 Budget. Please note: Several legislated fees have not yet been finalised.

User fees are budgeted to raise $3.814 million of revenue in 2026/27.

2026/27 Budget Inclusions

New spending detailed in the table below has been included in the proposed 2026/27 Budget.

Initiative	Details	Amount
Asset Valuation Allocation	Ongoing valuation of Council assets to meet asset management and audit requirements.	$200,000
CBD Precinct Infrastructure master planning	Masterplan for an infrastructure upgrade to the CBD precinct.	$150,000
Occupational Health and Safety Coordinator	New position to oversee organisational OH&S.	$150,000
Benalla Planning Scheme Review	Benalla Planning Scheme review is a requirement under the *Planning and Environment Act 1987*.	$100,000
Facilities Maintenance Officer	Increase in allocation from 0.4 equivalent full-time to 0.6 EFT to perform additional tasks, such as, graffiti removal.	$11,000

Capital Works

As part of the annual budget preparation process, expenditure related to Council-owned and managed assets is detailed in the Capital Works Program, which is made up of Property; Plant and Equipment; and Infrastructure projects.

Projects are prioritised based on based on prudent asset management, funding opportunities and community need.

Capital works are classed as either:

Renewal

Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally, including replacement of an existing asset.

Upgrade

Expenditure which enhances an existing asset to provide a higher level of service or extends the life beyond that which it had originally.

Expansion

Expenditure which extends an existing asset or a new asset at the same standard currently enjoyed by users to a new group of users.

New

New works or acquisitions that create an asset that did not exist in any shape or form.

Capital works total $21.061 million in 2026/27. Key areas of expenditure are:

Buildings	$10.770 million
Roads	$4.594 million
Waste management	$2.050 million
Plant, machinery and equipment	$1.150 million
Drainage	$656,000.

Key projects are the completion of the Benalla Art Gallery Redevelopment ($8.210 million) and commencement of the new Benalla Multi-sports Centre ($2.5 million).

Budgeted roadworks include reseals $1.301 million, gravel re-sheeting $1.083 million and shoulder re-sheeting $305,000. The construction of a roundabout at the intersection of Mitchell and Mackellar streets, Benalla will also be completed in 2026/27 at a cost of $665,000.

New asset expenditure is $3.65 million, asset renewal $12.964 million and upgrade $4.447 million. Capital works are funded by grants $10.193 million, Council cash $9.568 million and Borrowings $1.3 million.

COUNCIL PLAN 2025-2029 IMPLICATIONS

Leadership

- Good governance
- High performance culture
- Engaged and informed community

COMMUNITY ENGAGEMENT

In accordance with the Council's *Community Engagement Policy*, it is proposed, that community engagement on the proposed *2026/27 Budget* be undertaken at the 'Involve' level under the International Association for Public Participation's IAP2 public participation spectrum as detailed in the table below:

Level of Public Participation	Promise to the community	Techniques to the used
Involve	Work with the community to ensure their concerns or aspirations are reflected in the alternatives developed. Feedback provided on how community input influenced the decision.	▪ Community input sought via 'the Hive' community engagement website prior to the development of the proposed budget. ▪ Public report presented to Council. ▪ Public notice in the *Benalla Ensign* and on the Council website. ▪ Proposed *2026/27 Budget* to be exhibited and feedback invited. ▪ Promotion of proposed *2026/27 Budget* via media, website and social media. ▪ Community information forum conducted – 5pm Tuesday 26 May 2026. ▪ Proposed *2026/27 Budget* made available in hardcopy for review at key locations. ▪ Proposed *2026/27 Budget* promoted and feedback sought at the Benalla Market Day on Saturday 23 May 2026.

LEGAL OR STATUTORY IMPLICATIONS

The proposed *2026/27 Budget* has been developed to ensure compliance with the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*.

GENDER EQUALITY ACT

Under the *Gender Equality Act 2020* the Council is required to undertake a gender impact assessment when developing or reviewing any policy, program or service that has a direct and significant impact on the public.

A gender equity assessment found the proposed *2026/27 Budget* as having an overall neutral gender impact.

FINANCIAL IMPLICATIONS

Costs associated with the development of the proposed *2026/27 Budget* have been met from existing budget allocations.

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any general or material conflicts of interest in this matter.

Recommendation:

1. **That the proposed *2026/27 Budget* be endorsed for public exhibition for a period of 22 days from 14 May 2026.**
2. **That submissions relating to the proposed *2026/27 Budget* be heard at an additional meeting of the Finance and Planning Committee on 10 June 2026.**
3. **That the Council consider submissions relating to the proposed *2026/27 Budget* at an additional meeting of the Finance and Planning Committee on 17 June 2026.**
4. **That the Council consider the adoption of the *2026/27 Budget* at a meeting of the Council on Wednesday 24 June 2026.**