



**WARATAH
WYNYARD**
COUNCIL

FINANCIAL MANAGEMENT STRATEGY

2026 - 2036

As presented to Council 16 February 2026

Contents

Executive Summary	2
Council's Operational Position	2
New Infrastructure Projects.....	3
Strategic Context	4
Linkages with the Strategic Plan	4
Legislative Requirements	5
Financial Principles	6
Key Financial Strategies & Targets	8
Rating Strategy.....	8
Investment Strategy.....	9
Borrowing Strategy	10
Asset Management Strategy.....	11
Key Outcomes	13
Financial Strategy Targets	13
Basis of Preparation Modelling	17
Key Influences and Risks	17
External Influences - items that Council cannot control.....	17
Internal Influences – items that Council can control	18
Modelling Methodology	19
Consumer Price Index (CPI).....	19
Council Cost Index (CCI)	19
Financial Modelling	21
Statement of Comprehensive Income	21
Recurrent Income	22
Recurrent Expenses.....	23
Statement of Cash Flows	27
Operating activities	28
Investing activities.....	29
Capital Works Expenditure and Asset Renewal Needs.....	30
Financing activities.....	30
Statement of Financial Position	31
Appendix - Table Assumptions	32

Executive Summary

The Waratah-Wynyard Council's Financial Management Strategy (FMS) is critical to Council's strategic planning process. It underpins Council's long-term financial sustainability while meeting the needs and expectations of our communities in delivering Council's strategic priorities.

Council is currently in a strong financial position with strong liquidity and cash flow, low debt levels, assets in good condition, and an ability to satisfactorily fund its asset renewal requirements. Council's operating position has also improved in recent years and is sustainable with its recurrent expenses able to be fully met by its recurrent revenue streams.

The document includes Council's Financial Management Strategies and Long-Term Financial Plan for the next 10-year period.

The FMS is pivotal in setting the high-level financial parameters that guide the development and refinement of Council's annual plan and budget estimates and generates information that assists decisions about the mix, timing and affordability of future capital and operational outlays.

This FMS achieves the following outcomes:

- A financially sustainable operating position in all years.
- A minimum cash target of \$5m at 30 June in all years.
- Forecast borrowings of \$6.2m in 2027-28 & 2028-29 to fund childcare upgrades and upgrades to stormwater infrastructure at Boat Harbour & Sisters Beach.
- A demonstrated strong financial position with Council being able to meet its financial obligations when the fall is due comfortably.
- Expected continuation of low rating per head of population, well below the state average and neighbouring urban centres.
- The Strategy allows for projects of up to \$101m over the next 10 years.

If Council follows the modelling parameters when setting its annual plan and budget, it will demonstrate a strong financial position and financial sustainability into the future.

Council's Operational Position

The Strategy achieves a financially sustainable operating position across all financial years and contains several strategies and assumptions to achieve this position.

Rates & Charges

Council must set appropriate levels of tax to cover the delivery of ongoing services and fulfill its roles and responsibilities. The Strategy recognises that incremental rate increases in line with inflation is critical to Council's ongoing financial sustainability.

Rates and Charges are not set at the time of adopting this Strategy. This is done at the time of setting the annual plan and budget estimates when actual costs are known with greater certainty.

Council, as a provider of infrastructure is impacted by movement in building and construction prices. The updated strategy highlights that while inflation is slowing, construction costs continue to be impacted from market forces outside Council's control. Higher construction costs places pressure on Council's recurrent budget to deliver existing services.

Council will need to carefully balance its services and costs and consider the current economic climate and capacity to pay in setting its capital expenditure program and setting its rates and

charges each year. Council may consider reviewing its service levels and/or seek to find efficiencies beyond those outlined in the Strategy to try and minimise any rate increases to the community.

Tas Water Dividends

Council's sustainable operating position is reliant on the continuation of Tas Water dividends (currently \$731k pa). This as a financial risk and it would be prudent for Council to transition to non-reliance on this revenue stream in the future.

New Infrastructure Projects

Capital expenditure on renewal of existing assets will continue to be prioritised in accordance with Council's Asset Management Policy.

Council has adopted a range of Master Plans and Strategies outlining future community aspirations for new and improved infrastructure that requires a capital investment of approximately \$101m over the next ten years.

The Strategy review has included an assessment of organisational capacity to deliver the works (from both employees and contractor availability) and has identified the need to better align the planned timing of projects in line with capacity.

In practice strategic projects are taking longer than one financial year with longer lead times for approvals, planning, design, community consultation, and contractor availability. Council has typically been budgeting for each strategic project in one financial year and carrying over funds for projects still in progress as at 30 June each year.

The Strategy includes a move to a 3 year rolling capital works budget for new infrastructure spending to better align annual budgets with actual project delivery. This will assist in managing expectations with the community on the timing of individual projects.

Strategic Context

Linkages with the Strategic Plan

Council's strategic planning framework guides Council in identifying community needs and aspirations over the long term (Our Vision), medium-term (Strategic Plan) and short term (Annual Plan and Budget Estimates) and is accountable and transparent through the Audited Financial Statements and Annual Report.

The Waratah-Wynyard Council 10 Year Corporate Strategic Plan embodies the aspirations of our community and is a shared vision that informs Council's actions over 10 years. It gives Council a solid foundation to create and deliver more detailed service and management strategies.



This Strategy is aligned with the following goal and priorities set out in the plan:

Goal 1: Waratah-Wynyard Council will deliver an openly transparent, inclusive, community-focussed governing body. We will pride ourselves on a strong sense of belonging and fairness based on trust, honesty and approachability.

Priorities:

- 1.5 Build our knowledge base to apply to decision making processes.
- 1.6 Maintain accountability by ensuring Council decisions are evidence based and meet all legislative obligations.
- 1.8 Review and adjust service levels to provide value for money.
- 1.9 Collaborate with, understand and satisfy our external customers' needs and values.

Legislative Requirements

The *Local Government (Miscellaneous Amendments) Act 2013* received Royal Assent on 19 November 2013 making it compulsory for Tasmanian Councils to maintain a long-term financial management plan and Strategy. The following sections set out the requirements under the Act: -

70. Long-term financial management plans

- (1) *A council is to prepare a long-term financial management plan for the municipal area.*
- (2) *A long-term financial management plan is to be in respect of at least a 10-year period.*
- (3) *A long-term financial management plan for a municipal area is to –*
 - (a) *be consistent with the strategic plan for the municipal area; and*
 - (b) *refer to the long-term strategic asset management plan for the municipal area; and*
 - (c) *contain at least the matters that are specified in an order made under section 70F as required to be included in a long-term financial management plan.*

70A. Financial management strategies

- (1) *A council is to prepare a financial management strategy for the municipal area.*
- (2) *A financial management strategy for a municipal area is to –*
 - (a) *be consistent with the strategic plan for the municipal area; and*
 - (b) *contain at least the matters that are specified in an order made under section 70F as required to be included in a financial management strategy.*

The Minister for Local Government issued a *Local Government (Contents of Plans and Strategies) Order 2014* under Section 70F of the Act outlining the minimum requirements of long-term financial management plans and strategies. This Strategy complies with the disclosure requirements of the Order.

Financial Principles

The following principles serve to guide Council in setting its financial management strategies.

Principle 1: The community's finances will be managed responsible to enhance the wellbeing of residents.

Council will ensure it only raises the revenue it needs and will do so in the most efficient and equitable manner possible. Council will manage community funds according to best practice standards and ensure information regarding its financial management decisions is accessible to the community. Council will ensure it only delivers those services that cannot be delivered more efficiently and effectively by other providers.

Principle 2: Council will maintain community wealth to ensure the wealth enjoyed by today's generation may also be enjoyed by tomorrow's generation.

Council will seek to achieve equity across generations by recognising that each generation must pay its way with respect to recurrent expenses being met from recurrent revenue (the full cost of the service it consumes.)

Principle 3: Council's financial position will be robust enough to recover from unanticipated events and absorb the volatility inherent in revenues and expenses.

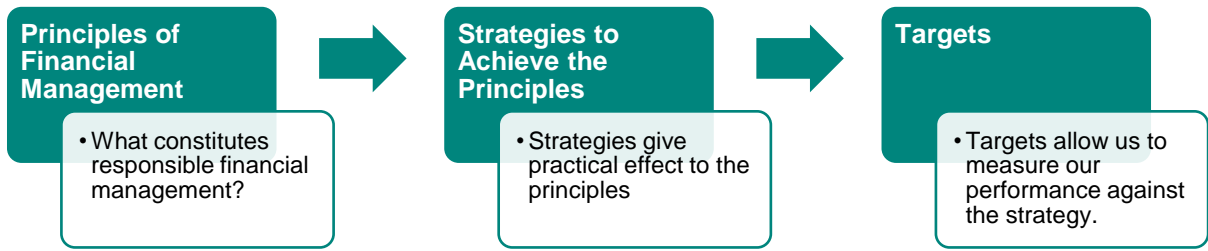
Council will ensure it accumulates and maintains enough financial resources and has the borrowing capacity to deal with volatility and unexpected events. Council's operational budget will be flexible enough to ensure volatility in revenues and expenses resulting from changing economic environment can be absorbed.

Principle 4: Resources will be allocated to those activities that generate community benefit.

Council will ensure robust and transparent processes are in place for the allocation and prioritisation of resources through budgetary decision-making, as well as choosing the most effective methods for delivering specific services and projects. Strategies will include a vigorous cost-benefit analysis in preparing and assessing proposals. Council recognises its service obligations to the Waratah Wynyard community in its decision-making.

The principles are given practical effect through strategies. The success of strategies is assessed through the setting and measuring of medium-term targets. The following diagram demonstrates the process.

If Council follow the principles contained within the FMS when setting its Annual Plan & Budget Estimates, the organisation will show strong financial sustainability into the future.



Key Financial Strategies & Targets

Rating Strategy

Council ensures it only raises the revenue it needs and does so in the most efficient and equitable manner possible. Council must balance its service levels with the needs and expectations of the community and set appropriate levels of tax to adequately fulfil its role and responsibilities.

The following factors influence the level of rates and charges:

- Distribution and level of Commonwealth and State funding
- Socio-economic profile of the area (capacity to pay)
- User-pays policies
- Level and range of services, including the level of regional responsibility
- Current economic environment

In determining its rates each year Council considers the current economic climate and capacity to pay for services and will always minimise any increase in rates and charges by managing costs where possible throughout the annual budget deliberation process.

The aim of rates and charges decisions-making is to spread the burden fairly across the community with those that have the greatest capacity to pay more than those with a lesser capacity to pay.

When considering how the rate burden will be distributed, Council must balance capacity to pay with the benefit principle acknowledging there are some groups of the community that have more access to and benefit from specific services.

More information regarding how Council determines Rates and Charges is contained in Council's Rates and Charges Policy (FIN.005).

	Financial Strategy	Target
Operating Margin	Council will seek to achieve equity across generations by ensuring that rates are set at a level that ensures each generation pays its way with respect to recurrent expenses being met from recurrent revenue (the full cost of the service it consumes.)	Operating Margin Ratio = Greater than 1.01

Investment Strategy

Cash reserves require careful management to achieve optimum investment income and to ensure cash is available when required.

Council will manage its finances holistically and in accordance with its Financial Management Strategy.

Council's Annual Plan and Budget Estimates will be used to provide direction on the term of investments to be placed, to ensure enough funds are on hand to meet all current liabilities. An assessment of Council's cash flow requirements up until the next investment maturity will be completed before new investments are purchased.

Council will ensure its investment portfolio maximises its return on investments while maintaining an acceptable level of risk and retaining flexibility in accessing funds.

Where current borrowing costs exceed the return otherwise able to be achieved on investment of funds, surplus funds may be applied to reduce the loan portfolio or to defer and-or reduce the level of new borrowings that would otherwise be required.

More information regarding how Council's decision-making regarding Investments is contained in Council's Investment Policy (FIN.004).

	Financial Strategy	Target
Current Ratio	Council will maintain liquidity to ensure that it can meet its financial obligations as and when they fall due. It will do so by ensuring its short-term assets held are greater than its short-term liabilities as at 30 June each year.	Current Ratio = Greater than 1.1
Cash Reserves	Council will ensure it retains enough cash in reserve to respond to volatility. Council will ensure it accumulates and maintains enough financial resources to deal with volatility and unexpected events.	Cash of at least \$5m as at 30 June each year.

Borrowing Strategy

Council is dependent on large investments in long term infrastructure assets to deliver its services.

Council manages the financing and funding of future wants and needs through forward financial planning included in its long-term Financial Management Strategy (updated annually).

In considering new debt Council will consider the impact of borrowing costs on the sustainability of operating positions and capacity to repay debt.

Council's operating and capital expenditure decisions are made based on:

- (a) Identified community need and benefit relative to other expenditure options;
- (b) Cost effectiveness of the proposed means of service delivery; and
- (c) Affordability of proposals having regard to Council's long-term financial sustainability.

Council will ensure it maintains sufficient borrowing capacity to ensure it can respond to significant unexpected events.

Council recognises that borrowings as an important funding source as it provides the opportunity to bring unfunded projects forward and ensures that the full cost of infrastructure is not borne entirely by present-day ratepayers.

Borrowings may be used as an effective mechanism of linking the payment for long term assets (i.e. debt repayments) to the populations who receive benefits over the life of the asset. This matching concept is frequently referred to as 'inter-generational equity'.

Council will aim to keep debt levels low at any point in time as its Annual Plan and Budget Estimates, Long Term Financial Plan and associated cash flow projections allow.

Surplus funds not immediately required to cover approved expenditure may be applied to reduce the loan portfolio where possible or to defer and-or reduce the level of new borrowings that would otherwise be required.

Council shall raise all external borrowings at the most competitive rates available.

More information regarding how Council manages its borrowings is contained in Council's Borrowing Policy (FIN.014).

Asset Management Strategy

A key objective of Council's Asset Management is to maintain Council's existing assets at desired condition levels. If funding is not sufficiently allocated to asset renewal, then Council's investment in those assets will reduce along with the capacity to deliver services to the community. Asset management involves the balancing of costs, opportunities, and risks against the desired performance of the asset to achieve organisational objectives.

Council's Strategic Asset Management Plan (adopted Feb 2026) outlines Council's approach to improve the way it delivers services from its infrastructure and shows how its asset portfolio will meet service delivery needs into the future. The Strategy shows how Council's asset management policies will be achieved and integrated into Council's long-term planning.

Council has moved to align the timing of the review of its Strategic Asset management Plan & Financial Management Strategy to ensure that data used to project renewal, upgrade and new capital works expenditure is aligned in both strategies. Both strategic documents will be presented to Council together in future years.

Council's Asset Management Policy ensures that adequate provision is made for the long-term replacement of major assets by:

- Ensuring Council's services and infrastructure are provided reliably, with the appropriate quality levels of service to residents, visitors and the environment.
- Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial treatment of those assets.
- Creating an environment where all Council employees will take an integral part in overall management of Council assets (creating an asset management awareness throughout Council.)
- Meeting legislative compliance for asset management.
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
- Demonstrating transparent and responsible asset management processes aligned with demonstrated best practice.

Council's Strategic Asset Management Plan outlines Council's approach to improve the way it delivers services from its infrastructure and show how its asset portfolio will meet service delivery needs into the future.

	Financial Strategy	Benchmark
Asset Renewals	Council will replace assets as they are wearing out and will fund its asset renewal program through cash provided from operating activities.	Asset Renewal Ratio = At Least 90%

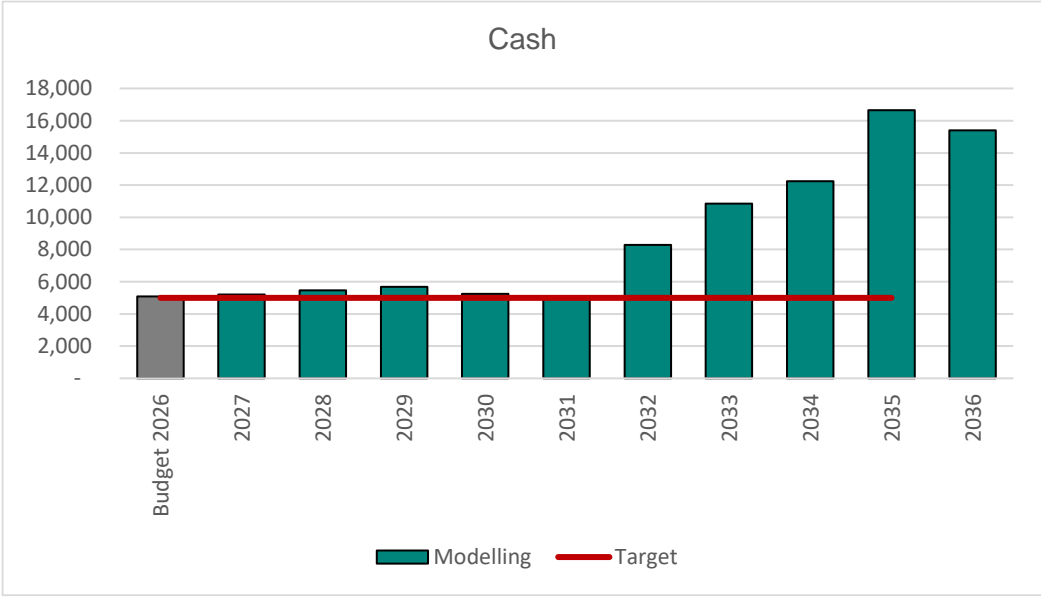
Key Outcomes

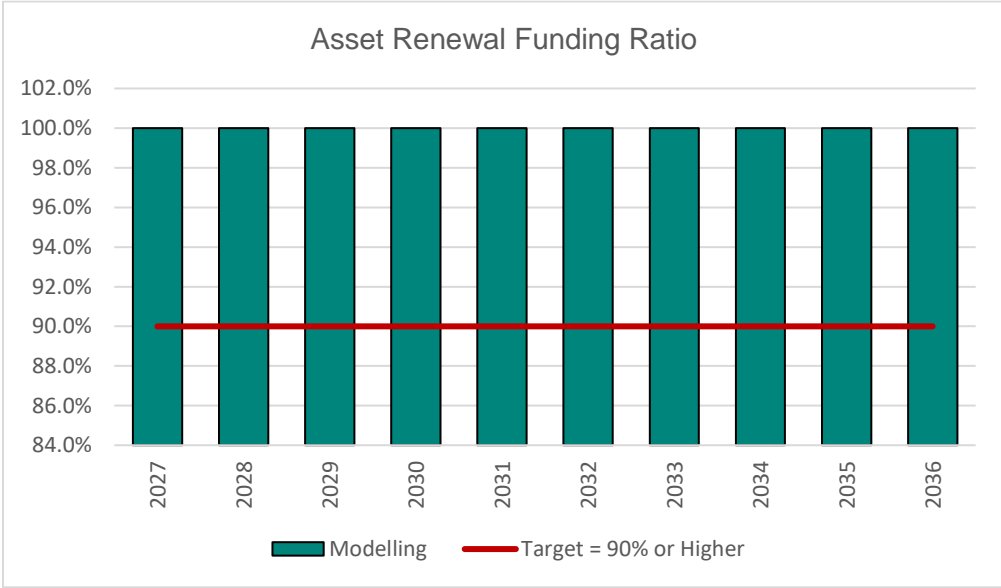
Financial Strategy Targets

The following table provides a summary of the key targets and whether or not the financial modelling achieves each of Councils identified targets. Explanatory notes on each of the targets are provided below.

Financial Strategy	Modelling Results	Target Achieved																								
<p>Operating Margin</p> <p>Council will seek to achieve equity across generations by ensuring that rates are set at a level that ensures each generation pays its way with respect to recurrent expenses being met from recurrent revenue (the full cost of the service it consumes).</p> <p><i>Target = 1.01 or Greater</i></p>	<p style="text-align: center;">Operating Ratio</p> <table border="1"> <caption>Operating Ratio Data</caption> <thead> <tr> <th>Year</th> <th>Modelling</th> </tr> </thead> <tbody> <tr><td>Budget 2026</td><td>1.018</td></tr> <tr><td>2027</td><td>1.021</td></tr> <tr><td>2028</td><td>1.025</td></tr> <tr><td>2029</td><td>1.020</td></tr> <tr><td>2030</td><td>1.024</td></tr> <tr><td>2031</td><td>1.035</td></tr> <tr><td>2032</td><td>1.040</td></tr> <tr><td>2033</td><td>1.041</td></tr> <tr><td>2034</td><td>1.042</td></tr> <tr><td>2035</td><td>1.047</td></tr> <tr><td>2036</td><td>1.048</td></tr> </tbody> </table> <p style="text-align: center;"> ■ Modelling — Target = 1.01 or Greater </p>	Year	Modelling	Budget 2026	1.018	2027	1.021	2028	1.025	2029	1.020	2030	1.024	2031	1.035	2032	1.040	2033	1.041	2034	1.042	2035	1.047	2036	1.048	<p>✓</p>
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<p>Current Ratio</p> <p>Council will maintain liquidity to ensure that it can meet its financial obligations as and when they fall due. It will do so by ensuring its short-term assets held are greater than its short-term liabilities as at 30 June each year.</p> <p><i>Target = Greater than 1.1</i></p>	<p style="text-align: center;">Current Ratio</p> <table border="1"> <caption>Current Ratio Data</caption> <thead> <tr> <th>Year</th> <th>Modelling</th> <th>Target</th> </tr> </thead> <tbody> <tr><td>Budget 2026</td><td>0.65</td><td>1.1</td></tr> <tr><td>2027</td><td>0.68</td><td>1.1</td></tr> <tr><td>2028</td><td>0.70</td><td>1.1</td></tr> <tr><td>2029</td><td>0.72</td><td>1.1</td></tr> <tr><td>2030</td><td>0.70</td><td>1.1</td></tr> <tr><td>2031</td><td>0.72</td><td>1.1</td></tr> <tr><td>2032</td><td>1.02</td><td>1.1</td></tr> <tr><td>2033</td><td>1.25</td><td>1.1</td></tr> <tr><td>2034</td><td>1.35</td><td>1.1</td></tr> <tr><td>2035</td><td>1.68</td><td>1.1</td></tr> <tr><td>2036</td><td>1.55</td><td>1.1</td></tr> </tbody> </table>	Year	Modelling	Target	Budget 2026	0.65	1.1	2027	0.68	1.1	2028	0.70	1.1	2029	0.72	1.1	2030	0.70	1.1	2031	0.72	1.1	2032	1.02	1.1	2033	1.25	1.1	2034	1.35	1.1	2035	1.68	1.1	2036	1.55	1.1	<p>Council will achieve its target current ratio of greater than 1.10 in 4 out of 10 years.</p>
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Financial Strategy	Modelling Results	Target Achieved																																				
<p>Minimum Cash</p> <p>Council will ensure it retains enough cash in reserve to respond to volatility.</p> <p>Council will ensure it accumulates and maintains enough financial resources to deal with volatility and unexpected events.</p> <p>Target = Cash of at least \$5m as at 30 June each year</p>	 <table border="1"> <caption>Cash Modelling Results</caption> <thead> <tr> <th>Year</th> <th>Modelling (Value)</th> <th>Target (Value)</th> </tr> </thead> <tbody> <tr> <td>Budget 2026</td> <td>5,000</td> <td>5,000</td> </tr> <tr> <td>2027</td> <td>5,000</td> <td>5,000</td> </tr> <tr> <td>2028</td> <td>5,500</td> <td>5,000</td> </tr> <tr> <td>2029</td> <td>5,800</td> <td>5,000</td> </tr> <tr> <td>2030</td> <td>5,200</td> <td>5,000</td> </tr> <tr> <td>2031</td> <td>5,000</td> <td>5,000</td> </tr> <tr> <td>2032</td> <td>8,200</td> <td>5,000</td> </tr> <tr> <td>2033</td> <td>10,800</td> <td>5,000</td> </tr> <tr> <td>2034</td> <td>12,200</td> <td>5,000</td> </tr> <tr> <td>2035</td> <td>16,800</td> <td>5,000</td> </tr> <tr> <td>2036</td> <td>15,500</td> <td>5,000</td> </tr> </tbody> </table>	Year	Modelling (Value)	Target (Value)	Budget 2026	5,000	5,000	2027	5,000	5,000	2028	5,500	5,000	2029	5,800	5,000	2030	5,200	5,000	2031	5,000	5,000	2032	8,200	5,000	2033	10,800	5,000	2034	12,200	5,000	2035	16,800	5,000	2036	15,500	5,000	<p style="text-align: center;">✓</p>
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<p>Asset Renewal Funding</p> <p>Council will fully fund its asset renewal program through cash provided from operating activities where possible.</p> <p>If Council does not maintain the capacity to fund future asset renewals, there could be debt consequences. It could result in increased maintenance costs and or a reduction in service levels.</p> <p><i>Target = At Least 90%</i></p>	 <p>The chart displays the Asset Renewal Funding Ratio from 2027 to 2036. The y-axis ranges from 84.0% to 102.0% in 2.0% increments. The x-axis lists years from 2027 to 2036. Teal bars represent 'Modelling' results, which are consistently at 100.0%. A red horizontal line represents the 'Target = 90% or Higher'.</p> <table border="1"> <caption>Asset Renewal Funding Ratio Data</caption> <thead> <tr> <th>Year</th> <th>Modelling (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr><td>2027</td><td>100.0</td><td>90.0</td></tr> <tr><td>2028</td><td>100.0</td><td>90.0</td></tr> <tr><td>2029</td><td>100.0</td><td>90.0</td></tr> <tr><td>2030</td><td>100.0</td><td>90.0</td></tr> <tr><td>2031</td><td>100.0</td><td>90.0</td></tr> <tr><td>2032</td><td>100.0</td><td>90.0</td></tr> <tr><td>2033</td><td>100.0</td><td>90.0</td></tr> <tr><td>2034</td><td>100.0</td><td>90.0</td></tr> <tr><td>2035</td><td>100.0</td><td>90.0</td></tr> <tr><td>2036</td><td>100.0</td><td>90.0</td></tr> </tbody> </table>	Year	Modelling (%)	Target (%)	2027	100.0	90.0	2028	100.0	90.0	2029	100.0	90.0	2030	100.0	90.0	2031	100.0	90.0	2032	100.0	90.0	2033	100.0	90.0	2034	100.0	90.0	2035	100.0	90.0	2036	100.0	90.0	<p style="text-align: center;">✓</p>
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Basis of Preparation Modelling

The financial statements included in the FMS portray the projected long-term financial position and performance of the Council over the next ten years in the form the following statements:

Comprehensive Income Statement

The projected Comprehensive Income Statement shows the expected operating result over the next 10-year period reflecting Councils known recurrent income and recurrent expenditure.

Statement of Cash Flows

The projected cash flow statement shows the expected net cash inflows and outflows over the next 10-year period.

Statement of Financial Position

The projected statement of financial position shows the expected net current asset, net non-current asset and net asset positions over the next 10-year period.

The statements are prepared on current knowledge and will no doubt be affected by various events that will occur in future years. It is important that the long-term financial projections in this Strategy be revisited and updated on an annual basis.

The model is a guiding document to be used during the budget deliberation process. If the general thrust of the document is followed Council will maintain strong financial sustainability.

Key Influences and Risks

There are a number of risks inherent in the long-term financial modelling. It is important that the Strategy be updated on an annual basis to monitor Councils performance against the Strategy and to understand changes in the operating environment that might impact on financial sustainability.

The risk of not considering the principles, strategies, and targets of this Strategy when setting the Annual Plan and Budget Estimates may result in the deterioration of the organisation's financial sustainability.

If Council is unable to find the operational improvements identified in the Strategy, it may be required to increase rates and charges or, alternatively, delay the timing of planned new capital works.

External Influences - items that Council cannot control

Material risks that may impact Council's sustainability and/or impact the ability to deliver planned capital works are changes in contract prices for materials and contracts, shortages of critical raw materials such as timber and steel, and labour shortages for specialist staff. Other external influences that may change and impact on Council's Strategy include:

1. Unforeseen economic changes or circumstances such as:
 - a) interest rates fluctuations;
 - b) localised economic growth – residential development & new business;
 - c) Consumer Price Index (All Groups Hobart);
 - d) Council Cost Index (CCI); and

- e) changes if specific programs such as Federal Assistance Grants.
- 2. Unforeseen political changes or circumstances such as:
 - a) cost of natural resources such as fuel and water;
 - b) a change in the level of legislative compliance; and
 - c) cost-shifting from other levels of government.
- 3. Variable Climatic Conditions such as:
 - a) storm events;
 - b) flooding;
 - c) bushfire; and
 - d) drought.
- 4. Community needs and expectations.
- 5. Dividends paid by Tas Water.

Internal Influences – items that Council can control

This section sets out the key estimates' influences arising from the internal environment within which the Council operates.

- 1. agreed service level review outcomes;
- 2. infrastructure asset management;
- 3. requests to Council to support climate change adaption for private property and assets;
- 4. depreciation (valuations can be considered an external influence);
- 5. rate increases and other financial influences;
- 6. performance management;
- 7. efficiencies in service delivery and administrative support; and
- 8. salaries and wages.

Modelling Methodology

Following each statement are descriptions of the assumptions specifically applied to produce the long-term estimates. Broad percentages have not been applied universally in the modelling. Budgeted results for the year ended 30 June 2026 have been used as the base point for the long-term modelling.

Consumer Price Index (CPI)

Price indexes published by the Australian Bureau of Statistics (ABS) provide summary measures of the movements in various categories of prices over time. They are published primarily for use in Government economic analysis.

The CPI reflects the general movement in costs in terms of groceries and other consumables. Where a Consumer Price Index (CPI) has been used in calculations, it has been based on the average increase over the last five years as per the below table.

Consumer Price Index (CPI) All Groups Hobart	
Jun 2020 to Jun 2021	3.60%
Jun 2021 to Jun 2022	6.50%
Jun 2022 to Jun 2023	5.50%
Jun 2023 to Jun 2024	2.70%
Jun 2024 to Jun 2025	1.70%
5 Year Average	4.00%

Source: Australian Bureau of Statistics

Council Cost Index (CCI)

While CPI is a useful guide to understand shifts in the price of consumables such as groceries and organisational costs, it does not tell the whole story around a Council's costs.

The Local Government Association Tasmania calculate a Council Cost Index (CCI) each year. The CCI enables councils to consider the specific nature and costs of their services they provide and is affected by factors such as the costs of construction for roads and bridges.

It applies to the many of the activities Council undertake across the municipal area: from community services to general construction of roads, bridges, parks and community facilities, and ongoing maintenance.

The Council Cost Index (CCI) differs from the CPI in that it provides an indication of how council expenditure might change over a period even though what Council is spending money on has not changed.

The CCI is based on ABS data. The CCI formula comprises wage price index (WPI) (60%), road and bridge construction index (20%) and the consumer price index (CPI) for Hobart (20%).

Council Cost Index (CCI)	
March 2021	0.95%
March 2022	4.06%
March 2023	8.11%
March 2024	3.74%
March 2025	3.13%
5 Year Average	4.00%

Source: Local Government Association of Tasmania

Financial Modelling

Statement of Comprehensive Income

The Comprehensive Income Statement has been prepared by setting percentage increases for the various classes of expenditure and income and then reviewing each general ledger account for areas where a variance to this pattern is likely to occur.

	Budget 2026 \$	Strategic Projections									
		2027 \$	2028 \$	2029 \$	2030 \$	2031 \$	2032 \$	2033 \$	2034 \$	2035 \$	2036 \$
Recurrent Income											
Rates & Charges	15,806	16,629	17,461	18,388	19,306	20,345	21,292	22,274	23,280	24,325	25,409
User Charges	3,728	3,877	4,032	4,193	4,361	4,536	4,717	4,906	5,102	5,306	5,518
Reimbursements-Contributions	965	1,004	1,044	1,085	1,129	1,174	1,221	1,270	1,321	1,373	1,428
Grants	4,676	5,197	5,405	5,621	5,846	6,080	6,323	6,576	6,839	7,112	7,397
Interest	598	325	345	365	385	405	405	405	405	405	405
Distributions from Water Corporation	731	843	843	843	843	843	843	843	843	843	843
	26,504	27,875	29,129	30,496	31,870	33,382	34,801	36,273	37,789	39,365	41,001
Recurrent Expenses											
Employee Costs	10,896	11,386	11,899	12,434	12,807	13,191	13,587	13,995	14,415	14,847	15,292
Materials & Contracts	7,178	7,458	7,696	7,914	8,190	8,441	8,791	9,226	9,735	10,195	10,647
Depreciation	6,280	6,571	6,906	7,263	7,738	8,213	8,620	9,118	9,561	9,974	10,555
State Levies	864	899	935	972	1,011	1,051	1,093	1,137	1,182	1,230	1,279
Borrowing Costs	37	158	140	418	435	390	343	298	251	201	148
Remissions & Discounts	414	435	456	479	503	528	555	582	612	642	674
Gain/(Loss) on Disposal	27	45	45	45	45	45	45	45	45	45	45
Other Expenses	333	346	360	375	390	405	421	438	456	474	493
	26,029	27,297	28,437	29,900	31,119	32,265	33,455	34,839	36,257	37,607	39,134
Underlying Surplus/(Deficit)	475	577	693	596	751	1,118	1,346	1,434	1,532	1,757	1,867
Capital Income											
Capital Grants	8,231	8,677	3,521	1,556	13,531	13,123	2,190	4,447	3,504	1,973	6,042
	8,231	8,677	3,521	1,556	13,531	13,123	2,190	4,447	3,504	1,973	6,042
Comprehensive result	8,706	9,254	4,214	2,152	14,282	14,241	3,536	5,881	5,036	3,730	7,909
Operating Margin Ratio	1.02	1.02	1.02	1.02	1.02	1.03	1.04	1.04	1.04	1.05	1.05

Recurrent Income

Rates and Charges

Rates & Charges are an important source of revenue for Council expected to represent some 60% of revenue estimated to be received by Council in 2025-26.

Council must balance its service levels with the needs and expectations of the community and set appropriate levels of tax to adequately fulfil its roles and responsibilities. Rates must be set in the context of a council's Strategic Plan, reflecting community needs and decisions about the level of services.

It is necessary to balance the importance of rate revenue as a funding source and increase rates in line with rising costs to be financially sustainable. The FMS recognises that the price of delivering services to the community over time will increase. This is the case even where the level of service provided remains unchanged.

It has been assumed that the price of rates and charges will increase in line the 5-year average Local Government Council Cost Index (CCI) as at March 2025.

Fire levies are set by the State government and are outside the control of Council. It has been assumed that levies will increase in line with the 5-year average Council Cost Index (CCI) It should be noted however that in recent years the increase to the community has been higher.

An allowance has been made for supplementary rates and charges in line with the recent trend over the past 5 years.

User Charges

User charges relate to the recovery of service delivery costs through the charging of fees to users of Council's services. Some charges are levied in accordance with legislative requirements. They include childcare fees, building fees, planning fees, animal registrations, and the hire of public halls and sporting grounds.

It has been assumed that fees and charges will increase in line with the 5-year average Consumer Price Index (all Groups) Hobart.

Reimbursements-contributions

It has been assumed that reimbursements will increase in line with the 5-year average Consumer Price Index (all Groups) Hobart.

Grants

The main source of recurrent grant revenue is from the State Grants Commission in the form of Financial Assistance Grants (FAG). Significant changes are only likely to occur where there is a change in population. It has been assumed that the population will remain constant, and the current base funding will continue.

It has been assumed that Grants including FAGs will increase in line with the 5-year average Consumer Price Index (all Groups) Hobart.

Interest

Interest on investments has been calculated based on the estimated average level of investments held during the year. It has been estimated that 60% of rates revenue will be paid in full by the end of August. A rate of 4.0% has been used to which is consistent with Council's return on its investment portfolio.

Dividends from Water Corporation

Council owns a 2.78% equity interest in the Tasmanian Water & Sewerage Corporation (TasWater).

TasWater Dividend's have been included in the FMS based on the company's Corporate Plan. The plan indicates that dividends will increase in the 2025-26 to 2027-28 financial years to an annual sum of \$30m. Council's share of dividends will increase from \$674k in 2024-25 to \$843k in 2027-28. It has been assumed that TasWater dividends will stay at \$843k for the remainder of the ten-year period.

It is worth noting that the level of distribution is outside the control of Council and there is some risk that dividends will not be paid in line with the entity's Corporate Plan.

Council's sustainable operating position is reliant on the continuation of Tas Water dividends (currently \$731k pa). This as a financial risk and it would be prudent for Council to transition to non-reliance on this revenue stream in the future.

Recurrent Expenses

Employee Costs

At the time of publication Council is in negotiations for its next Enterprise Bargaining Agreement and there for does not have certainty on the level of expected salary and wage increase in the short term. Increases in future years have been based on the expected increase for future enterprise agreements. A period of heightened wage increases have been factored into modelling in the short to medium term.

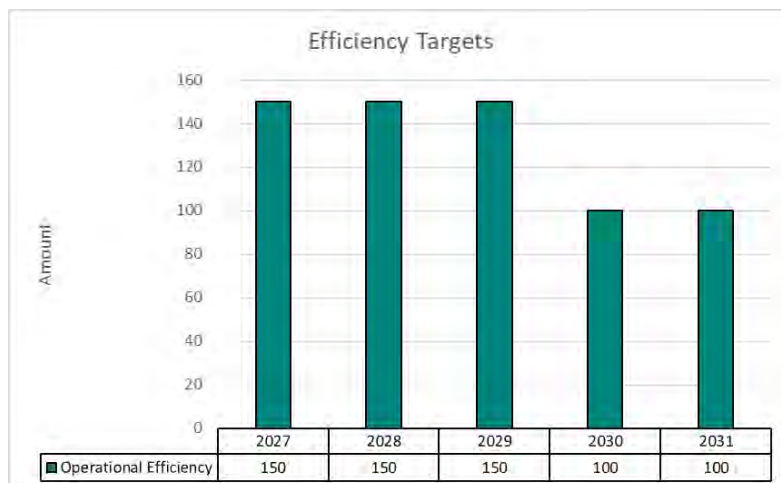
Materials and Contracts

It has been assumed that materials and contracts will increase in line with the 5-year average Consumer Price Index (all Groups) Hobart.

New infrastructure spending has a recurrent budgetary impact which must be planned for and managed at the time of committing to the expenditure. Modelling allows for the 2025/26 capital program plus new planned expenditure of up to \$101m over the next ten years is expected to have an operational budgetary impact of \$1.967m.

Council’s Strategy for managing this additional expense is to find operational improvements as the expenditure is committed to in any given budget year, Council will need to continue to review its operational position in future years to ensure that additional operational expenditure from new capital works can be afforded and can be partly offset by operational improvements.

Council has set operational efficiency targets shown in the graph below, totalling \$650k over five years. These efficiencies can be a combination of new and increased revenue streams or reductions in operational expenditure. Council management have put in place a structured monitoring process to ensure that operational efficiencies are identified and delivered in line with the FMS modelling.



Depreciation and amortisation

Depreciation is an accounting measure that attempts to allocate the value of an asset over its useful life. It is the financial representation of the annual increase in the value of or consumption of the service inherent in Council's assets. Annual depreciation, therefore, is an estimate of funds that will need to be spent at some time in the future to renew Councils existing assets.

The modelling allows for additional operational costs, including depreciation for projects expected to be completed over ten-year period of the modelling.

The factors affecting the 'consumption' of an asset are:

- the quality of the original asset;
- the wear and tear to which the asset is subjected;
- the environment in which the asset is operated or constructed;
- the maintenance provided to the asset;
- technical obsolescence; and
- commercial obsolescence.

State Levies

State levies include levies paid to the state government for land tax and fire levies. It has been assumed that state levies will increase by CPI each year.

Borrowing Costs

Borrowing Costs relate to interest charged by financial institutions on funds borrowed. The level of borrowings and the level of interest rates influence borrowing costs.

Costs have been allowed in line with the terms and conditions for existing loans. The Strategy includes \$6.2m of new borrowing in 2027-28 & 2028-29 to fund childcare centre upgrades and upgrades to stormwater systems at Boat Harbour & Sisters Beach.

Remissions and Discounts

The remissions and discounts relate to the early payment discount granted to ratepayers paying rates prior to the specified discount date.

The broad assumption in remissions and discounts is that the level of remissions and discounts will be consistent with 2025-26, and the cost will increase in line with any increases in rates and charges each year.

Other Expenses

Other expenses include elected member expenses, audit costs and operational grant expenditure. It has been assumed that other expenses will increase by CPI each year.

Statement of Cash Flows

The projected cash flow statement shows the expected net cash inflows and outflows over the next 10-year period in the form of reconciliation between opening and closing balances of total cash and investments for the year.

	Strategic Projections									
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities										
Employee Costs	(11,320)	(11,830)	(12,364)	(12,735)	(13,117)	(13,510)	(13,916)	(14,333)	(14,763)	(15,206)
Materials & Contracts	(7,248)	(7,477)	(7,687)	(7,954)	(8,195)	(8,535)	(8,960)	(9,459)	(9,907)	(10,348)
State levies	(899)	(935)	(972)	(1,011)	(1,051)	(1,093)	(1,137)	(1,182)	(1,230)	(1,279)
Borrowing Costs	(158)	(140)	(418)	(435)	(390)	(343)	(298)	(251)	(201)	(148)
Remissions & Discounts	(435)	(456)	(479)	(503)	(528)	(555)	(582)	(612)	(642)	(674)
Other expenses	(364)	(378)	(393)	(409)	(425)	(442)	(460)	(478)	(498)	(517)
Rates & Charges	16,590	17,420	18,346	19,262	20,299	21,245	22,224	23,228	24,271	25,354
User Charges	3,877	4,032	4,193	4,361	4,536	4,717	4,906	5,102	5,306	5,518
Interest	325	345	365	385	405	405	405	405	405	405
Reimbursements-Contributions	1,004	1,044	1,085	1,129	1,174	1,221	1,270	1,321	1,373	1,428
Grants	5,197	5,405	5,621	5,846	6,080	6,323	6,576	6,839	7,112	7,397
Net Cash provided by (used in) operating activities	6,570	7,029	7,298	7,936	8,787	9,432	10,027	10,579	11,227	11,929
Cash flows from investing activities										
Payments for property, plant and equipment	(14,948)	(15,400)	(9,128)	(21,290)	(21,427)	(8,450)	(11,911)	(12,645)	(8,689)	(19,077)
Distributions from Water Corporation	843	843	843	843	843	843	843	843	843	843
Proceeds from sale of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Capital grants	8,677	3,521	1,556	13,531	13,123	2,190	4,447	3,504	1,973	6,042
Net cash provided by (used in) investing activities	(5,428)	(11,036)	(6,729)	(6,916)	(7,461)	(5,417)	(6,621)	(8,298)	(5,873)	(12,192)
Cash flows from financing activities										
Loan drawdowns	-	5,200	1,000	-	-	-	-	-	-	-
Overdraft Repayment	(500)	(500)	(500)	(500)	(500)	-	-	-	-	-
Loan repayments	(507)	(435)	(851)	(968)	(1,012)	(792)	(837)	(885)	(935)	(987)
Net cash provided by financing activities	(1,007)	4,265	(351)	(1,468)	(1,512)	(792)	(837)	(885)	(935)	(987)
Net (Decrease) in cash held	135	258	218	(448)	(186)	3,223	2,569	1,396	4,419	(1,250)
Cash at beginning of year	5,076	5,211	5,470	5,688	5,240	5,054	8,277	10,846	12,242	16,662
Cash at end of year	5,211	5,470	5,688	5,240	5,054	8,277	10,846	12,242	16,662	15,412

Operating activities

Cash generated from operating activities refers to 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. Council predominantly uses the funds generated from operating activities to fund its capital works program. It has been assumed that debt collection will remain constant over the 10-year period, with receivables and payables increasing in line with CPI.

The net cash flows provided by operating activities do not equal the operating result for the year due to the expected revenues and expenses, including non-cash items which have been excluded from the Statement of Cash Flows. The following table is a reconciliation of cash provided from operating activities to the operating surplus/(deficit) for the year per the Comprehensive Income Statement:

Reconciliation of Cash to Comprehensive Income Statement	Strategic Projections									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Comprehensive result	9,254	4,214	2,152	14,282	14,241	3,536	5,881	5,036	3,730	7,909
<i>Items not involving Cash</i>										
Depreciation	6,571	6,906	7,263	7,738	8,213	8,620	9,118	9,561	9,974	10,555
<i>Change in operating assets & liabilities</i>										
Receivables	(39)	(41)	(42)	(44)	(46)	(48)	(49)	(51)	(53)	(56)
Inventories	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)
Other	(17)	(18)	(19)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Payables	214	223	232	241	251	261	271	282	293	305
Provisions	58	60	62	64	66	68	70	72	74	76
Non Current provisions	8	8	8	9	9	9	9	10	10	10
<i>Investing activities</i>										
Gain/(Loss) on Disposal	45	45	45	45	45	45	45	45	45	45
Capital grants	(8,677)	(3,521)	(1,556)	(13,531)	(13,123)	(2,190)	(4,447)	(3,504)	(1,973)	(6,042)
Distributions from water corporation	(843)	(843)	(843)	(843)	(843)	(843)	(843)	(843)	(843)	(843)
Net Cash provided by (used in) operating activities	6,570	7,029	7,298	7,936	8,787	9,432	10,027	10,579	11,227	11,929

Investing activities

Refers to cash generated or used in the enhancement or creation of infrastructure assets and other assets. These activities also include capital grants and proceeds from the sale of property, infrastructure, plant and equipment.

Council, in the first instance, will plan for the renewal of its existing infrastructure to maintain current service levels.

Capital expenditure decisions are made based on:

- identified community need and benefit relative to other expenditure options;
- cost-effectiveness of the proposed means of service delivery; and
- affordability of proposals having regard to Council's long-term financial sustainability (operational impact of expenditures).

Council has adopted a range of Master Plans and Strategies outlining future community aspirations for new and improved infrastructure that requires a capital investment of approximately \$101m over the next ten years.

The Strategy review has included an assessment of organisational capacity to deliver the works (from both employees and contractor availability) and has identified the need to better align the planned timing of projects in line with capacity.

In practice strategic projects are taking longer than one financial year with longer lead times for approvals, planning, design, community consultation, and contractor availability. Council has typically been budgeting for each strategic project in one financial year and carrying over funds for projects still in progress as at 30 June each year.

The Strategy aims to better align annual budgets with actual project delivery. This will assist in managing expectations with the community on the timing of individual projects.

Several assumptions have been made about the funding mix for Council's capital works program over the life of the Strategy. A combination of grant funding, borrowings, and Council's cash reserves that will be required to fund new capital works.

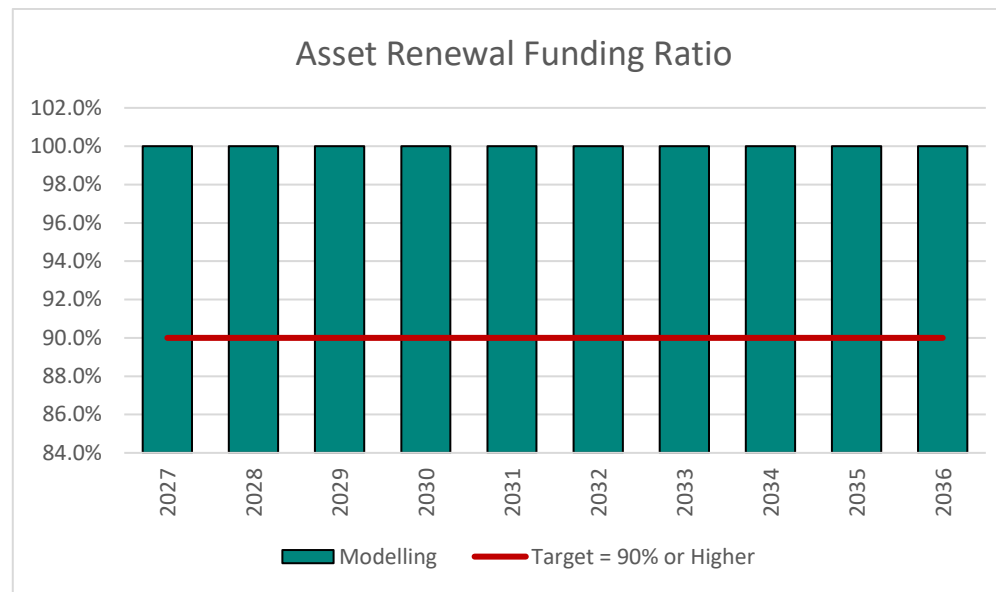
\$6.2m of borrowings have been forecast to be drawn down in the 2027-28 & 2028-29 financial years to fund childcare upgrades and stormwater infrastructure upgrades. Grant funding opportunities will be actively pursued as an essential funding source for Council to deliver on the above projects in future years.

The FMS will be updated on an annual basis to account for changes to Councils operating environment and guide Council decision making.

Capital Works Expenditure and Asset Renewal Needs

Renewal expenditure is expenditure on an existing asset which reinstates the existing service potential or the life of an asset up to that which it had originally. It may reduce future operating and maintenance expenditure if completed at the optimum time. Asset upgrades are carried out to address deficiencies in current service levels or to meet new standards or statutory requirements. Expenditure on new assets in most cases will result in future costs for operation, maintenance and capital renewal expenditure.

The funds available for capital expenditure over the next ten years will cover Council's asset renewal needs. Asset renewals will be a challenge in the short term but can be met on average over time.



Financing activities

Refers to cash generated or used in the financing of Council functions and include borrowings and repayment of borrowings and any associated costs.

The Strategy includes up to \$6.2m of new borrowing in the 2027-28 & 2028-29 years to fund childcare upgrades and essential stormwater infrastructure upgrades identified in Council’s Stormwater Asset Management Plan.

Statement of Financial Position

The projected statement of financial position shows the expected net current asset, net non-current asset and net asset positions over the next 10-year period.

	Budget 2026	Strategic Projections									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets											
Cash and cash equivalents	5,076	5,211	5,470	5,688	5,240	5,054	8,277	10,846	12,242	16,662	15,412
Receivables	977	1,016	1,057	1,099	1,143	1,189	1,236	1,285	1,337	1,390	1,446
Inventories	108	112	117	121	126	131	137	142	148	154	160
Other	431	448	466	485	504	524	545	567	590	613	638
	6,592	6,788	7,109	7,393	7,013	6,898	10,195	12,841	14,317	18,819	17,656
Non-current assets											
Property, plant and equipment	372,934	396,184	420,480	439,119	470,191	502,168	522,040	545,670	570,536	592,027	624,186
Investment in water corporation	48,787	48,787	48,787	48,787	48,787	48,787	48,787	48,787	48,787	48,787	48,787
	421,721	444,971	469,267	487,906	518,978	550,955	570,827	594,457	619,323	640,814	672,973
Total Assets	428,313	451,759	476,376	495,299	525,991	557,853	581,022	607,298	633,640	659,634	690,629
Current liabilities											
Payables	5,360	5,574	5,797	6,029	6,270	6,521	6,782	7,053	7,336	7,629	7,934
Financial liabilities	507	435	851	968	1,012	792	837	885	935	987	736
Overdraft	2,500	2,000	1,500	1,000	500	-	-	-	-	-	-
Provisions	1,976	2,034	2,095	2,157	2,221	2,286	2,354	2,424	2,495	2,569	2,645
	10,343	10,044	10,243	10,154	10,003	9,600	9,973	10,362	10,766	11,185	11,315
Non-current liabilities											
Financial liabilities	3,142	2,707	7,056	7,088	6,076	5,284	4,447	3,562	2,627	1,640	904
Provisions	268	276	284	293	301	310	319	329	338	348	359
	3,410	2,983	7,340	7,381	6,377	5,594	4,766	3,891	2,965	1,988	1,263
Total Liabilities	13,753	13,027	17,583	17,534	16,380	15,194	14,739	14,253	13,731	13,174	12,578
Net Assets	414,560	438,732	458,793	477,764	509,611	542,660	566,283	593,045	619,908	646,460	678,050
Equity											
Accumulated surplus	187,003	196,257	200,471	202,624	216,906	231,146	234,683	240,564	245,600	249,330	257,240
Reserves	227,557	242,474	258,322	275,141	292,706	311,513	331,600	352,482	374,308	397,130	420,811
Total Equity	414,560	438,732	458,793	477,764	509,611	542,660	566,283	593,045	619,908	646,460	678,050
Current ratio	0.6	0.68	0.69	0.73	0.70	0.72	1.02	1.24	1.33	1.68	1.56

Appendix - Table Assumptions

The following tables provides a summary of all assumptions used in determining Councils recurrent income and expenditures in the financial modelling.

Assumptions		Strategic Projections									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recurrent Income											
Rates & Charges	Council Cost Index 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
User Charges	CPI 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Reimbursements-Contributions	CPI 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Grants	CPI 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest	Long Term Weighted Average Interest Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Distributions from Water Corporation	As per Taswater Corporate Plan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Recurrent Expenses											
Employee Costs	Enterprise Agreement	4.50%	4.50%	4.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Materials & Contracts	CPI 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Depreciation	As per schedule										
State levies	CPI 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Borrowing Costs	As per loan schedules										
Remissions & Discounts	Council Cost Index 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Gain/(Loss) on Disposal	Nominal Allowance										
Other expenses	CPI 5 Year Average	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%