

COMMUNITY FINANCIAL REPORT

This community financial report presents Council's financial performance and financial position in an informative and understandable way to enable easy evaluation by members of the community. Graphs are widely used for visual presentation of data and key financial statistics and ratios that can be useful indicators of Council's performance are included.

Council's annual budget comprises of two elements, the annual Operating Budget and the Capital Budget.

The annual operating budget takes into consideration the needs of the community and ensures that Council has adequate revenue to provide for those levels of service. Council maintains and manages infrastructure assets that are largely unique to the public sector, including the community's water, sewerage and waste infrastructure assets, a network of roads, bridges, drainage and marine assets, footpaths, parks, foreshores, camping grounds, sportsgrounds, showgrounds and community halls. It operates library and visitor information centres across the region, provides planning services and supports community, sport and cultural programs. Council provides for these extensive and diverse range of services primarily by utilising revenue from rates and grants. The 2022/2023 budget delivers an operating deficit of \$965k.

The capital budget provides for investment in community infrastructure to service the region with a 10 year long term forecast designed to accommodate the needs of the community into the future. Community assets cover categories such as land, buildings, plant and equipment, road, water, sewerage and waste infrastructure. Continuing to invest in community assets, the 2022/2023 budget delivers a capital works program of \$34.8M.

In framing the budget, Council has focused on continuing to achieve efficiencies and reduce operating costs, whilst maintaining a level of service that meets community expectations. This has been achieved by including asset rationalisation targets, reviewing the way in which Council insures its assets, reflecting the advanced receipt of finance assistance grant from 2021/2022 financial year and reducing the number of operational initiatives in the 2022/2023 financial year.

Taking these factors into consideration Council has determined a minimal increase to the level of rating with a 0% general rate increase, however, additional revenue will be raised through a 5% reduction in the discount for the 2022/2023 financial year. In addition, Council has also established a Not Principal Place of Residence group structured the same as the residential categories. The base rate in the dollar for this group will be 5% higher than the residential rate in the dollar and minimum general rates.

Annual Budget 2022/2023 At A Glance	
	\$'000
Operating Revenue	\$89,109
Operating Expense	\$90,074
Operating Position	(\$965)
Capital Income	\$10,708
Capital Expenses	(\$0)
Net Result	\$10,708
Total Assets	\$1,285,917
Total Liabilities	\$35,849
Net Community Assets	\$1,250,068
Total Capital Works Expenditure	\$34,779

BACKGROUND

This community financial report provides an analysis of the Council's financial performance and position for the 2022/2023 financial year. This report has been designed utilising graphs and tables to provide a general overview.

The Budget Financial Statements have five key elements:

1. **Statement of Comprehensive Income** (Profit and Loss): measures how Council performed in relation to income and expenditure from operations to give a net result. Included is a range of capital revenue (grants and contributions) and expenses that recognise the movement in the value of provisions and asset valuations disclosed in the statement of financial position.
2. **Statement of Financial Position** (Balance Sheet): is a snapshot of what we own (our assets) and what we owe (our liabilities) as at the end of the financial year, with the difference (our equity) reflecting our net worth.
3. **Statement of Changes in Equity**: summarises changes in our net worth during the year including showing the movements in our retained earnings, reserves and asset revaluation surplus.
4. **Statement of Cash Flows**: shows cash movements that have occurred during the financial year. The closing balance reflects how much cash Council had at the end of the financial year.
5. **Financial Sustainability Ratios**: provide an indication of our relative sustainability based on the current year's performance and best estimates around future operational activities. The three sustainability indicators have been set up by the Department of Local Government, Racing and Multicultural Affairs to help monitor the long-term sustainability of all Councils across Queensland.

BUDGET ASSUMPTIONS AND PRINCIPLES

Under the requirements of the *Local Government Regulation 2012*, Council's budget must be prepared on an accrual basis and include financial statements for the year for which it was prepared and the next two financial years.

The results of this budget are linked to the Corporate Plan which provides the strategic direction for Council and the Operational Plan which outlines key objectives and deliverables for Council for the upcoming year. The budget forms the basis of Council's Long Term Financial Forecast and is aligned with Council's Asset Management Plans and Capital Works Program.

Council is committed to delivering realistic operating budgets and a capital works program that is deliverable and not only maintains existing assets but have a significant focus on renewals. Council aims to deliver on these long-term objectives with rate rises at or around CPI.

During 2022/2023, Council will continue to drive costs down by ensuring that the organisation is operating efficiently and effectively throughout the financial year.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income is a summary of revenue (income) recognised during the year, offset against expenses from the cost of our operations. Council is budgeting a moderate operating deficit (recurrent revenue less recurrent expenses) of \$965k.



OPERATING POSITION

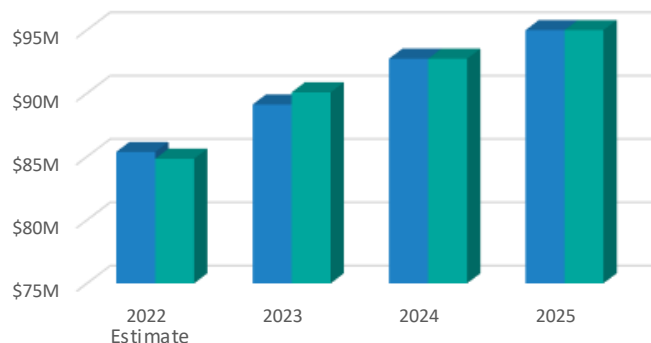
Council's operating position reflects the organisation's ability to meet its everyday running costs from operating revenue. The operating position is calculated by taking total operating expenses from total operating revenue and does not include revenue or expenditure amounts for capital projects. The result is either a surplus or a deficit.

Council has budgeted an operating deficit of \$965k for the 2022/2023 financial year and a balanced operating result for the years 2023/2024 and 2024/2025 respectively.

A strong focus on efficiency and financial diligence has enabled Council to continue to deliver existing services along with new initiatives whilst also keeping this year's 0% general rates increase.

FINANCIAL SUMMARY - OPERATING

Financial Year	Operating Revenue \$'000	Operating Expenses \$'000
2022	\$85,368	\$84,837
2023	\$89,109	\$90,074
2024	\$92,725	\$92,725
2025	\$94,982	\$94,982

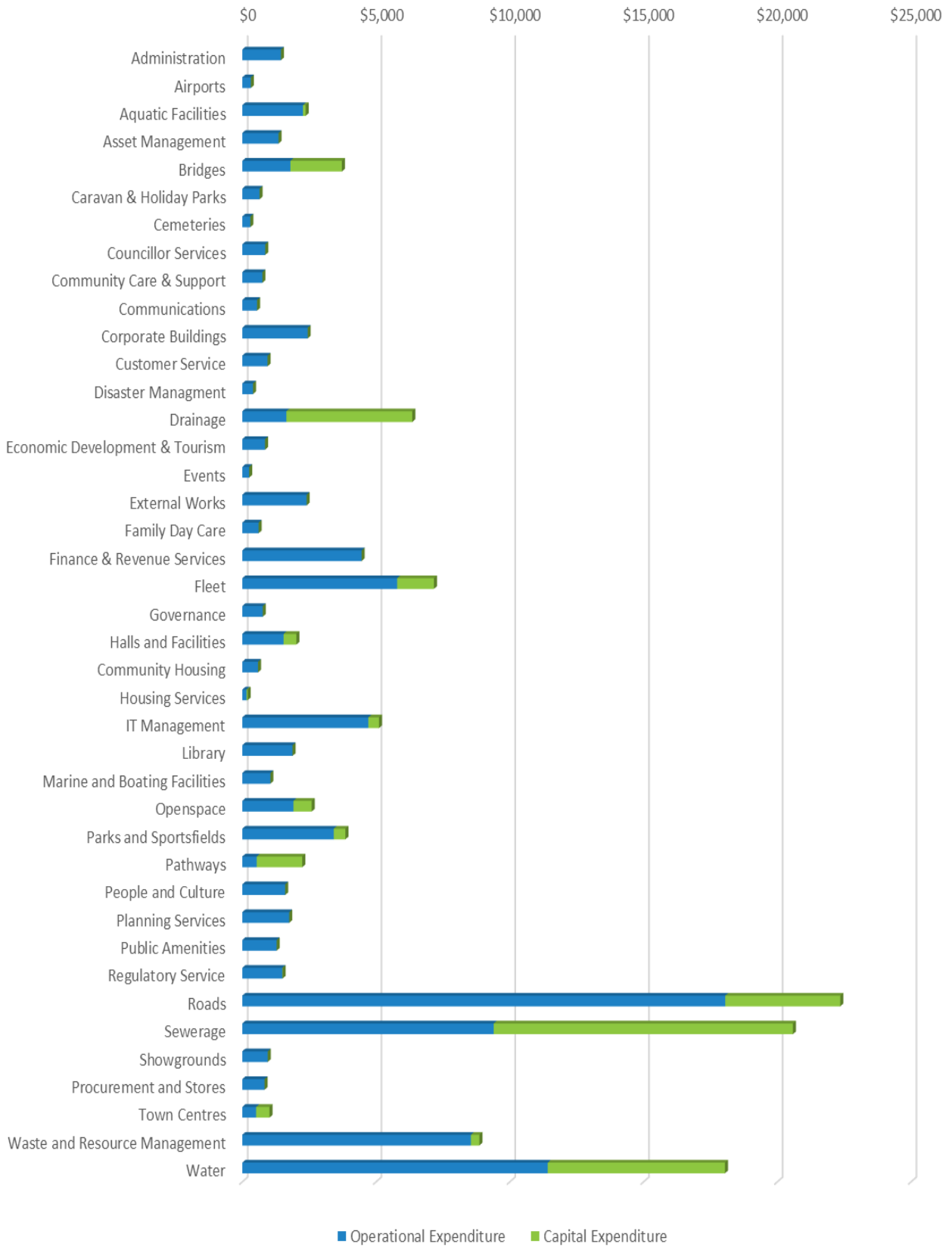


Operating activities do not include income or costs associated with construction, rehabilitation or renewal of community infrastructure. These elements are reflected in the Statement of Financial Position as additional assets owned by the community.

Implicit in Council's revenue assumptions is a minimal population growth rate of 0.60%, a 0% general rate increase and additional revenue will be raised through a 5% reduction of discount in 2022/23 and then close to CPI in future years. Utility revenue has increased by 3.91% in 2022/23. The majority of Fees and charges have increased on average by 2.5%. Expenditure assumptions align mainly to CPI in future years.

Council provides a range of services to the community. The total budgeted expenditure for 2022/2023 can be broken down into the following service types as displayed on the graph on the following page:

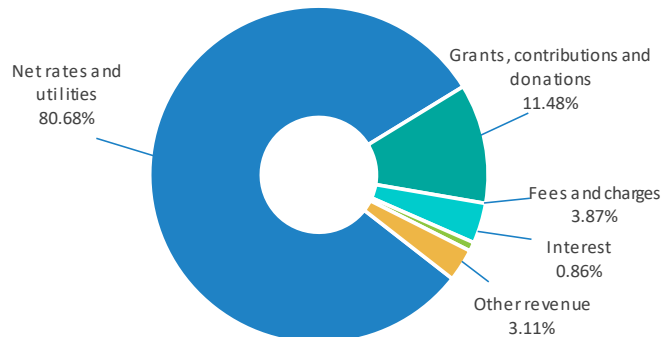
Service Level Expenditure 2022/2023 (\$'000)



OPERATING REVENUE

OPERATING REVENUE CATEGORIES 2022/23

Category	Budget \$'000
Net rates and utilities	\$71,896
Grants, contributions and donations	\$10,227
Fees and charges	\$3,448
Interest	\$770
Other revenue	\$2,768
Total Operating Revenue	\$89,109

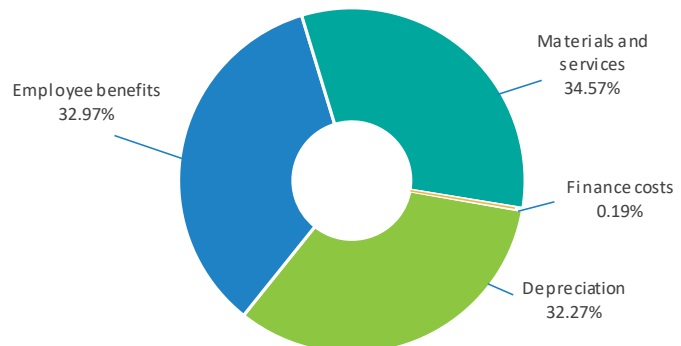


Rates and utility charges continue to be the major source of income for Council. Council endeavours to maximise revenue from sources other than rates by actively pursuing grants and subsidies from State and Federal Government, engaging in a range of external works projects and ensuring returns from assets and investment are adequate.

OPERATING EXPENSE

OPERATING EXPENSES CATEGORIES 2022/23

Category	Budget \$'000
Employee benefits	\$29,696
Materials and services	\$31,138
Depreciation	\$29,067
Finance costs	\$173
Total Operating Expenses	\$90,074



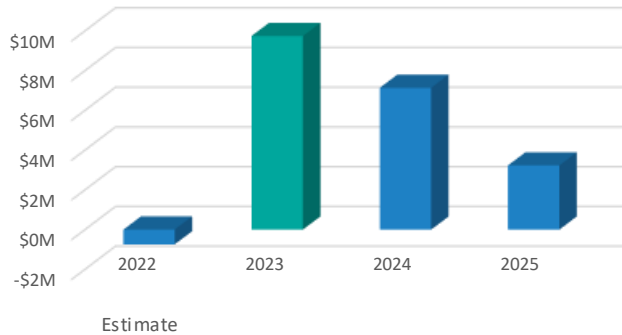
Materials and services together with employee benefits comprise 67.5% of Council's forecast total operating expenditure. Council is one of the region's largest employers and engages in business with a range of local suppliers and contractors to spending in the local economy.

Depreciation is another major component of Council's operating expense. It represents the estimated reduction in the value of an asset as it is used to provide a service to the community. It provides a guide as to what Council should spend on asset renewals and it is a component of the Asset Sustainability Ratio. As such, Council's ability to reduce this figure is limited, however Asset Management Plans are in place with asset rationalisation possibilities being considered further in 2022/2023.

NET RESULT

FINANCIAL SUMMARY - NET RESULT

Financial Year	Net Result \$'000
2022	-\$744
2023	\$9,743
2024	\$7,135
2025	\$3,230



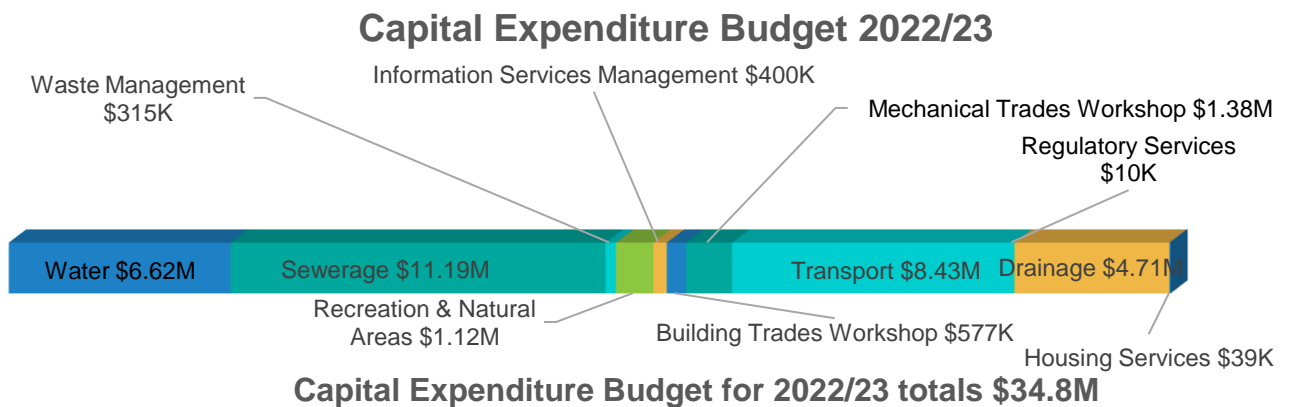
Council's projected net result reflects total revenue less total expenses including capital revenue.



CAPITAL WORKS PROGRAM

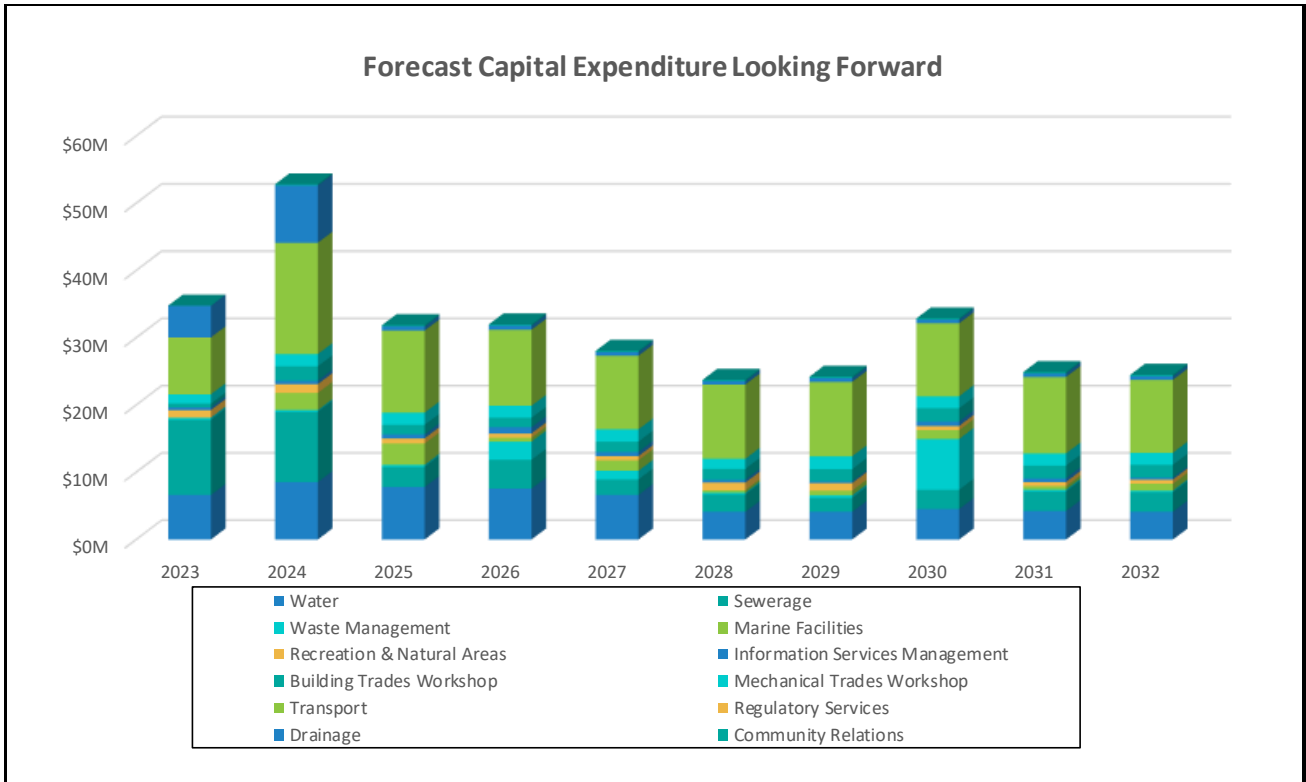
Council manages a very diverse range of infrastructure assets with a gross value in excess of \$1.79B. These assets cover land, buildings, plant and equipment and a network of road, bridge, marine, drainage, waste, water and sewerage assets. Council is responsible for the construction, upgrade and renewal of these assets through its capital works program. This is achieved by utilising a combination of revenue and capital contributions and grants.

Council's capital works program for 2022/2023 totals \$34.8M. Council will use a combination of Council-sourced funding and capital grants to fund this program. The following graph provides a breakdown of the proposed capital works for the 202/2023 financial year by asset class.



10 YEAR CAPITAL EXPENDITURE FORECAST

The 2022/2023 budget includes the adoption of a 10 year forecasted capital works program. This represents an investment of \$310M in community infrastructure assets, establishing a platform for regional growth and providing a sustained boost to local economic activity. The ten year capital program takes into account projected regional growth, better utilisation of assets, as well as the ageing of the assets and the need to renew.

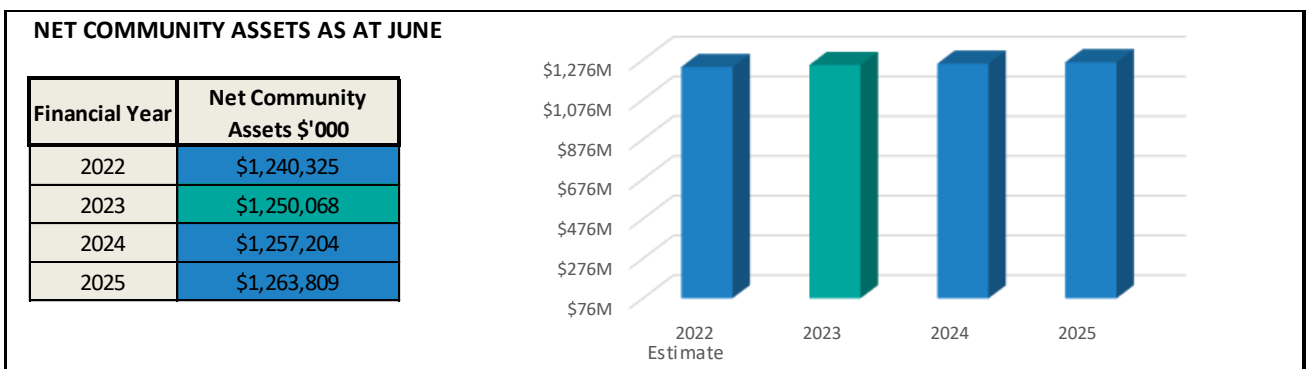


STATEMENT OF FINANCIAL POSITION

The statement of financial position is a snapshot of Council assets less liabilities. It presents what we own (assets) and what we owe (liabilities), with net community assets of Council being represented by the difference.

The budgeted result is a \$1.25B value of net community assets that is managed by Council on behalf of the ratepayers and residents of the region.

Net community assets is projected to increase over the next ten years, driven by Council’s capital works program.

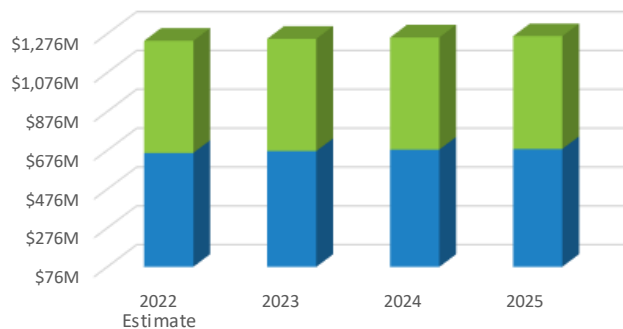


STATEMENT OF CHANGES IN EQUITY

The statement of Changes in Equity explains the change in the net wealth of Council during the financial year. Equity includes retained earnings from previous years, and any movement in asset values arising from annual revaluations of asset classes. As at the 30 June 2023, Council will have an estimated retained surplus of \$672.4M and an estimated Asset Revaluation surplus of \$577.6M.

EQUITY AS AT JUNE

Financial Year	Retained Surplus \$'000	Asset Revaluation Reserve \$'000
2022	\$662,692	\$577,633
2023	\$672,435	\$577,633
2024	\$679,570	\$577,633
2025	\$682,800	\$581,009



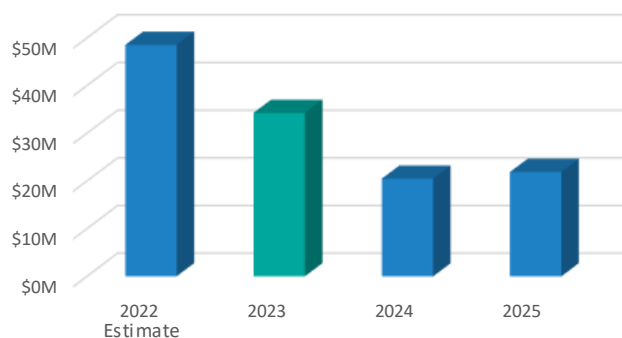
STATEMENT OF CASH FLOWS

This statement identifies where actual cash was received and how that cash was spent throughout the financial year. Expenditure could be from normal operating activities, investment in community infrastructure, or the receipt or payment of loans. The final balance shows the total cash at the end of the financial year budgeted in 2022/2023 to be \$34.3M. The total cash is budgeted to decrease by \$14.3M in the 2022/2023 year due to 2021/2022 carry over of capital works programs.

A large portion of the cash balance is restricted for future capital investment into community infrastructure. Council invests surplus funds throughout the year in low risk, short term investments in accordance with Council's investment policy and regulatory guidelines.

CLOSING CASH BALANCE HELD AS AT JUNE

Financial Year	Cash Balance \$'000
2022	\$48,553
2023	\$34,279
2024	\$20,485
2025	\$21,889

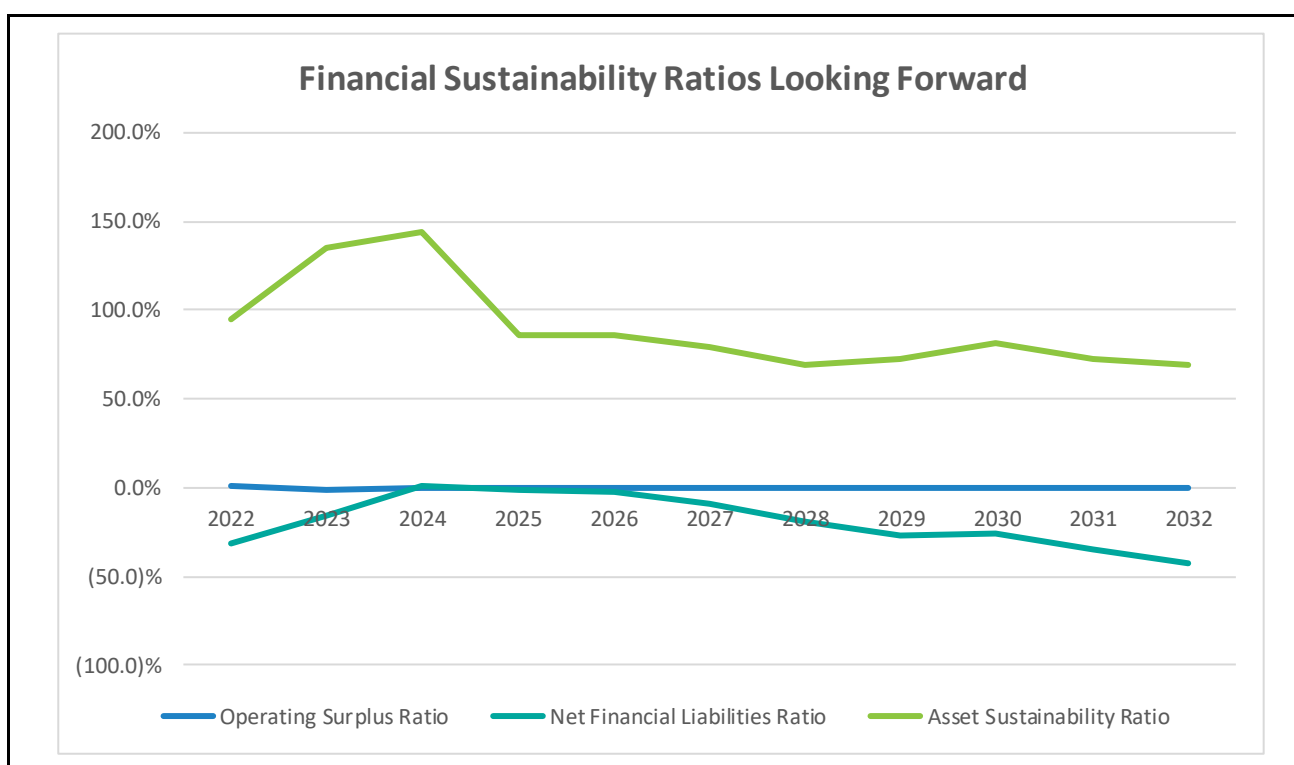


FINANCIAL SUSTAINABILITY RATIOS

During any period, whether it be growth, steady or decline, responsible financial management is crucial for Council to ensure it is financially sustainable for the short, medium and long term. There are three measures of financial sustainability used to demonstrate that Council is operating in a prudent financial manner whilst maintaining its financial management objectives.

The target range for the financial ratio graphs are in accordance with the Department of Local Government, Community Recovery and Resilience Financial management (Sustainability) Guidelines 2013. There are circumstances specific to Council where actual results may vary from target range.

Financial Ratios	Target Range
Operating Surplus Ratio	Between 0 and 10%
Net Financial Liabilities Ratio	Not greater than 60%
Asset Sustainability Ratio	Greater than 90%



The Operating Surplus Ratio for Council of 0% indicates that Council has budgeted to achieve a balanced operating result with recurrent operating revenue equal to recurrent operating expenses. Council is committed to achieving a positive operating surplus ratio into the future to ensure long-term financial sustainability. This strengthens our financial position, placing less reliance on borrowings with reduced debt levels and associated interest expense.

The Net Financial Liabilities Ratio is an indicator of the extent to which our liabilities can be serviced by our operating revenues. A ratio of less than zero (negative) indicates that the current assets (cash and receivables) exceed total liabilities (payables and provisions). This trend indicates that Council remains in a strong financial position and has the capacity to increase its loan borrowings if required in the future.

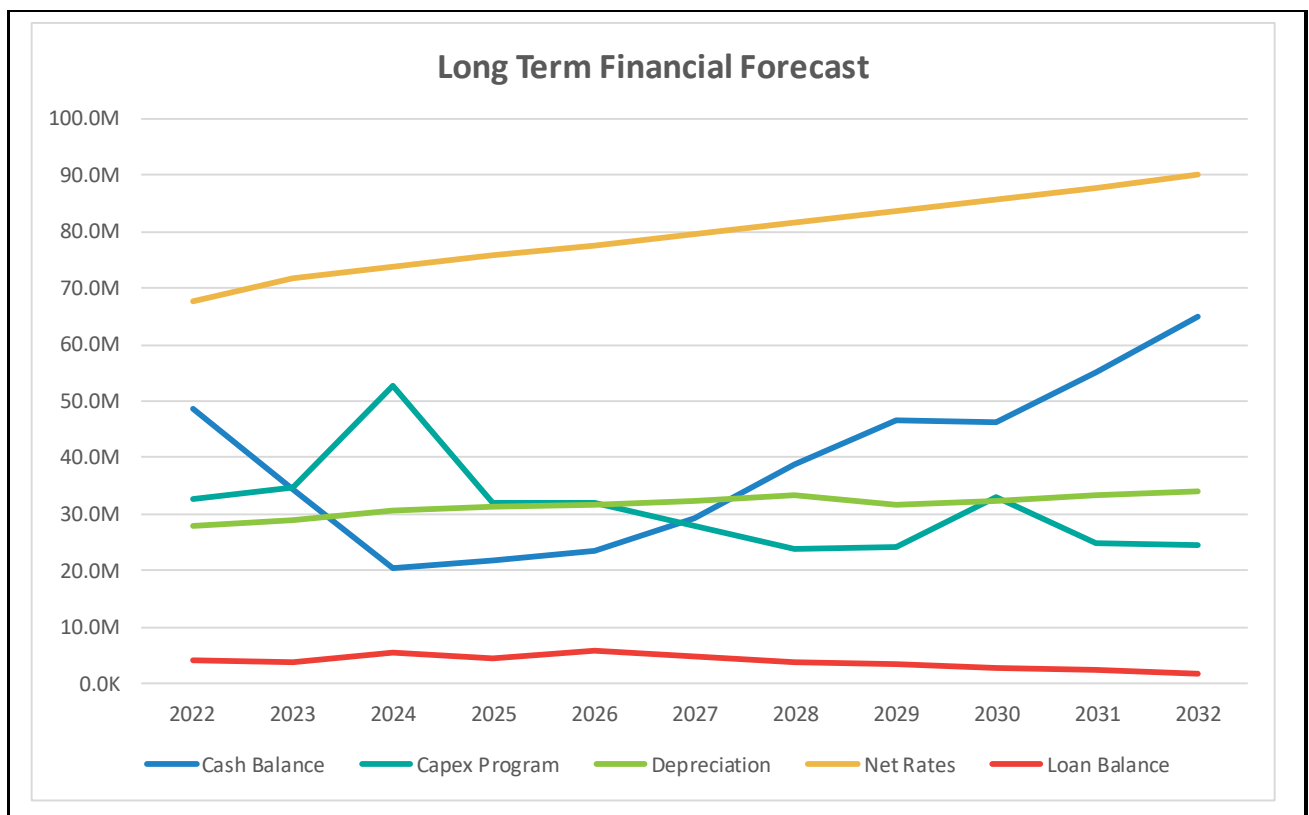
The Asset Sustainability Ratio is an approximation of the extent to which the property, plant and community infrastructure is being managed by Council and being replaced or renewed as it reaches the end of its useful lives. The ratio uses actual expenditure on the renewal and rehabilitation of assets as a percentage of the annual depreciation expense (which measures the rate at which assets are being used each year). This ratio indicates whether Council is renewing or replacing existing non-financial assets at the same rate that it is wearing out. Natural disaster relief and recovery activities can have a significant impact on this ratio.

LONG TERM FINANCIAL FORECAST

Council has developed, and maintains, a robust long term financial forecast in order to ensure Council continues to be sustainable in the long term. The forecast covers a period of 10 years and contains forecasts for operational and capital revenue and expenditure, asset, liabilities and equity. The long term financial forecast is key to the strategic direction of Council and is consistent with Council’s Corporate Plan and Asset Management Plans.

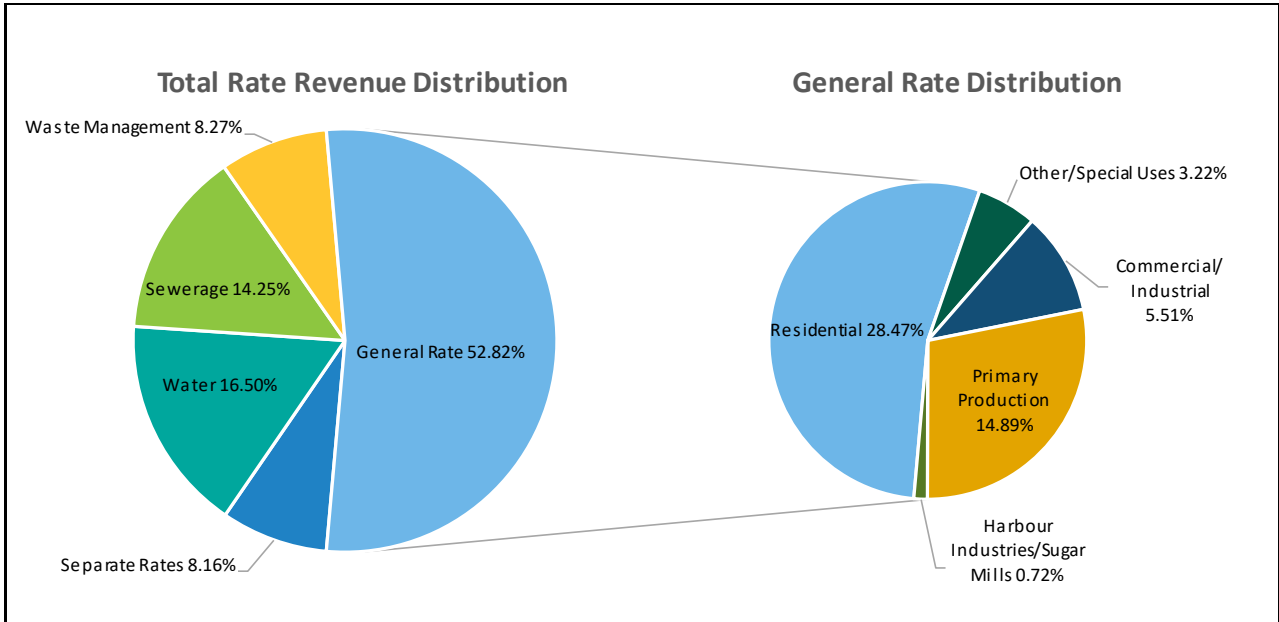
Council’s 2022/2023 long term financial plan continues to indicate that Council will remain sustainable and has the ability to maintain outstanding levels of services, continued investment in infrastructure with an annual capital works program averaging \$31M per annum while maintaining an average rates rise within CPI expectations over the 10 year period.

Key outputs from the long term financial forecast as outlined below and are underpinned by reasonable annual increases in rates.



RATES REVENUE

Rates revenue continues to be the major source of income for Council at a budgeted 81% of total operational revenue for 2022/2023. This revenue is derived from various categories as detailed below:



The following table breaks down the forecast rate increases for general rates implicit in the long term forecast. Council is targeting rate rises at or around CPI over the long term. It is important to note that whilst the general rates increase is 0% for this budget, the discount offered where payment of the full amount outstanding by the due date will be decreased to 5% (previously 10%).

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Growth	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
CPI	5.10%	3.70%	3.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
General Rates	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

