Financial Strategy

2023-2033

Contents

Document Version Control

Version	Date	Change Description	Author
1.0	12 September 2016	Roll forward from previous year, update with recent developments and propose new risks or opportunities. Align layout to financial statements.	Matthew O'Connor
1.1	12 June 2017	Incorporate final 2017-18 budget and forecast ten-year CAPEX and revised operating assumptions.	Matthew O'Connor
1.2	May 2018	Insert scope. Incorporate final 2018-19 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh of risks, opportunities and key performance indicators.	Rukmie Lutherus/ Deborah Corbett-Hall
1.3	May 2019	Incorporate final 2019-20 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh risks, opportunities, and key performance indicators.	Michael Wilson
1.4	June 2020	Incorporate final 2020-21 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh risks, opportunities and key performance indicators.	Michael Wilson
1.5	June 2021	Incorporate final 2021-22 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh risks, opportunities and key performance indicators.	Michael Wilson
1.6	June 2022	Incorporate final 2022-23 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh risks, opportunities and key performance indicators.	Michael Wilson
1.7	June 2023	Incorporate final 2023-24 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh risks, opportunities and the inclusion of the Financial Sustainability Measures from the draft Financial Management (Sustainability) Guideline.	Michael Wilson

1. Executive Summary, Overview and Scope

1.1 Executive Summary

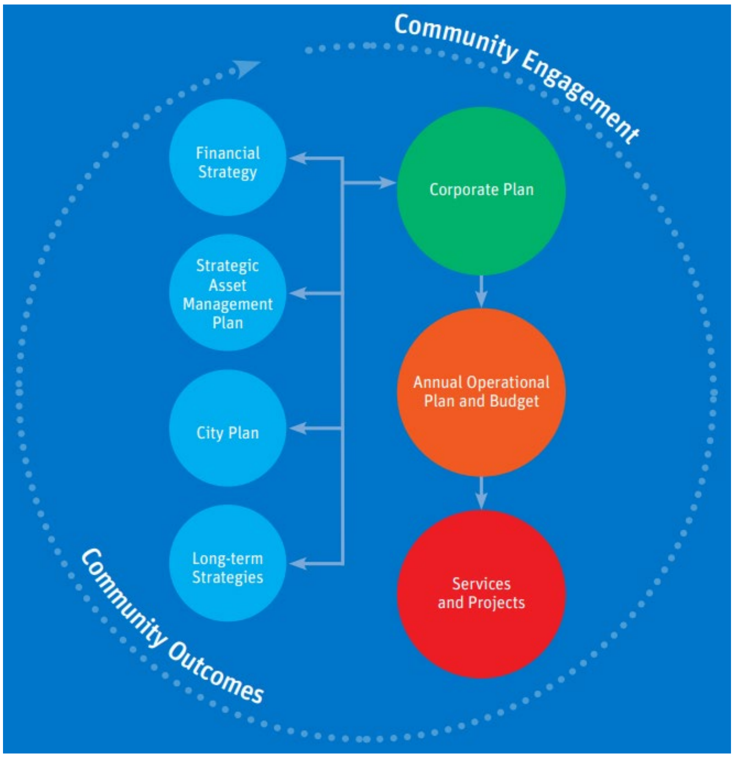
1.1.1 The Financial Strategy and Long-Term Financial Forecast

The Financial Strategy (Strategy) is Council's long-term financial plan that is underpinned by a series of policies, plans, risk responses and associated financial stability and sustainability targets to measure performance. The Strategy establishes the financial framework under which sound and sustainable financial decisions can be made. It is reviewed annually with the inclusion of a Long-Term Financial Forecast (LTFF) in accordance with section 171 of the *Local Government Regulation 2012* (Regulation). The LTFF is included in Council's annual budget, as required by section 169(2)(a) of the Regulation.

A key component of the Strategy is the LTFF. The LTFF is Council's ten-year financial forecast which is underpinned by a long-term financial model and includes income, expenditure, cash flow projections, assets, liabilities and community equity. Council refers to this model when considering financial decisions, for example new borrowings, long-term operational projections as well as capital expenditure forecasts. The LTFF is revised following formal budget reviews, government announcements that will impact on Council and also in conjunction with the annual budget development process.

The Strategy and LTFF are elements within our broader Financial Management System that includes the:

- Our Future Redlands – a Corporate Plan to 2026 and Beyond
- Long-Term Strategic Asset Management Plan (SAMP)
- Asset and Service Management Plans (ASMPs)
- Annual Budgets
- Operational Plans
- Financial Policies
- Capital works forecast (input to the LTFF).



Outputs from the Long-Term Financial Forecast – Financial Sustainability Measures

LONG–TERM FINANCIAL FORECAST – FINANCIAL SUSTAINABILITY MEASURES	Year 1 2023-24	Year 2 2024-25	Year 3 2025-26	Year 4 2026-27	Year 5 2027-28	Year 6 2028-29	Year 7 2029-30	Year 8 2030-31	Year 9 2031-32	Year 10 2032-33
Council Controlled Revenue Ratio	91.67%	92.61%	93.67%	94.00%	94.23%	94.44%	94.60%	94.79%	94.72%	94.66%
Population Growth Ratio**	1.00%	0.99%	0.98%	0.70%	0.69%	0.69%	0.68%	0.68%	0.42%	0.42%
Operating Surplus Ratio	-0.59%	0.16%	0.08%	0.12%	0.36%	0.25%	0.42%	0.53%	0.57%	0.74%
Operating Cash Ratio	21.02%	20.92%	21.05%	21.07%	21.07%	20.91%	21.15%	21.22%	21.21%	21.10%
Unrestricted Cash Expense Cover Ratio	10.31 months	8.49 months	7.45 months	7.42 months	7.24 months	7.22 months	7.29 months	7.30 months	7.28 months	7.23 months
Asset Sustainability Ratio	69.79%	96.28%	41.32%	72.01%	98.36%	99.68%	95.34%	45.92%	61.16%	44.60%
Asset Consumption Ratio	65.83%	65.79%	65.53%	64.90%	63.80%	63.02%	62.04%	61.25%	60.44%	59.57%
Asset Renewal Funding Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Leverage Ratio	0.90 times	1.25 times	1.32 times	1.37 times	1.47 times	1.53 times	1.54 times	1.59 times	1.62 times	1.67 times
Net Financial Liabilities Ratio	-35.93%	-20.67%	-13.17%	-12.77%	-10.35%	-9.39%	-9.33%	-8.20%	-7.35%	-6.19%

* The Council-Controlled Revenue, Population Growth, and Asset Renewal Funding Ratio measures are reported for contextual purposes only and are not audited by the Queensland Audit Office (QAO)

** Population growth forecasts are sourced from Queensland Government Statistician's Office (QGSO) and the latest available Census Data

Outputs from the Long-Term Financial Forecast - Summary Financial Statements

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF COMPREHENSIVE INCOME										
	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
Total recurrent revenue	355,572	375,557	391,037	407,603	422,948	438,705	454,831	470,564	488,720	505,239
Total capital revenue	53,537	127,454	54,002	45,731	34,041	32,559	33,085	39,712	38,228	27,091
TOTAL INCOME	409,109	503,011	445,039	453,334	456,988	471,263	487,916	510,275	526,947	532,330
Total recurrent expenses	357,674	374,944	390,730	407,122	421,435	437,609	452,930	468,068	485,950	501,484
Total capital expenses	289	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	357,963	374,944	390,730	407,122	421,435	437,609	452,930	468,068	485,950	501,484
NET RESULT	51,145	128,067	54,309	46,213	35,553	33,654	34,986	42,208	40,998	30,846
Other Comprehensive Income/(Loss)	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	51,145	128,067	54,309	46,213	35,553	33,654	34,986	42,208	40,998	30,846

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF FINANCIAL POSITION										
	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
Total current assets	295,319	267,419	251,159	260,688	265,019	274,792	285,831	295,547	305,870	314,839
Total non-current assets	2,911,665	3,089,862	3,170,300	3,215,964	3,259,792	3,296,003	3,329,768	3,375,834	3,419,468	3,454,982
TOTAL ASSETS	3,206,984	3,357,281	3,421,459	3,476,652	3,524,810	3,570,795	3,615,599	3,671,381	3,725,338	3,769,821
Total current liabilities	82,305	81,399	82,995	85,403	86,402	90,091	93,103	96,491	100,380	104,321
Total non-current liabilities	85,261	108,397	116,671	123,242	134,847	143,489	150,295	160,481	169,551	179,246
TOTAL LIABILITIES	167,567	189,796	199,666	208,645	221,250	233,580	243,398	256,972	269,931	283,567
NET COMMUNITY ASSETS	3,039,417	3,167,484	3,221,794	3,268,007	3,303,561	3,337,215	3,372,201	3,414,409	3,455,407	3,486,254
TOTAL COMMUNITY EQUITY	3,039,417	3,167,484	3,221,794	3,268,007	3,303,561	3,337,215	3,372,201	3,414,409	3,455,407	3,486,254

Outputs from the Long-Term Financial Forecast - Summary Financial Statements

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF CASH FLOWS										
	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
Net cash inflow/(outflow) from operating activities	65,290	71,242	77,776	80,197	83,351	87,991	91,772	95,469	99,453	101,931
Net cash inflow/(outflow) from investing activities	(92,970)	(131,028)	(104,456)	(80,911)	(92,591)	(88,924)	(89,159)	(97,562)	(99,649)	(104,178)
Net cash inflow/(outflow) from financing activities	15,055	28,736	8,172	7,928	11,709	8,458	6,360	9,764	8,442	8,790
Net increase/(decrease) in cash held	(12,625)	(31,049)	(18,508)	7,214	2,469	7,526	8,972	7,671	8,245	6,543
Cash and cash equivalents at the beginning of the year	243,701	231,077	200,027	181,520	188,734	191,202	198,729	207,701	215,371	223,616
Cash and cash equivalents at the end of the year	231,077	200,027	181,520	188,734	191,202	198,729	207,701	215,371	223,616	230,159

1.1.2 The Financial Strategy Objectives

The primary objective of the Strategy is to ensure Council remains financially sustainable as defined by section 104 of the *Local Government Act 2009* (Act):

> "A local government is financially sustainable if the local government is able to maintain its financial capital and infrastructure capital over the long term".

In 2022, the Department of State Development, Infrastructure, Local Government and Planning released the Sustainability Framework for Local Governments. Part B: Sustainability encompasses the definition of financial sustainability. For both financial capital and infrastructure capital, the emphasis is on maintaining service capacity of Council in the long-term. There is a direct link between the prudent and strategic management of community infrastructure and financial assets, and the ongoing viability of a local government. *'Long-term'* refers to a period of ten years or more, hence Council compiles a long-term financial model and strategy that spans ten years. *'Financial capital'* in the definition above is the productive capacity provided by the difference between current assets and current liabilities (working capital). *'Infrastructure Capital'* is the productive capacity provided by significant asset classes (roads, water, sewerage, footpaths, community buildings, etc.). Council complies with the *Local Government Act 2009* by reporting on the relevant measures of financial sustainability as published in the Financial Management (Sustainability) Guideline 2013 (last updated in 2021). Additionally, Council will report on the nine sustainability measures published in the draft Financial Management (Sustainability) Guideline which is expected to be finalised in 2023.

Secondary objectives of the Strategy provide specifics to support the primary objective:

- achieve financial sustainability aimed at ensuring that our recurrent (operating) revenue is sufficient to cover an efficient operating expense base including depreciation, that is, positive operational ratios
- to ensure adequate funding is available to provide efficient and effective core services to the community
- continuation of good asset management to ensure that all community assets are well maintained and are fit for purpose
- address key intergenerational infrastructure and service issues, which allows any significant financial burden to be spread over a number of years and not impact adversely on current or future ratepayers
- provide good financial and asset risk management which gives assurance that major risks have been considered and are reflected in future financial and asset management planning.

The Corporate Plan illustrates the city's vision - *connected communities, naturally wonderful lifestyle and embracing opportunities*. Underpinning the vision is our mission: *Make a difference, make it count*. Council's mission demonstrates a commitment to financial sustainability through improved forecasting and being fiscally responsible with community assets and funds.

1.1.3 Organisational and Community Outcomes

We will deliver against the Strategy objectives because:

- it demonstrates sound financial governance to the community and to external stakeholders such as the State and Federal Governments and represents Council as a responsible and accountable custodian of community services and assets
- our community services and assets will be well maintained and fit for purpose which means that current and future generations will benefit from effective and efficient financial and asset management
- it protects future generations from bearing the full burden of future infrastructure needs whilst addressing the immediate needs for strategic responses to major issues facing local government
- it ensures that our planning is integrated and effective and that there is clear linkage between community expectations and service delivery within affordable limits.

1.1.4 Key Principles

We will achieve these outcomes through implementation of sections 12 and 13 of the Act. Section 12 states the responsibilities of councillors; section 13 states the responsibilities of local government employees and includes *effective, efficient and economical management of public resources* in addition to *excellence in service delivery* and *continual improvement*.

Additionally, we will:

- maximise organisational efficiencies through the implementation of initiatives such as:
  - continued assessment of core business and service level reviews
  - reform of business service delivery modes where appropriate
  - continuing to deliver through the most efficient and effective means to reduce goods and services costs
  - challenging the priority and need for discretionary operational projects
- continue with rating reform including applying user pays principles where it is appropriate to do so
- optimise capital and borrowing programs to ensure delivery of projects which maximise synergies, gain economies of scale and balance the objectives of the Corporate Plan and Financial Strategy. This includes assessing borrowing levels over the medium to long-term and assessing the deliverability of projects
- utilise returns from cash investments to minimise financial impacts on ratepayers
- investigate new services or types of business where appropriate and feasible to generate additional returns for Council and minimise financial impacts on ratepayers.

1.1.5 Accountability and Transparency

Council prioritises two attributes of public sector reporting; ‘accountability’ and ‘transparency’. We will demonstrate accountability and transparency by:

- having clear financial stability and sustainability measures, and associated targets which demonstrate if Strategy objectives are being achieved
- applying full cost pricing to services where it is appropriate which will ensure that the full cost of services including Community Service Obligations (CSOs) are clearly identified and accounted for in their own right
- clearly linking revenue and spending decisions to the Corporate Plan and specific project initiatives
- periodically obtaining independent assessment of the sustainability of our Strategy through the Queensland Treasury Corporation (QTC) which will provide confirmation or otherwise of progress against strategic objectives and provide guidance on any necessary changes.

1.1.6 Reviewing and Refining the Financial Strategy

The Strategy will be continually revised by:

- ensuring that any changes to the Corporate Plan are reflected in the Strategy
- being responsive to any emerging issues and including these in our forward planning and risk assessment
- capturing the budget revisions in our LTFF and analysing the impacts of any changes on our financial stability and sustainability measures
- undertaking annual reviews of our capital and operational projects
- considering policy changes before changing our spending plans
- considering the outcomes of any future community and/or rating consultation processes.

1.2 Overview

1.2.1 Background

The Strategy provides us with an agreed roadmap for managing our financial resources and processes and is aligned with the objectives and priorities of our Corporate Plan. Within the framework of the Strategy, guidance is provided to support decision making with respect to capital and operating revenue and expenditure, asset and service management levels and procurement operations.

The Strategy is influenced by:

- global, national, regional and local economic conditions including inflation rates and interest rates
- global pandemics, supply chain issues and associated impacts on raw materials and inventories
- population growth
- changes in population demographics (for example an ageing population)
- legislative and statutory requirements
- changes in regulated frameworks (for example water and waste operations)
- known changes in Federal and State Government funding
- availability of contractors, consultants and suppliers

A key component of the Strategy is the LTFF which is derived from a ten-year financial model. The model is reviewed regularly to ensure it aligns with Council's adopted budgets. It is used to support resource allocation, borrowing and investment decisions and additionally provides an indication of forecast performance against financial measures.

The financial forecast contains details of the assumptions used to estimate growth rates, price increases, general rates and charges increases and also provides outputs in the form of the forecast financial statements. The first year of these forecast statements aligns with the adopted budget and drives the next annual budget development process by way of outlining the 'affordability envelope'. These revenue and expenditure streams are cascaded through the organisation during each annual budget development process.

The LTFF provides transparency into our financial performance and planning, giving the community a view of how its services are being funded and where the money goes. It is a tool for validating and maintaining alignment with the Corporate Plan and with legislative requirements. It reflects the efforts we are making to meet current and future community expectations and serves to signal the decisions and actions needed to ensure our future financial sustainability.

1.2.2 Key Assumptions

The Financial Strategy statement outputs are underpinned by the following general assumptions:

- the proposed budget for 2023-24 is the base year for the LTFF
- no material growth in employee numbers for the life of the model
- new borrowings are subject to change to respond to the needs of the ten-year capital program, ASMPs and also the Capital Portfolio Prioritisation Administrative Directive
- all borrowing costs are expensed, irrespective of whether Council has qualifying assets
- property, plant and equipment is based on current revised figures and subject to change post the finalisation of end of year accounts when any appropriate revaluations are posted
- provisions are based on current revised figures and subject to change post the finalisation of end of year accounts when discounting rates are published
- water business modelling forms a subset of Council's whole of organisation modelling. Due to the complexities of the water business modelling and impacts from state bulk water price path, the water business is allocated its own parameters and the outputs of the water model form inputs to the whole of Council LTFF.
- waste business modelling forms a subset of Council's whole of organisation modelling. Due to the complexities of waste modelling and impacts from CPI aligned waste collection and disposal contracts, the waste business is allocated its own parameters and the outputs of the water model form inputs to the whole of Council LTFF.

One of the most significant factors impacting Council's financial position is growth in rateable properties. Council has adopted parameters for the life of the forecast based on statistical analysis as well as a correlation with projected population growth forecast (mid series) calculated by the Queensland Government Statistician's Office (QGSO).

The Australian Bureau of Statistics publishes quarterly Consumer Price Indices (CPI) for each of the capital cities. The Brisbane CPI is utilised in the ten-year forecast. The CPI rate is reviewed every quarter as statistics become available. Since the early 1990s, the Reserve Bank of Australia has an inflation target of between two and three per cent (on average) over the cycle. This target range is considered as a contributing factor when forecasting Council's Cost Index (RCC Blended CPI) which draws on the Brisbane CPI.

1.2.3 Financial Stability and Measures of Sustainability

A key objective of the Strategy is to ensure financial sustainability by maintaining Council's financial capital and infrastructure capital over the long term.

Sustainability in Council can be defined as and measured by:

- ensuring a reasonable operating surplus exists to fund future growth requirements (Operating Surplus Ratio)
- ensuring Council has a strong ability to generate operating revenue without relying on external sources, i.e. Council has financial flexibility, ability to influence its operating income, and capacity to respond to unexpected financial shocks (Council Controlled Revenue Ratio)
- ensuring healthy cash flow capabilities and maintain the ability to pay our bills. Additionally, safeguarding an optimal level of free cash to contribute to the cost of future planned and unplanned expenditures such as infrastructure investment or disaster recovery (Operating Cash Ratio and Unrestricted Cash Expense Cover Ratio)
- ensuring that borrowing is only undertaken in an affordable manner and in line with Debt Policy (Leverage Ratio and Net Financial Liabilities Ratio)
- ensuring that our infrastructure assets are maintained and fit for purpose (Asset Sustainability Ratio, Asset Consumption Ratio and Asset Renewal Funding Ratio).

1.2.4 Financial Sustainability Summary

The ten measures of financial sustainability are all within target ranges or exceeding them, with the exception of the Operating Surplus Ratio (2023-24 only), and the Asset Sustainability Ratio (for the term of this strategy).

The Asset Sustainability Ratio is viewed as a stretch target and thus must be viewed on average over the term of the LTFF. Council identifies appropriate asset renewal expenditure for each coming budget year and forecasts the expected longer term asset renewal requirements through Asset and Service Management Plans.

Council's Strategic Asset Management objectives seek to improve and optimise the forecast of asset renewal requirements. This work will produce greater alignment with accounting depreciation calculations and help to move this ratio closer to the target range over time. The inclusion of additional asset financial ratios, such as the asset renewal funding ratio and asset consumption ratio in 2023-24 will produce a more balanced view of the asset management position, following continued embedding of Council's asset management system.

The Queensland Audit Office (QAO) issued its report titled 'Forecasting Long-Term Sustainability of Local Government' (Report 2: 2016-17) in October 2016. The report recommended, amongst other things, that councils improve the quality of their long-term forecasts and financial planning by maintaining complete and accurate asset condition data and asset management plans and by implementing a scalable project decision making framework for all infrastructure asset investments. Council is continuing to address these recommendations through its Strategic Asset Management unit and the Portfolio Management Office (PMO).

The Strategic Asset Management Unit works to enable strategically aligned and sustainable asset management to deliver community expectations while balancing service levels, risks and cost. The Portfolio Management Office (PMO) was established to enhance governance, accountability, and deliverability over operational and capital projects.

1.2.5 Key Financial Policies

Council has a suite of financial policies that it reviews on an annual basis.

Investment Policy

- Council is looking to achieve higher returns on its investments whilst protecting the capital value of investments
- Council will do this by moving to a more active investment strategy when funds permit and continues to monitor the community's cash on a daily basis to realise the highest possible rate of return.

Debt Policy

- Combining existing surplus funds with new debt to mirror the asset lives in Council's Corporate Plan, Operational Plan and assets requiring renewal
- Council is making annual debt repayments in advance to settle existing loans one year ahead of schedule. Council will continue to seek opportunities to use any surplus funds available to reduce the liabilities on the community's balance sheet.
- Council will only borrow for works that fall into at least one of the following categories:
    - risk management
    - asset management
    - intergenerational projects.

Revenue Policy

- Council will be guided by the following principles when levying rates and charges:
  - accountability
  - transparency
  - representation
  - sustainable financial management
  - fairness
  - differentiation of categories
  - special needs and user pays
  - social conscience.

Corporate Procurement Policy

- Council is committed to achieving value for money when procuring
- Council also outlines other sound contracting principles including open and effective competition, ethical behaviour and fair dealing and environmental protection
- As part of the Redlands community, Council has also adopted a principle of the development of competitive local businesses and industry.

Asset and Service Management Administrative Directive

- The Executive Leadership Team works with officers to ensure the Asset and Service Management Plan (ASMP) outputs align to inputs of the annual budget development process
- Each ASMP is linked to and supports other corporate planning and reporting processes
- Council's ten-year capital program is compiled to respond to the ASMPs.

Capital Portfolio Prioritisation Administrative Directive

- Council's Capital Portfolio Prioritisation Administrative Directive ensures the community's existing infrastructure will be maintained and further supports the objectives of the Asset and Service Management Administrative Directive
- Capital expenditure will be prioritised into renewal programs before asset upgrades or the creation of new assets
- Council continues to monitor the asset sustainability ratio and focuses on renewal capital works to move this long-term measure upwards toward the target zone.

Application of Dividends and Tax Equivalent Payment Policy

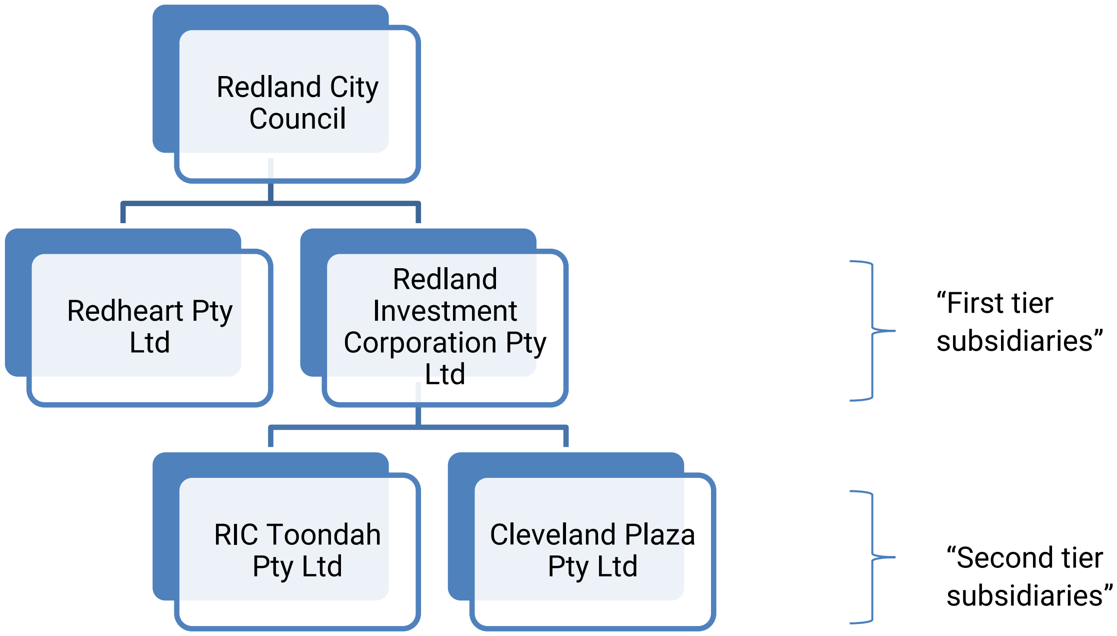
- Council receives dividends and tax equivalent payments from its commercial business activities (namely City Water and City Waste)
- Council may receive returns from its wholly owned subsidiary Redland Investment Corporation (RIC)
- All financial returns to Council will be applied to the provision of community benefit.

Constrained Cash Reserves Administrative Directive

- Council has collected rates, utilities and other revenue streams over the years and has ring-fenced certain monies for particular purposes. Council plans to utilise these reserves before increasing debt on the community's balance sheet and has also committed to conducting an annual review of the constrained reserves to ensure the purpose of each reserve is still relevant and in the interest of the community.
- Council's reserves are cash backed and form a subset of cash balances.

1.3 Scope

This Financial Strategy includes the risks, opportunities and financial statements for Redland City Council. The Redland City Council group (refer diagram below) financial information is consolidated on an annual basis.



Redland Investment Corporation Pty Ltd (RIC) compiles its own budget and business plan. The benefits and opportunities of Council owning RIC are included in this parent entity Financial Strategy.

2. Parameters and Measures

2.1 Parameters

Council has a range of parameters grouped into the following categories:

- growth increases (%)
- price increases (%)
- efficiency targets (%)

The following parameters are the main drivers in the financial forecasting model although of note, the capital expenditure for each year and associated funding is derived from the ten-year capital program.

Growth Increases %	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33
General Rates Charges	0.84	0.58	0.68	1.29	1.62	1.55	1.40	1.04	0.90	0.79
General Fees	0.00	0.32	0.65	0.97	1.30	1.62	1.62	1.62	1.62	1.62
Employee Costs*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General Operating Costs	0.42	0.29	0.34	0.64	0.81	0.77	0.70	0.52	0.45	0.40

Price Increases %	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33
Underlying CPI (Brisbane, between 2% and 3%)	7.40	5.70	4.10	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Local Government Association of Queensland (LGAQ) Council Cost Index	6.90	5.80	4.70	3.60	2.50	2.50	2.50	2.50	2.50	2.50
RCC Blended CPI** (net of efficiencies)	6.59	5.97	4.81	3.66	2.50	2.50	2.50	2.50	2.50	2.50
Employee Costs (EBA)	4.00	4.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
General Rates (Minimum General Rate)	4.65	5.97	4.81	3.66	2.50	2.50	2.50	2.50	2.50	2.50
General Fees	4.50	4.50	4.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Interest Rates	4.91	4.41	3.91	3.41	3.16	2.91	2.91	2.91	2.91	2.91

* Council will look to offset the financial impact of employee growth with efficiencies and savings. Employee growth is expected in reality, but the costs of the additional employees will be mitigated against, where practicable.

** RCC Blended CPI is calculated annually and will change every year. Year 5-10 of this forecast are placeholders only, a net increase after operating goods and services efficiencies. Council is committed to continuous improvement, business transformation and strategic procurement. Operating goods and services efficiencies are currently modelled in the RCC Blended CPI, reducing it down.

2.2 Financial Sustainability Targets

Council continues to measure against more ratios than the legislative requirement to demonstrate its ongoing commitment to financial sustainability. Council has ten performance measures outlined in the table below. The targets and target ranges are set by Council and reviewed annually to maintain relevance to business activities and goals.

Each ratio is defined in the glossary and Council reports on its performance against both the target and the anticipated performance based on revised budget on a monthly basis.

Financial Sustainability Measures	Target
Council Controlled Revenue Ratio (%)	Contextual - No target specified
Population Growth Ratio (%)	Contextual - No target specified
Operating Surplus Ratio (%)	Greater than 0% on five-year average
Operating Cash Ratio (%)	Greater than 0% on five-year average
Unrestricted Cash Expense Cover Ratio	Greater than 2 months
Asset Sustainability Ratio (%)	Greater than 60% on five-year average
Asset Consumption Ratio (%)	Greater than 60% on five-year average
Asset Renewal Funding Ratio (%)	Contextual - No target specified
Leverage Ratio	0 – 4 times on five-year average
Net Financial Liabilities Ratio (%)	Target less than 60% (on average over the long-term)

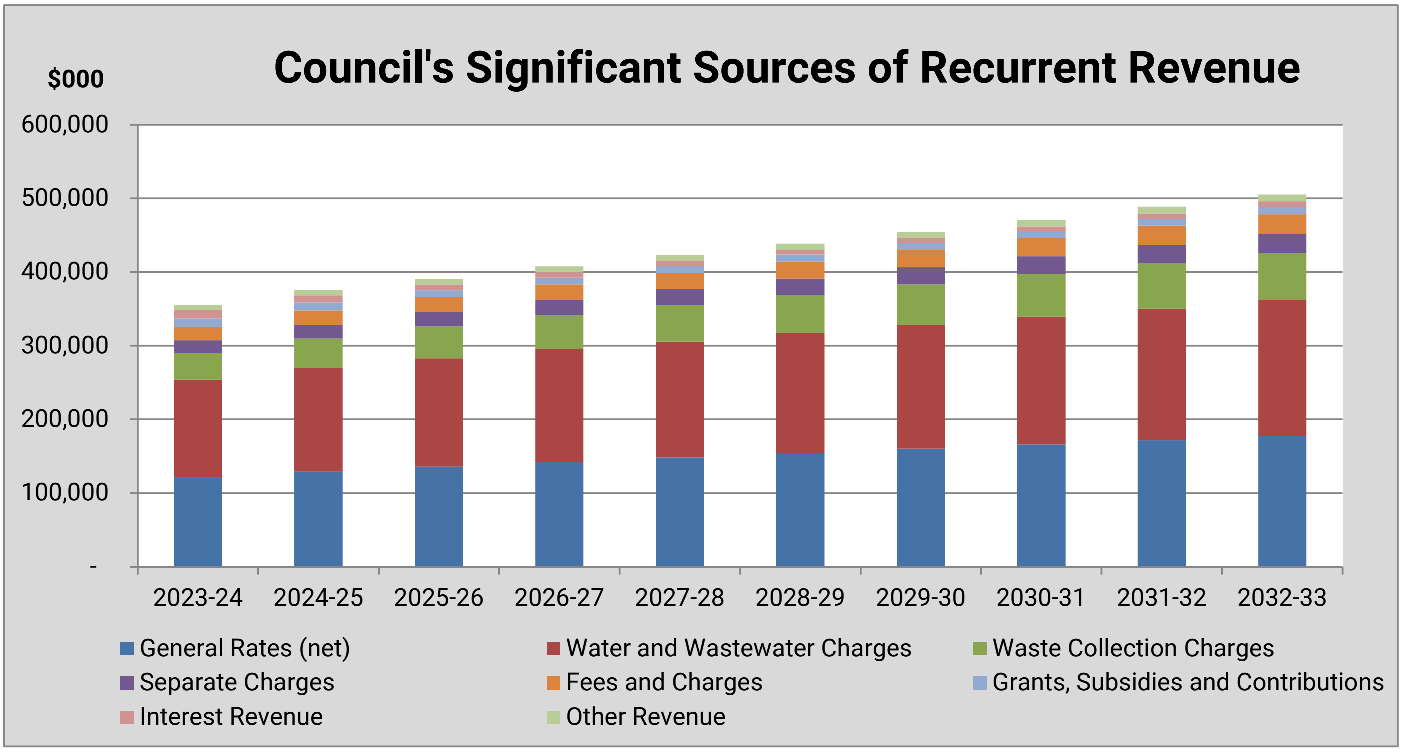
3. Revenue Management

3.1 Background

Council's significant sources of recurrent revenue include:

- general rates
- water and wastewater charges (water access, water consumption and sewerage charges)
- waste collection charges
- environment and coastal management, landfill remediation and Redland City SES administration separate charges
- fees
- Federal and State grants, subsidies and contributions
- interest on investments
- other revenue (including sales of services and goods).

The following chart provides an analysis of the total recurrent revenue by source and identifies the proportion of revenue from each of those sources.



In relation to the LTFF, the following operational revenue streams continue to be classified as those which will require close management attention in order to support the achievement of the financial sustainability targets:

- general rates - risk that future increases in general rates may be less than Council's Cost Index – Council is looking to diversify its revenue streams and ensure commercial opportunities forecast returns that support balanced or surplus budgets without excessive rate increases
- Federal and State grants and subsidies.

Council will continue to price its separate and special charges through comprehensive financial modelling that takes into consideration the full cost of each program including inflationary pressures. With respect to water, wastewater and waste collection modelling and pricing, please refer to the chapter on commercial opportunities.

Council's significant capital funding streams include:

- infrastructure charges
- contributed assets
- Federal and State capital grants and subsidies
- reserves
- borrowings
- general revenue.

In relation to the LTFF, the following capital funding streams will require continued management attention in order to support the achievement of the financial sustainability targets:

- Federal and State grants and subsidies
- infrastructure charges – due to the seasonality of development and difficulty in estimating charges. Council's Infrastructure Planning and Charging Unit will address this risk
- borrowings – to ensure appropriateness and affordability of borrowings to fund capital expenditure that is aligned to the Debt Policy.

3.2 Revenue Policy Statements

3.2.1 Revenue Policy Statement

Generation of an appropriate level of revenue to support the delivery of the corporate planning goals is an essential element of the Strategy. With respect to operational revenue streams, each year during the annual budget development process Council works towards a 'balanced budget' where total recurrent revenues meet or slightly exceed total recurrent expenses. Whilst this is a desirable position, in years of high volumes of intergenerational works or initial investment, or where strategies are developed to ease cost-of-living pressures for the community, Council will not pass through the total costs to the community, but instead will forecast a manageable operating deficit. Throughout the financial year Council will then focus on strategies to improve on the adopted position to move back towards a balanced budget or operating surplus (complete projects ahead of schedule and budget, save through better procurement and contracting, drive efficiencies through better work practices), continuous improvement, business transformation and digital transformation.

Council will be guided by the following principles for levying of rates and charges:

- **Accountability** — Council will be accountable to the providers of funds to ensure those funds are applied efficiently and effectively to satisfy the objective for which the funds were raised
- **Transparency** — Council will be transparent in its revenue raising activities and will endeavour to use systems and practices able to be understood by the community
- **Representation** — Council will act in the interests of the whole community in making decisions about rates and charges
- **Sustainable financial management** — Council will ensure it manages revenue diligently and that the application of funds is founded on sustainable strategic objectives that result in the timely and optimal investment in identified priorities
- **Fairness** — whilst the rating legislation requires Council to use property valuations as the basis for raising rate revenue, Council will monitor the impact of valuation changes and moderate increases where possible
- **Differentiation of categories** — Council will apply different rates to various categories of property that will reflect the particular circumstances of the categories and Council's policy objectives related to those categories
- **Special needs and user pays** — Council will draw from various revenue sources to fund special needs including (but not necessarily limited to):
    - Separate rates or charges for whole of community programs
    - Special rates or charges for recovery of costs from beneficiaries
    - Utility charges for specific services based generally on usage
    - Statutory fees and charges in accordance with legislation, regulation or local laws
    - Commercial fees and charges where users can clearly be identified

   - Where practicable recovering credit card fees through a surcharge on credit card transactions.
- **Social conscience** — Council will apply a range of concessions (e.g. for pensioners and institutions) and will accommodate special circumstances where hardship can be demonstrated.

General rate revenue provides essential whole of community services not funded through subsidies, grants, contributions or donations received from other entities, or not provided for by other levies or charges.

Council will consider full cost recovery options before calculating the differential general rate.

3.2.2 Investment Policy Statement

The objective of Council's Investment Policy is to maximise earnings from authorised financial investments of surplus funds after assessing and minimising all associated risks in accordance with this Strategy. Council's current focus is to protect the capital value of investments.

In accordance with Council's Investment Policy, Council has committed to the following:

- investing only in investments as authorised under current legislation
- investing only with approved institutions
- investing to facilitate diversification and minimise portfolio risk
- investing to protect the capital value of investments (balancing risk with return opportunities)
- investing to facilitate working capital requirements
- reporting on the performance of its investments on a monthly basis as part of the monthly financial reports to Council
- conducting an annual review of all investments and associated returns as part of the annual review of this strategy
- ensuring no more than 30% of Council's investments are held with one financial institution, or one fund manager for investments outside of the Queensland Treasury Corporation (QTC) or the Queensland Investment Corporation (QIC) cash funds or bond mutual funds.

3.3 Revenue Assumptions in the Long-Term Financial Forecast

With respect to revenue sources, the LTFF contains the following assumptions:

- focusing on bottom line when considering general rate increases to minimise impact on the community
- establishing water pricing principles on a full cost recovery basis with an appropriate level of return to Council in accordance with the *Local Government Act 2009*, *Local Government Regulation 2012* and other legislative instruments
- establishing waste collection and disposal fees and utility charges on a full cost recovery basis with an appropriate level of return to Council in accordance with the *Local Government Act 2009*, *Local Government Regulation 2012* and other legislative instruments
- seeking to maximise revenue from external grants and subsidies where possible
- seeking to increase the level of commercial returns and broaden commercial opportunities
- using historical and current micro and macro-economic data and observations to forecast revenue growth assumptions.

3.4 Key Risks, Issues and Mitigation Strategies

3.4.1 Revenue and Pricing Key Risks, Issues and Mitigation Strategies

The Strategy has identified the following opportunities and risks in relation to revenue and pricing which have been assessed in accordance with Council's adopted Enterprise Risk Management Framework.

Opportunity	Likelihood	Consequence	Rating
Collaborate in SEQ City Deals, enable smart city development by partnering with all tiers of government to align planning, investment and governance necessary to accelerate growth and job creation, stimulate urban renewal, drive economic reforms and explore other revenue streams	Possible	Major	**High**
A city plan reflective of the current and future trends may optimise housing choice and diversity in the Redland area and improve council's operating revenues	Likely	Medium	**High**
Increase in interest revenue due to increases in the official cash rate. Further increases are expected over the short term to return inflation to within RBA target range (between 2 - 3%)	Likely	Low	**Medium**
Real estate development and investment pipeline in the city due to population gain from net overseas and interstate migration	Possible	Low	**Medium**
Higher than anticipated cash balances resulting in additional interest revenue	Almost certain	Low	**High**

Risk	Likelihood	Consequence	Rating
Ageing population unfavourably impacting pensioner remissions and community subsidies	Almost certain	Insignificant	**Medium**
Water restrictions triggered when Seqwater storage levels decline below 50% capacity. This event will trigger increased efficiency in residential water consumption patterns which will lead to further adverse impacts on revenues beyond current forecasts	Possible	Medium	**Medium**
Internal modelling reveals that extended wet seasons have a negative correlation with water consumption	Possible	Medium	**Medium**
General rate increases aligned with RCC Blended CPI where costs escalate at a greater rate	Almost certain	Major	**Extreme**
Growth assumptions (e.g. population, property, water consumption, waste volume) failing to crystallise resulting in less than anticipated revenue	Possible	Medium	**Medium**
Uncertainty of future waste levy advance payments from 2025-26. Four years waste levy advance payment received in 2021-22	Likely	Low	**Medium**

In order to mitigate the above risks or explore the opportunities, the following projects and actions progress across Council:

- The establishment of the Advocacy, Major Projects & Economic Development Department (AMPED). This initiative will:
  - strengthen existing relationships and develop new partnerships with a focus on securing funding from other levels of government to compliment a Council commitment
  - enhance advocacy to other levels of government for a specific policy change, project delivery or funding on behalf of the community. The intent is to deliver an outcome owned and controlled by another level of Government
  - undertake economic development and investment attraction, innovation, international relations and partnerships and business support
  - deliver initiatives that increase the city's economic capacity, attract investment, facilitate business support, turning opportunities into outcomes
  - position Redlands Coast in target markets as a place to invest and do business
- continue to enhance cash management forecasting methodologies and tools. Aim to increase returns on investments when interest rates are low and signal issues relating to cash-flow early
- continue to review Corporate Overhead Allocations and Activity Based Costing (ABC) methodologies. Aim to ensure commercialised business pricing, cost-recovery and commercial fees are premised on full cost pricing principles
- investigate and measure the potential impacts resulting from further State Government bulk water pricing reviews
- ensure the Redlands Planning Scheme is congruent with requirements set out in the South East Queensland Regional Plan (Plan). Monitor development outcomes and consider deviations from Redlands Planning Scheme in future amendments to the scheme
- further develop the grants management process by establishing strong relationships with State and Federal stakeholders
- explore opportunities for alternate funding mechanisms (SEQ City Deals etc.) to support business areas and reduce the burden on current and future ratepayers.

3.4.2 Investment Key Risks, Issues and Mitigation Strategies

The Strategy has identified the following opportunities and risks in relation to investments management which have been assessed in accordance with Council's adopted Enterprise Risk Management Framework.

Opportunity	**Likelihood**	**Consequence**	**Rating**
Opportunities for broadened strategic investments - see commercial opportunities	Possible	Severe	**Extreme**
2032 Olympics will deliver enduring social, economic, and environmental co-benefits for the Redland area over a 10+ year period. The Olympics will result in investment in critical infrastructure, purpose-built facilities, jobs, and other substantial local benefits	Likely	Medium	**High**
City building initiatives (Catalyst projects detailed in the Corporate Plan) will bring much-needed economic benefits to the Redlands Coast, including the creation of local employment opportunities and ongoing tourism	Likely	Low	**Medium**
Weinam Creek Priority Development Area precinct will transform the waterfront of Redland Bay, improve the usability of the transport hub, attract visitors, create jobs	Likely	Medium	**High**

and drive economic development in the area			
Appropriately term-diversified investment portfolio results in additional revenue	Almost Certain	Low	**High**

Risk	**Likelihood**	**Consequence**	**Rating**
An unfavourable result in the Court of Appeal class action against Council, may result in significant court costs and substantial settlement being dispersed to the group members. This will have a material effect on availability of funds for investment	Possible	Major	**High**
Interest expense exceeds interest revenue due to increased levels of debt and declining levels of cash (as forecast in Council's long-term financial plan)	Possible	Low	**Medium**
Council's net debt position deteriorates as cash balances reduce (actively utilising constrained cash reserves) and debt increases (funding intergenerational investment)	Possible	Low	**Medium**
Constrained cash reserve balances exceed cash balances held at the end of a financial year	Rare	Low	**Low**

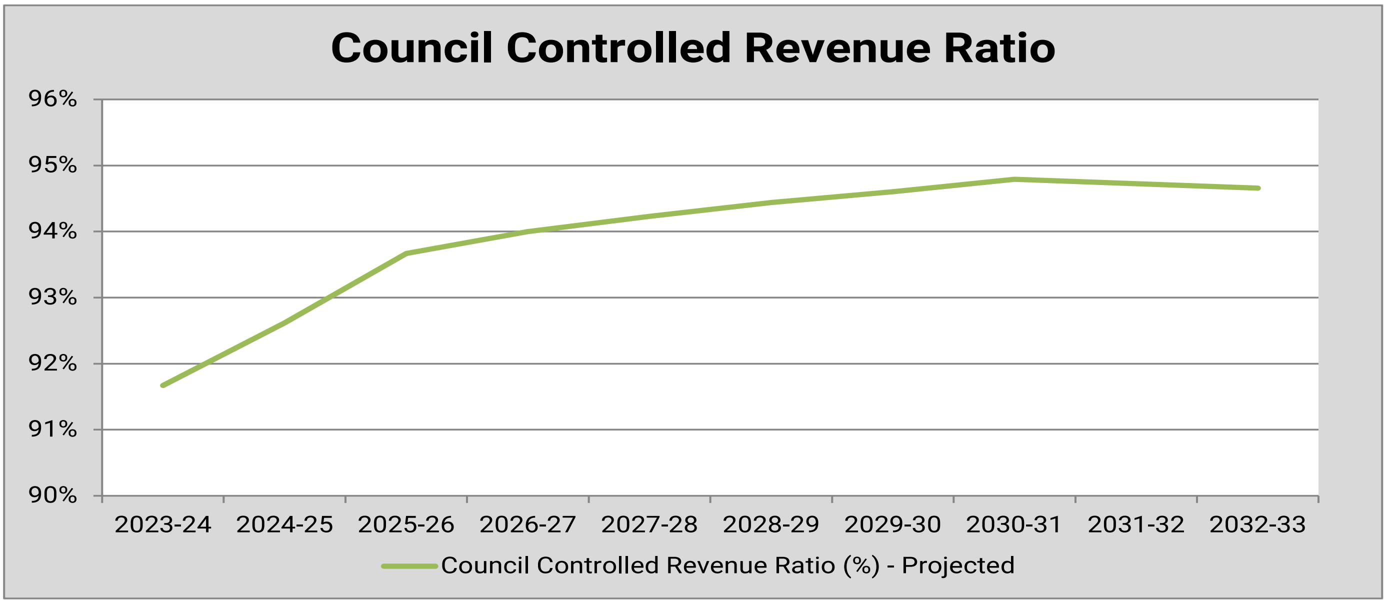
In order to mitigate the above risks or explore the opportunities, the following projects and actions progress across Council:

- continue to review investment returns and use this information when making decisions on investment options
- continue to consider all investment options in times of low interest rates (within Council's policy framework)
- continued organisational support to review funds held in trust (off balance sheet) and manage balances accordingly (refund where applicable or transfer to Council assets if appropriate and in accordance with legislative requirements)
- all tiers of government collaborate to deliver investment in regionally transformative infrastructure which provides long-term benefits for Redlands Coast
- aligned broader strategic priorities across all tiers of government driving investment that enhances the value proposition to the community.

3.5 Key Performance Information

The following graph illustrates how the Council Controlled Revenue Ratio performs over the life of the Strategy.

This ratio provides Council and the community with an indication of Council's financial flexibility, ability to influence its operating income, and capacity to respond to unexpected financial shocks.



4. Asset Management

4.1 Background

Council holds a range of assets including cash and cash equivalents, accounts receivable, investments property, investments in other entities, work in progress, leased assets and property, plant and equipment.

Council is responsible for provision of a diverse range of services to meet community needs and expectations. A significant number of these services are provided through infrastructure and other non-current assets (referred to as property, plant and equipment). Council owns, manages, maintains and creates assets that are valued in the order of $3.13 billion.

Effective asset management is critical to achieving Council's corporate objectives and strategic themes as driven by our community.

In continuing to provide these asset-based services, Council continues to overcome the following challenges:

- global supply chain issues, availability of raw materials and inventory
- decreasing availability and increased competition for funds
- inflationary pressures
- population growth pressures and changing demographics directly influencing the quantity and type of assets (and services) required
- the continuous requirement to renew the infrastructure in place that helps to deliver services
- escalation in the quantity and complexity of related reporting demanded by business regulators, statutory bodies and other levels of government
- availability of tradespeople and contractors

In relation to the LTFF, the following asset and service management issues have been identified as those which will require continued management attention in order to support the achievement of the financial sustainability targets:

- capital expenditure will be prioritised towards asset renewals before asset upgrades or the creation of new assets
- performance of asset related ratios – Council remains committed to funding all asset renewal requirements and moving this long-term measure favourably towards the target
- asset category definitions and granularity of reporting – to ensure that accurate expenditure is identified for renewal capital projects

- condition of asset base – strengthen understanding of remaining useful lives to ensure a true prediction of assets life cycle
- valuation and depreciation methodologies – to optimise depreciation cost allocation.

4.2 Asset and Service Management Administrative Directive

The objective of Council's Asset and Service Management Administrative Directive is to provide excellent customer experience and support ongoing growth in the region through asset management, utilising industry best practice and current technology to meet the economic and sustainability principles highlighted in our Corporate Plan by:

- providing principles for, communication, governance, due diligence, direction and alignment of all asset management activities
- ensuring compliance with asset management requirements as prescribed by the Queensland State Government as it applies to Local Government
- ensuring Council produces and delivers against sustainable financial forecasts as a result of best practice Asset and Service Management Plans that guide project planning and service delivery across the city
- upholding the City's commitment to provide financially sustainable infrastructure in accordance with agreed reliable levels of services.

4.3 Asset and Service Management Guidelines

The Strategy has adopted the following guidelines in relation to asset and services management:

- Asset and Service Management Plans will inform borrowing decisions
- identification, scoping and completion of renewal projects in the ten-year capital program will continue to be prioritised
- the integration of Asset and Service Management Plans and budgets is effected to ensure that whole-of-life asset and service costs are captured in order to understand the implications of the achievement of long-term financial sustainability.

Council's policy is designed to provide guidance in the implementation and improvement of corporate asset and service management processes and seeks to achieve the following outcomes:

- identify the key activities, roles and relationships associated with the implementation of an overarching asset management philosophy
- establish and communicate corporate responsibilities for the ownership, control, accountability and reporting of assets
- reinforce that assets should only be created, maintained, renewed or replaced in accordance with Asset and Service Management Plans
- help in meeting legislative compliance and associated risk management including financial reporting requirements and corporate governance
- highlight how our integrated asset management information systems and reporting tools support asset management activities and can provide a high standard of policy and decision support
- guide development of reliable systems and asset information that will allow for accurate financial forecasting and planning for sustainable service delivery
- identify how asset management processes integrate with corporate and operational planning, budgetary and reporting practices
- link individual departmental asset management activities with the city's vision and corporate goals
- classify actions that will improve knowledge of existing asset inventories, asset condition and related performance
- support ongoing improvements to existing asset and service management planning and corresponding financial forecasting, planning and reporting.

4.4 Asset Management System

The successful implementation of Council's asset system has ensured that we are an 'Asset Smart' organisation – one that has a framework supported by policies, systems and appropriate technology to achieve best practice asset management.

The system ensures a formal and consistent approach to asset management across the organisation, acknowledging those who understand and manage specific assets.

The system draws on best practice (ISO 55000 series) to help staff clearly know asset management responsibilities. It also promotes the functions of asset management and that each and every asset is part of a bigger picture; from the office equipment we use to multi-million dollar wastewater treatment plants. The system provides business areas with the framework, tools and technology they need to clearly inform their daily working lives when managing assets on behalf of our community.

4.5 Strategic Asset and Portfolio Management Oversight

The Advocacy, Major Projects and Economic Development Department consists of the Portfolio Management Office and a dedicated Strategic Asset Management Unit. The separation of the asset governance function from the asset accounting function augments governance and improves support to Council business areas.

4.6 Key Risks, Issues and Mitigation Strategies

The Strategy has identified the following opportunities and risks in relation to asset and service management which have been assessed in accordance with Council's adopted Enterprise Risk Management Framework.

Opportunity	Likelihood	Consequence	Rating
PMO continues to drive improved Portfolio Management governance, enabling effective project delivery and financial efficiency of operational and capital projects	Likely	Medium	**High**
Enhanced processes that identify required trunk infrastructure, upgrade and expansion assets and unlock potential sources of funding (constrained reserves and specific purpose grants)	Likely	Medium	**High**
Council is utilising DecAid, its spatial representation of the 10-year Capital plan to enable efficiencies in our planning. This approach ensures RCC works are completed in a cost-effective manner. This approach enables precinct planning, and advanced project sequencing to facilitate improved community outcomes	Almost certain	Medium	**High**
A commitment in Council's Corporate Plan (*Our Future Redlands – A Corporate Plan to 2026 and Beyond*) to deliver catalyst projects and enhance the liveability through continuous investment in active transport, telecommunications and other key infrastructure	Almost certain	Medium	**High**

Opportunity	Likelihood	Consequence	Rating
Council's Capital Portfolio Prioritisation model has matured from an annual budget view to a 3-year view. Continuing to mature the linkage between Asset & Service Management Plans (ASMPs), prioritisation models and long-term financial forecasts, improves Council's ability to assess its ongoing financial viability	Likely	Medium	**High**
Implement Asset Data Governance and Data Improvement Initiatives that enhances decision making and improves reporting, long-term financial forecasting, and asset management practices	Likely	Low	**Medium**
Review depreciation methodologies to ensure current approaches are still reflective of consumption patterns	Unlikely	Medium	**Medium**

Risk	Likelihood	Consequence	Rating
Inadequate allocation of scarce resources impacting investment in maintenance, renewal and expansion of assets in a timely manner. This may have an adverse effect on existing service levels	Possible	Medium	**Medium**
Cost of living pressures faced by the community being the catalyst for higher levels of unpaid statutory rates and charges	Possible	Medium	**Medium**
Maintenance carried out on assets that have been transferred to other entities including TMR, QYAC etc. due to inadequate internal communication and asset data not being maintained or utilised	Possible	Low	**Medium**
Failure to implement strategies that preserve assets and protect properties from climate change risks. This elevates Council's exposure to litigation	Possible	Medium	**Medium**
Increasing public liability claims for injuries occurring in Council owned or controlled facilities or land	Rare	Medium	**Low**
Increasing legal action for discrimination arising from inability to access Council facilities and non-compliance with the *Disability Discrimination Act 1992 (Cth)*	Rare	Low	**Low**

In order to mitigate the above risks or explore the opportunities, the following projects and actions progress across Council:

- continued embedding of Council's asset management system
- continued improvement of asset data governance and data capture and cleansing to enhance decision making
- ongoing maturity of Asset and Service Management Plans in accordance with statutory requirements, business needs and agreed service levels
- continuation of the Infrastructure Planning and Charging Unit to ensure Council is maximising opportunities for recovery of appropriate costs with respect to trunk infrastructure

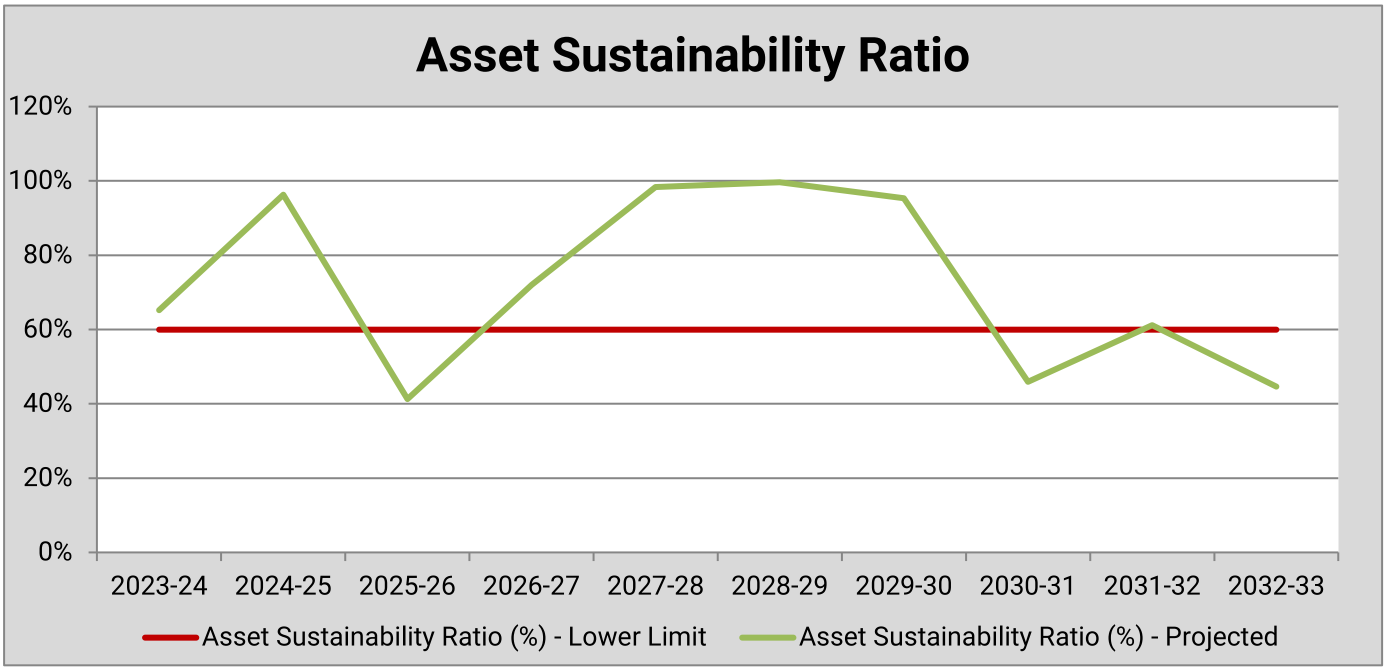
- continue to develop the maturity of the PMO. Enhanced maturity will lead to enriched processes, stronger/appropriate governance, and improved deliverability for operational and capital projects
- continue to review the effectiveness of the asset management system in the following areas: enhanced asset management practices and integration of asset planning, budget development and long-term financial forecasting
- further investigation and development on a condition-based depreciation methodology (if lawful and appropriate)
- developing an improved understanding of the remaining useful lives for Council's asset base
- continue to improve Council's asset management capabilities through investing in smart technology like artificial intelligence (AI), machine learning and robust inspection tools, that bring numerous benefits to Council such as improved safety for workers and residents, more efficient asset maintenance, reduced impacts on the environment, and significant cost savings, including the ability to work remotely.

4.7 Key Performance Information

The asset sustainability ratio target is 'an average over the long-term' KPI. Council's Capital Portfolio Prioritisation Administrative Directive requires expenditure on renewals before new asset creation – this should improve Council's performance against the target.

To ensure continuation of existing service levels, planning and development of Asset and Service Management Plans for the 2023-24 portfolio focused on the renewal requirement of Council's existing asset base. Council's current prioritisation model supports the policy of prioritising renewals, and these two factors together support improvements in asset sustainability. However, this must be balanced with investment to cater for growth across the city.

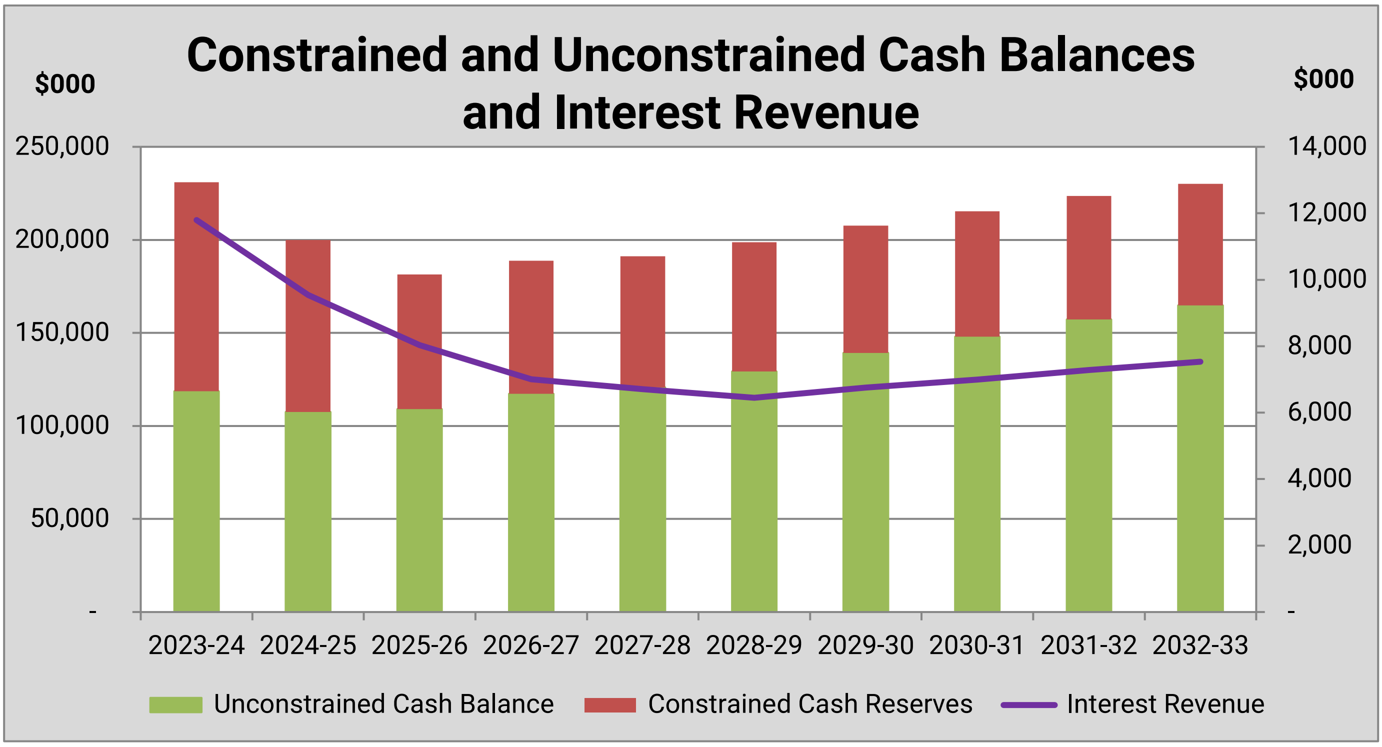
The current ten-year capital program and depreciation forecasts result in the following graph:



In addition to property, plant and equipment, Council holds considerable cash balances. Council considers its risk appetite and policy position with respect to investment of surplus funds. To maximise returns on investments, officers invest or withdraw funds on a daily basis to maintain minimal balances in the transaction account. The performance of Council's investment account is reported to the community on a monthly basis and is regularly reviewed to ensure opportunities are maximised and risks are minimised.

Reserves are a subset of community equity and sit alongside retained earnings. Whilst retained earnings can be utilised for general expenditure, reserves are ring-fenced for specific purposes. Council's policy requires that all reserve monies are fully cash-backed. Council annually reviews its reserves to ensure the constraining of cash continues to be in the community's best interests.

Traditionally, the main source of interest revenue resulting from the investment of cash balances has been through the Queensland Treasury Corporation (QTC). The following chart provides an analysis of the projected interest revenue over the life of the Strategy and available cash balances that those returns are based on. The total cash balance is broken down into constrained (reserves) amounts with the balance being unconstrained.



In relation to the ten-year financial forecasting model, the following investment income and expenditure considerations continue to be monitored:

- cash flow forecasting – improvements in budgeting and forecasting (particularly phasing of cash flows) will be a key requirement in the coming financial years and may be enhanced with the introduction of rolling forecasts
- cash management – regular reviews of debtors, creditors and payroll processes to ensure the community's cash is being utilised in the most efficient manner
- institutional investment – exploring increased returns by diversifying the institutions that funds are invested in or by varying the terms of those investments.

Council continues to balance the use of existing cash balances and reserves in favour of new borrowings. In accordance with Council's Debt Policy new borrowings are only considered where they address intergenerational equity and asset or risk management issues.

Council's adopted Local Government Infrastructure Plan (LGIP), which identifies significant infrastructure requirements, has been incorporated in Asset and Service Management Plans. Ultimately the cash balances in later years will be reduced through identification of future necessary infrastructure and capital works.

5. Expenditure Management

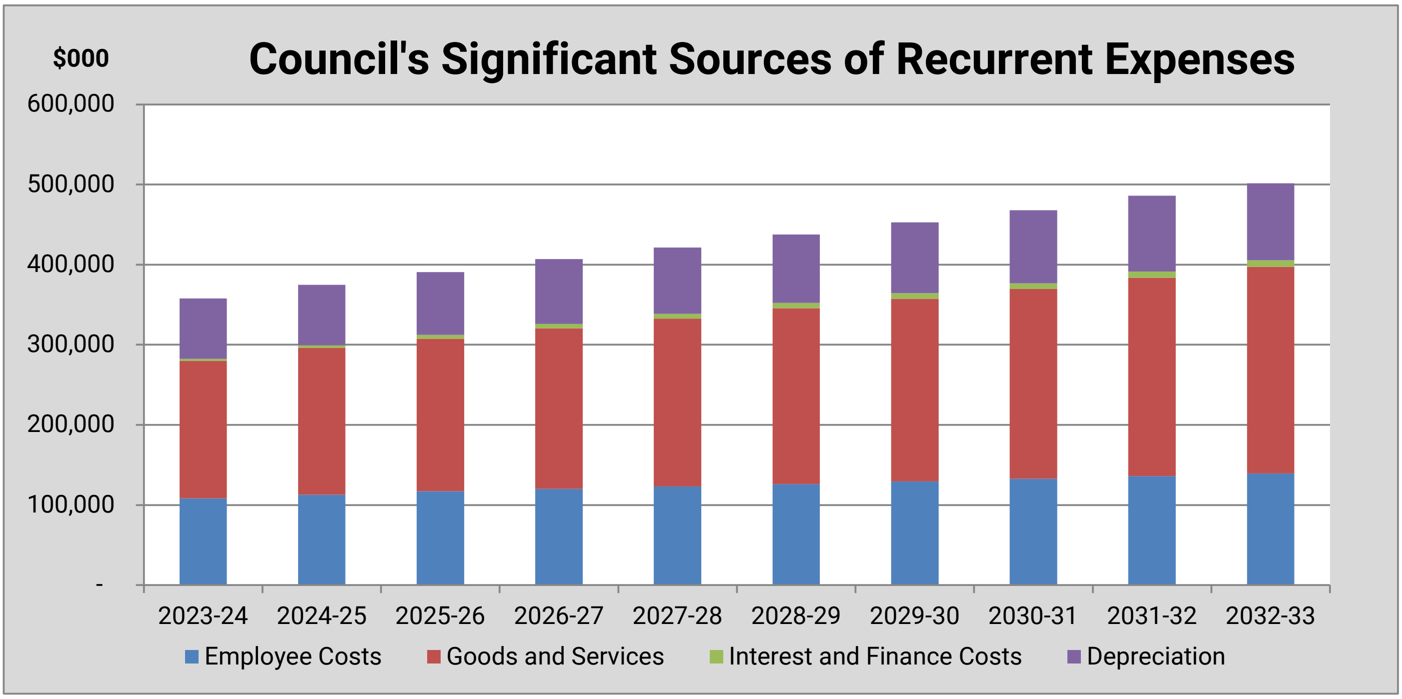
5.1 Background

Council's significant sources of operational expenditure include:

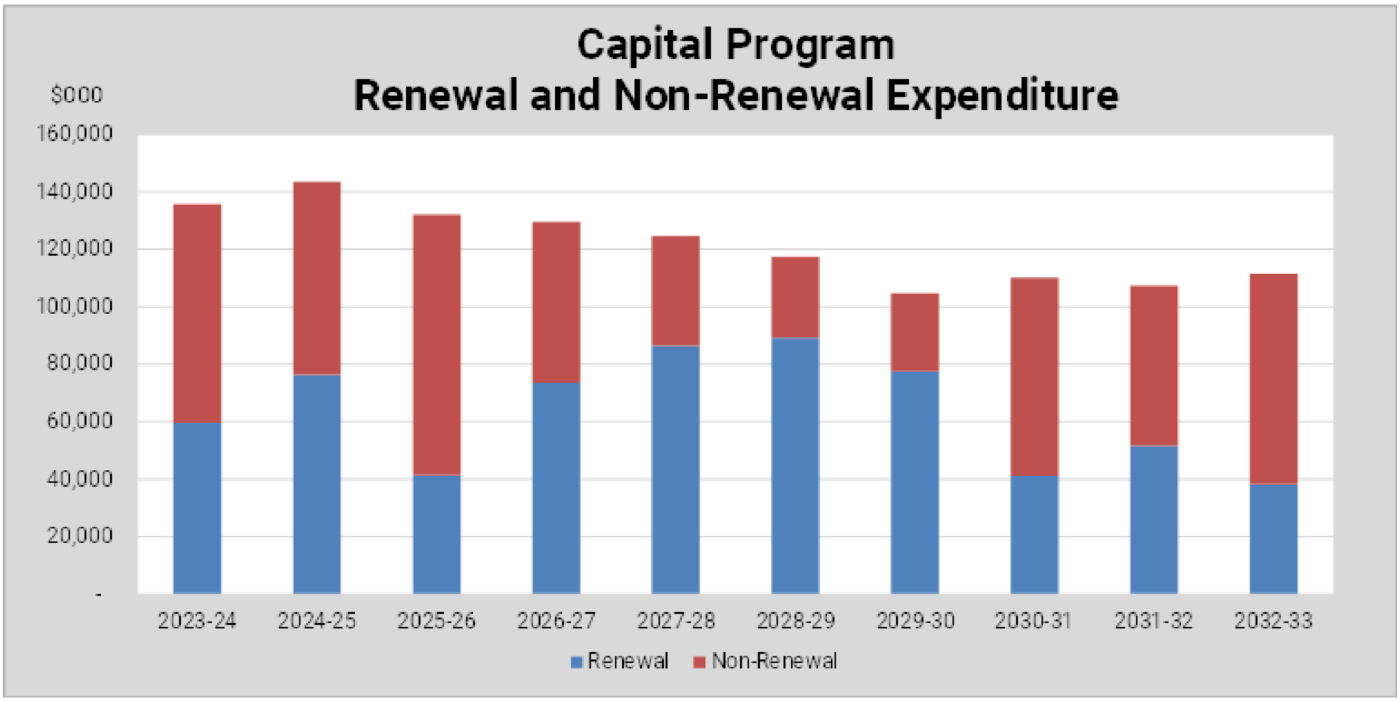
- employee costs
- goods and services (including the purchase of bulk water)
- interest and finance costs
- depreciation
- other expenses (including community service obligations and subsidies).

Of note, Council's interest and depreciation expenditure is impacted by the requirement to have leased assets on the balance sheet which then depreciate over the term of the lease.

The following chart provides an analysis of the total operating expenses by source and identifies the proportion of expenses allocated to those sources.



Additionally, capital expenditure on planned renewal and non-renewal projects are undertaken over the life of the Strategy. The following chart dissects the investment type in the projected ten-year capital program. This split is underpinned by Council's Capital Portfolio Prioritisation Administrative Directive - 'maintain existing infrastructure – 'renewal' before 'upgrade' or 'new' work.



Due to the risks and assumptions in operational revenues mentioned in the previous chapter, the following expenditure types have been identified as those that require continued attention and management in order to support operating surpluses:

- employees – to continue to critically review the cost of management and staff, including temporary staff and agency colleagues to ensure activities are resourced in the most efficient and effective manner
- goods and services – to critically review the timing and cost of discretionary operational projects
- goods and services – to lower and continue to review operational activity expenditure, building on proven industry best practice in addition to implementing efficiencies where practicable (Business Transformation approaches and reduction of Fringe Benefits Tax for example)
- interest expense and finance costs – Council continues to make annual debt repayments to reduce interest expense and works with treasury service providers to control finance costs
- depreciation – due to the requirement to optimise depreciation charges based on condition assessment rather than straight line methodology.

The following capital expenditure items will require ongoing management attention in order to support the achievement of the financial sustainability targets:

- programing an optimal, affordable and deliverable capital spend over the LTFF, particularly in the short to medium-term
- ensuring the correct level of renewal capital expenditure is programed in alignment to Asset and Service Management Plans and underpinned by the principles of the Capital Portfolio Prioritisation Administrative Directive
- Federal and State grants and subsidies
- infrastructure charges – due to the seasonality of development and difficulty in estimating charge, Council will continue to operate the Infrastructure Planning and Charging Unit to address this risk
- borrowings – to ensure appropriateness and affordability of borrowings to fund capital expenditure that is aligned to the Debt Policy.

5.2 Expenditure Management Policy Statement

Operational and capital expenditure management to support the delivery of corporate goals is an essential element of the Strategy.

The focus of expenditure management is the primary mechanism by which Council intends to achieve financial sustainability over the life of the Strategy.

5.3 Expenditure Assumptions in the Long-Term Financial Forecast

The Strategy has adopted the following approach in relation to expenditure management which may be used in combination to achieve targets of financial sustainability:

- efficiency targets may be built into the operational goods and services line item although these efficiencies could be sourced from reducing operational expenditure or conversely increasing operational revenues
- the employee base is not forecast to grow over the life of the model from a cost perspective
- continually improve service delivery with an emphasis on efficiency and cost recovery – Council is constantly looking to reduce costs by delivering services 'faster, better and cheaper'
- applying more rigorous purchasing controls to minimise goods and services costs over time, through the adoption of a suitable procurement model, plans and initiatives for improved procurement efficiencies
- providing a strategic approach to contracts, requiring a rigorous and transparent suitability assessment against the quadruple bottom line, emphasising waste elimination, efficiency and continuous improvement
- restricting the total size of the capital program based on priority needs relating to renewal works, affordability and deliverability
- identifying, scoping and prioritising upgrade and expansion projects in the ten-year capital program in accordance with Council's Capital Portfolio Prioritisation Administrative Directive.

5.4 Key Risks, Issues and Mitigation Strategies

The Strategy has identified the following opportunities and risks in relation to expenditure which have been assessed in accordance with Council's adopted Enterprise Risk Management Framework.

Opportunity	Likelihood	Consequence	Rating
Continue to transform supplier relations to create a Strategic Procurement platform to drive expenditure management through advanced planning, scheduling, regional alliance and group buying, supply chain management, increased competition and keen negotiation	Almost Certain	Medium	**High**
Continued improvements in the asset accounting space to ensure assets are recorded and depreciated accurately	Almost Certain	Low	**High**
Establish a strategic land acquisition system that provides a framework and methodology for Council to nominate site specific and non-site specific land targets	Likely	Medium	**High**
Continue to reduce Council's carbon footprint by replacing existing fleet vehicles with hybrid-vehicles, and using the waste by-product collected when roads are resealed in place of gravel in new or repaired roads	Almost Certain	Medium	**High**

Opportunity	Likelihood	Consequence	Rating
Enhance existing processes that are designed to assess vulnerabilities, strengthen security strategies and governance, and continue to implement modern cyber defence and response protocols	Almost Certain	Major Consequence	**Extreme Rating**
Progress the sub-regional alliance of a shared resource recovery facility. This will result in innovative and efficient methods of waste disposal and resource recovery, and will ultimately drive down operating costs	Almost Certain	Medium	**High**
Improve the efficiency and effectiveness of Council's service delivery and facilitate business transformation pathways for innovation and integration to decrease costs and enhance customer experience and community outcomes (*Our Future Redlands – A Corporate Plan to 2026 and Beyond*)	Possible	Medium	**Medium**
Investment in renewable energy sources could potentially mitigate energy pressures and reduce costs. Developing strategies that will offer solutions that help the environment, local economy and reduce exposure to traditional energy related costs	Possible	Low	**Medium**
Continue investigating the introduction of smart water meters or data loggers. A smart water program could potentially reduce water loss, improve accuracy of water rates billing and increase participation in water saving practices with an ability to provide real-time water usage data to the community	Possible	Medium	**Medium**
Enhance control relating to consultants and temporary staff through implementation of an effective workforce strategy to manage increasing costs	Likely	Low	**Medium**

Risk	Likelihood	Consequence	Rating
Significant waste management costs resulting from new State Government waste and resource recovery strategy citing ambitious growth targets to reduce waste to landfill	Likely	Medium	**High**
Unanticipated expenditure arising from unforeseen events (COVID 19 pandemic), natural disasters (fires, floods, drought etc.) and infrastructure failure	Likely	Medium	**High**
Looming global economic slowdown, ongoing military conflict in Europe, severe weather events and prolonged levels of high inflation lead to slowing of local economy. A continued supply and demand imbalance will also influence the cost for goods and services	Likely	Medium	**High**
Fines, lawsuits and ongoing costs associated with cyber-security risk can have a financial impact to Council	Possible	Medium	**Medium**
Additional costs associated with staff turnover and improving skill levels through identified training	Likely	Low	**Medium**

Risk	Likelihood	Consequence	Rating
Reduction in existing service delivery due to cost shifting from other tiers of government	Likely	Low	**Medium**
The great resignation is an ongoing economic trend in which employees have voluntarily resigned from their jobs en masse, beginning in early 2021 in the wake of the COVID-19 pandemic. Wage stagnation amid rising cost of living is one of the most cited reasons for resigning. Council may incur substantial costs to attract and retain talent in a highly competitive labour market	Likely	Low	**Medium**
Future financial sustainability is impacted by failure to achieve key financial sustainability ratios	Possible	Low	**Medium**
Rising energy costs due to increased cost of wholesale price of electricity, higher global gas prices and worldwide move towards renewable energy sources	Likely	Low	**Medium**
Exposure to increased litigation For example, Council is potentially exposed to liability if it fails to take into account the likely effects of climate change when exercising a wide range of statutory responsibilities including across land-use planning, development approvals, management of public infrastructure (such as drains and roads), management of public lands (such as foreshores and parks), management of community facilities (e.g. libraries and sporting facilities), public health, water and sewerage services (in some states), and emergency planning (Baker and McKenzie 2011). Council is also exposed to potential liability if it fails to disclose information about climate change risks, or if it shares incorrect information	Possible	Medium	**Medium**

In order to mitigate the above risks or explore the opportunities, the following projects and actions progress across Council:

- continued business process and service level reviews designed to determine the optimal level of efficiency and effectiveness
- continue to recognise provisions on the balance sheet where expenditure obligations are a result of past transactions, are probable and measurable (50% or more likelihood of occurring)
- *Local Government Regulation 2012* s173 (2) and (3) prescribes that a local government may spend money, not authorised in its budget, for genuine emergency or hardship if the local government makes a resolution about spending the money before, or as soon as practicable after, the money is spent. The resolution must state how the spending is to be funded. *Local Government Regulation 2012 s*173 (4) also notes that if Council's budget is amended after the money is spent, the amended budget must take the spending into account
- continued use of a strategic procurement model in Council to drive efficiencies and savings
- work with the community and local businesses to ensure that planning and development activities consider climate risks and opportunities that cut emissions and increase efforts to mitigate climate change

- implement a strategic procurement platform encompassing a rigorous and transparent suitability assessment against the quadruple bottom line, lean management practices, efficiency and continuous improvement
- further develop the maturity of the PMO. Enhanced maturity will lead to enriched processes, strengthened/appropriate governance and improved deliverability for operational and capital projects
- continually improve service delivery with an emphasis on efficiency and cost recovery - Council is constantly looking to reduce costs by delivering services ‘faster, better and cheaper’
- consider how strategic outcomes of the planning scheme support the development of renewable energy such as the hydrogen initiative.

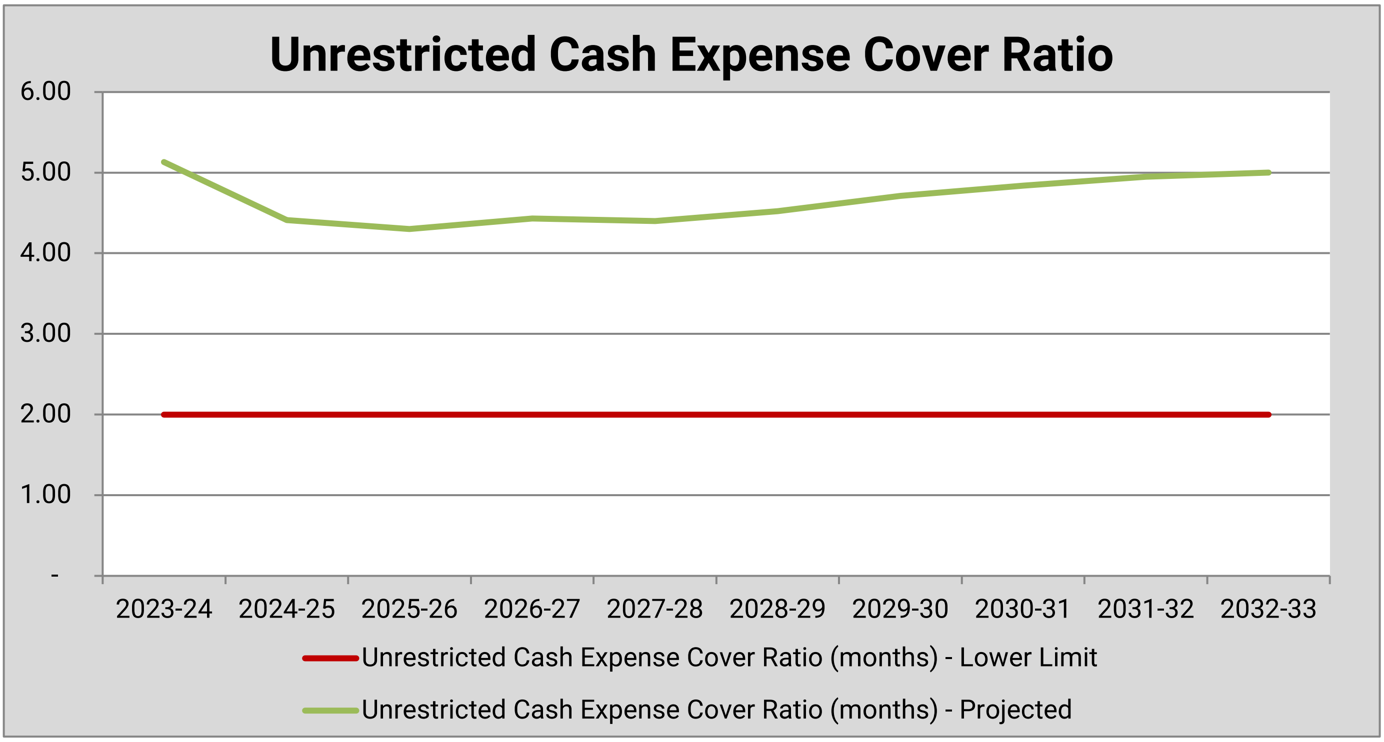
The following risks continue to be monitored before mitigation projects are initiated:

- potential for government cost shifting
- striking a balance between intergenerational projects (with initial upfront investments) and returning operating surpluses in consecutive years.

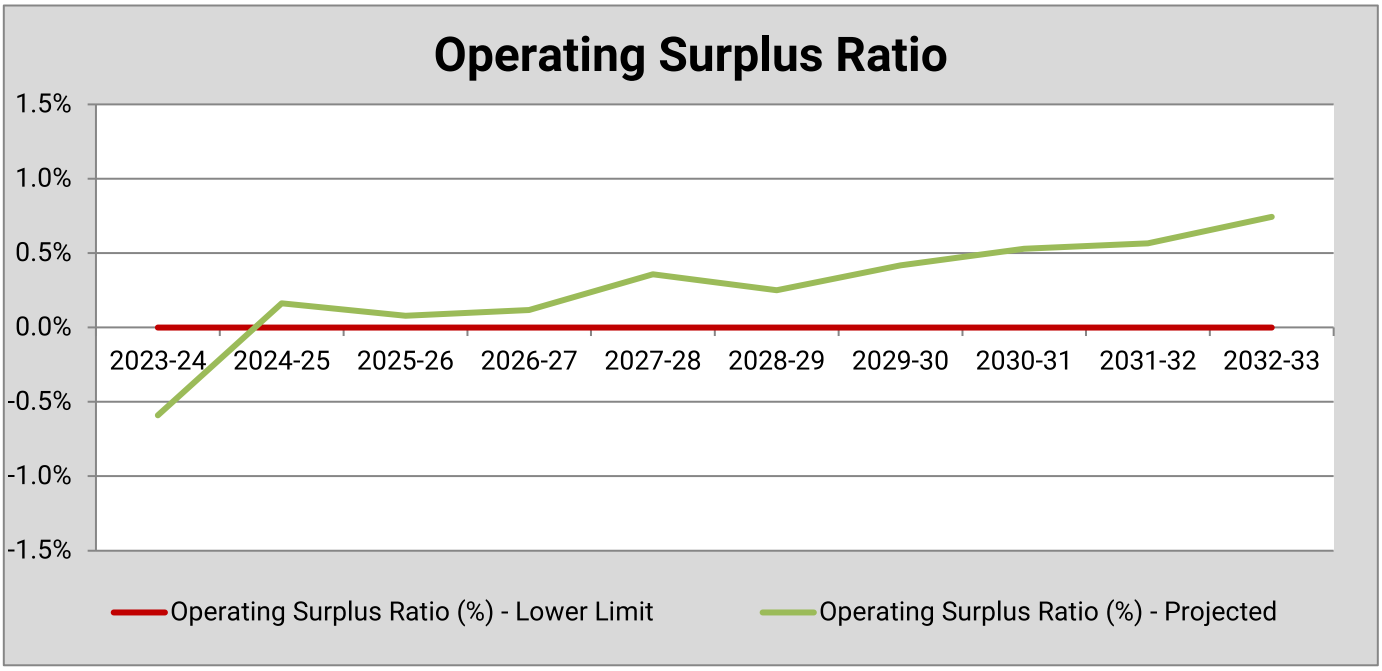
5.5 Key Performance Information

The Unrestricted Cash Expense Cover Ratio is a good indicator of Council’s liquidity and ability to meet short term obligations.

If the Unrestricted Cash Expense Cover Ratio is too high over a sustained period may be indicative of poor cash management or large upcoming capital investment requirements.



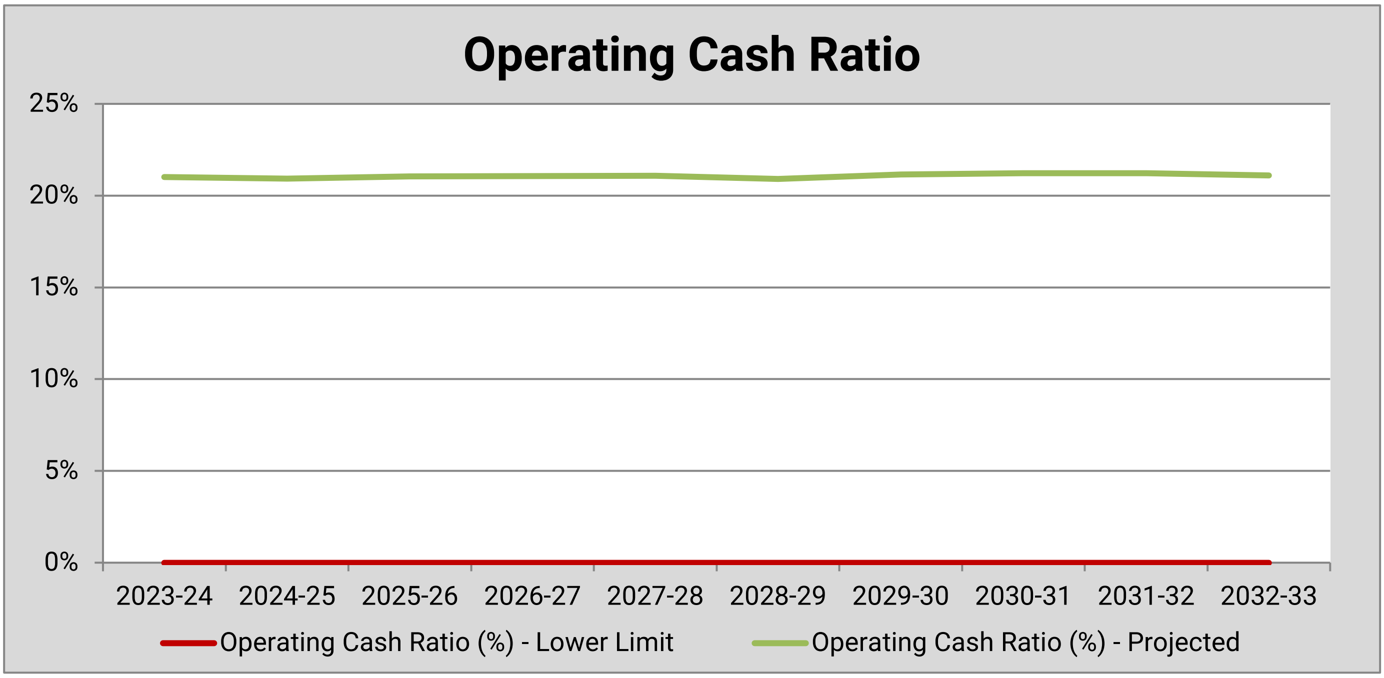
The Operating Surplus Ratio is a measure of how recurrent revenues cover recurrent expenditure (including interest expense and depreciation). The following graph outlines the forecast Operating Surplus Ratio over life of the financial forecast:



Council's operating performance can also be measured on a cash basis (as opposed to the accrual basis above). Cash from operations comprises:

- receipts from customers
- payments to suppliers and employees
- interest revenue
- borrowing costs.

Operating Cash Ratio is a measure of Council's ability to cover its core operational expenses and generate a cash surplus excluding depreciation, amortisation, and finance costs. The following graph outlines the forecast Operating Cash Ratio over the life of the financial forecast:



6. Liabilities Management

6.1 Background

Council recognises several liabilities on its balance sheet including employee provisions, landfill remediation provision, borrowings and accounts payable, and the liability associated with leased assets. Council's largest liability in dollar terms is its borrowings.

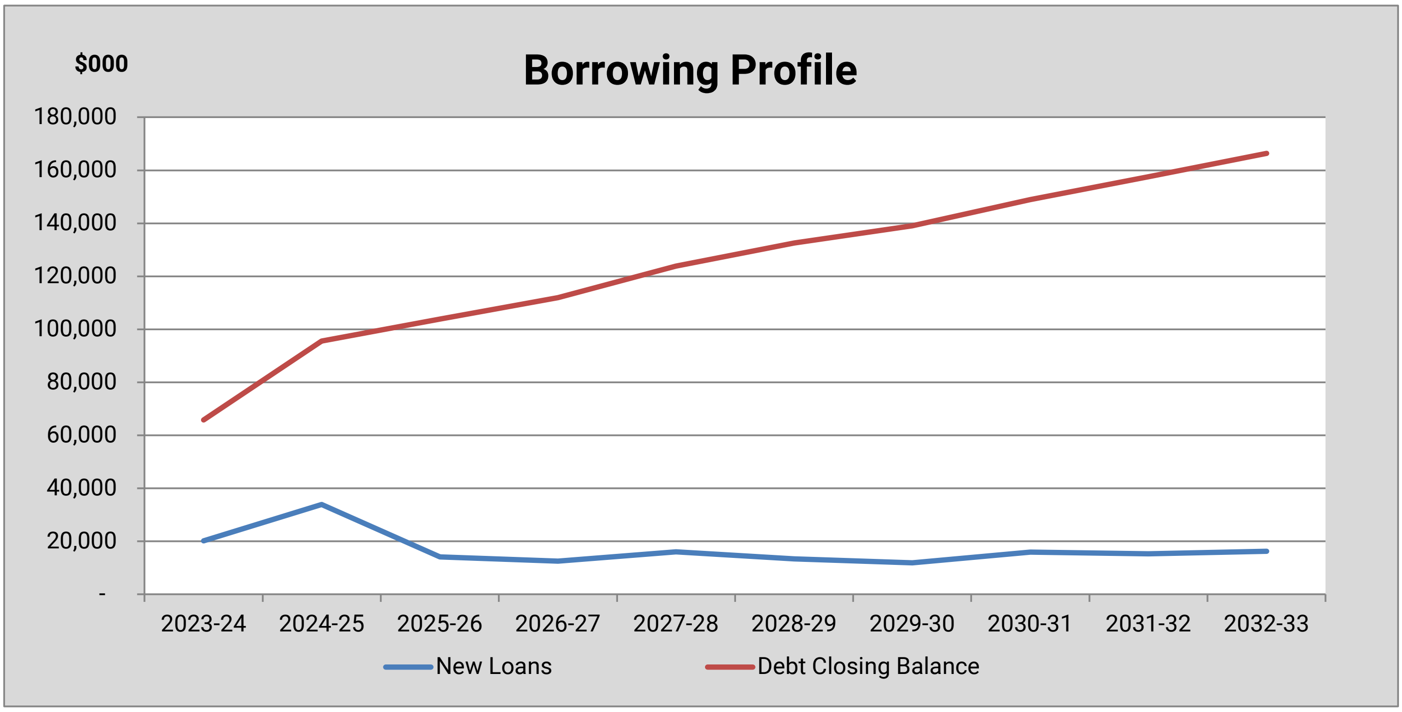
Council borrows from Queensland Treasury Corporation (QTC) for capital works for one or more of the following three purposes:

- risk management
- asset management
- intergenerational projects (projects with associated assets of 25 years or more useful life).

Council holds debt for different categories of works and borrows for periods between two and twenty years. Council's debt consists of fixed rate loans following the debt restructure initiated by QTC in April 2016 and is recorded in the financial management system at book value.

Council makes annual debt repayments in advance to support the policy position of reducing the community's debt when cash balances are sufficient to fund works without increasing liabilities, while reducing the interest expense associated with the borrowings. As debt was borrowed when interest rates were higher, and Council's conservative policy position of investing to protect capital, the current cost of debt is higher than the returns on investments.

The following chart illustrates Council's current risk appetite for debt balances over the life of this financial plan although a review is undertaken of this policy position on an annual basis when updating the Debt Policy and this Strategy.



In relation to the ten-year financial forecasting model, debt management will be monitored to ensure affordability and support the achievement of the financial sustainability targets. Management attention will continue in the following areas:

- capital project prioritisation in conjunction with Council's Capital Portfolio Prioritisation Administrative Directive – due to the requirement to be able to identify capital projects that have the ability to be debt funded

- net debt position – Council has adopted the policy position to utilise cash balances and constrained cash reserves where applicable and appropriate although is mindful of the impacts on the net debt position
- borrowing for intergenerational investment – Council has borrowings forecast in the life of the Strategy. Council frequently reviews its borrowing requirements and can change this policy position to suit business and community needs in line with the borrowing application timeframes of the Department.

The second largest liability on Council's balance sheet is the landfill rehabilitation provision. Council has an obligation to maintain the closed landfills in the city and the liability is calculated from a ten-year model that forecasts the future works. The calculation to determine the provision is carried out in accordance with the *Australian Accounting Standards Board (AASB) 137 – Provisions, Contingent Liabilities and Contingent Assets*.

Council also accounts for the annual leave and long service leave benefits that will be required to be paid out to officers following seven years' service. The annual calculation to determine this provision is in accordance with *AASB 119 Employee Benefits*.

6.2 Liabilities Management Policy Statements

6.2.1 Debt Policy Statement

The objective of Council's Debt Policy is to ensure the sound management of Council's existing and future debt after assessing and minimising all associated risks in accordance with this Strategy.

6.2.2 Landfill Rehabilitation Policy Statement

Council levies a Landfill Remediation Separate Charge. Its policy position is to commit to long term funding for the remediation of all closed landfills and manage financial, safety and environmental risks to meet statutory requirements and provide a community benefit.

6.2.3 Employee Benefits Policy Statement

With respect to employee provisions, Council complies with the Australian Accounting Standards and ensures a liability is recognised for employees' services. Of note, annual leave is classified as a payable and long service leave is recorded as a provision.

6.3 Liabilities Management Policy Guidelines

The Strategy has adopted the following approaches in relation to debt management:

- actual borrowings are subject to the maintenance of approved financial ratios and targets
- borrow only where the interest and debt principal repayments can be serviced
- borrowings will only be for capital works, never recurrent expenditure and will be restricted to funding works relating to risk management, asset management or intergenerational projects
- effectively manage its risks, and ensure risks undertaken are reasonable and necessary
- effectively manage its exposure to unfavourable interest rate changes
- Council will continue to underpin debt with specific jobs and work programs that have been undertaken in the same financial year and will not use debt for general funding purposes
- regularly engage QTC for independent advice on financial sustainability.

With respect to the landfill rehabilitation provision, Council considers the following:

- environmental monitoring, site investigations, minor works, maintenance, design and major capping works are included in the programs for closed landfill rehabilitation
- economies of scale will be considered in addition to cross Council capital and operational planning
- all expenditure from the separate charge will be within scope, i.e. for closed landfill rehabilitation

- risk reduction and legislative compliance will form the basis for expenditure decisions.

6.4 Key Risks, Issues and Mitigation Strategies

The Strategy has identified the following opportunities and risks in relation to liabilities management which have been assessed in accordance with Council's adopted Enterprise Risk Management Framework.

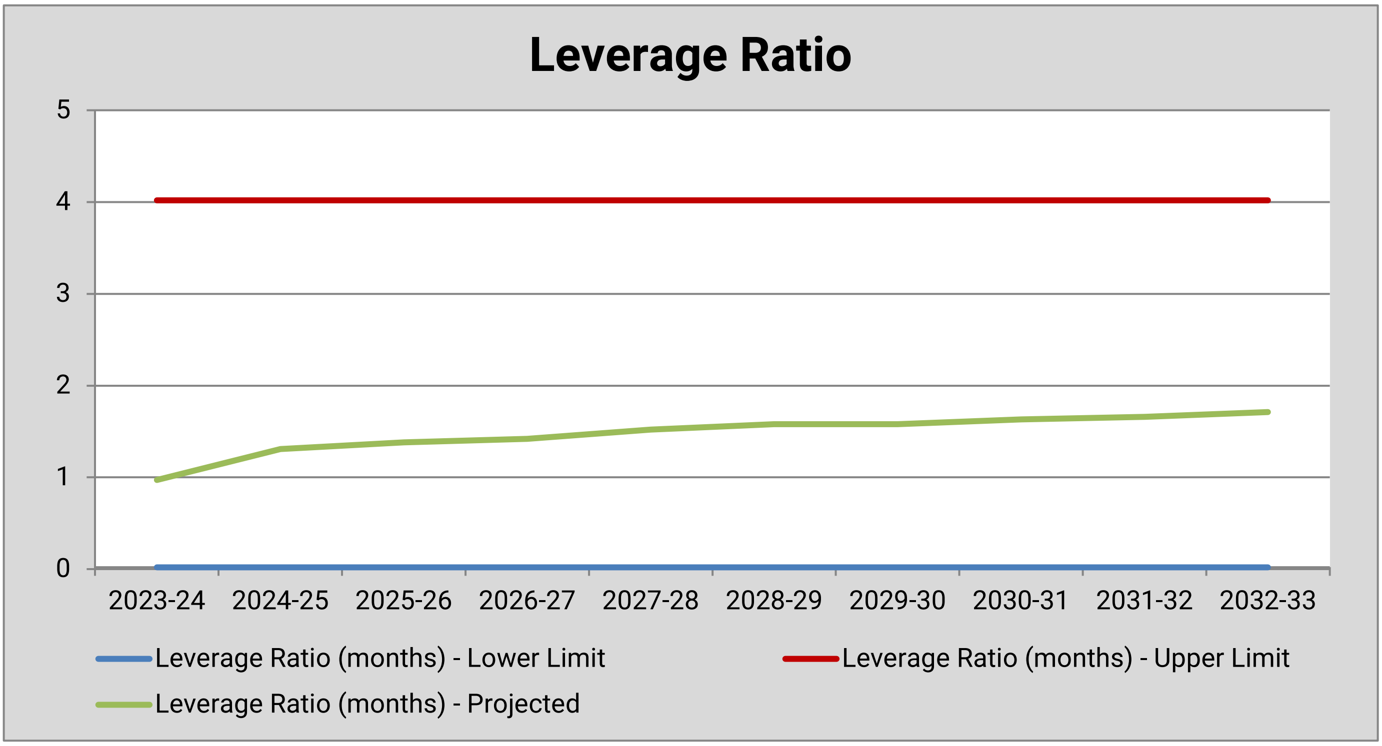
Opportunity	Likelihood	Consequence	Rating
Continued strategic borrowing programs for identified intergenerational projects	Almost Certain	Medium	**High**
Technology improvements, economies of scale or efficiencies reduce the costs associated with closed landfill rehabilitation	Possible	Medium	**Medium**

Risk	Likelihood	Consequence	Rating
Asset management planning identifies a growing infrastructure backlog that requires multiple sources of funding (grants and subsides, debt etc.)	Likely	Medium	**High**
Contingent liabilities not fully covered by insurance	Possible	Low	**Medium**
Higher reliance on debt to fund capital investment due to insufficient operating cashflows	Rare	Low	**Low**
Inability to satisfy short and long-term obligations (trade payables and borrowings)	Rare	Medium	**Low**

In order to mitigate the above risks or explore the opportunities, the following projects and actions continue across Council:

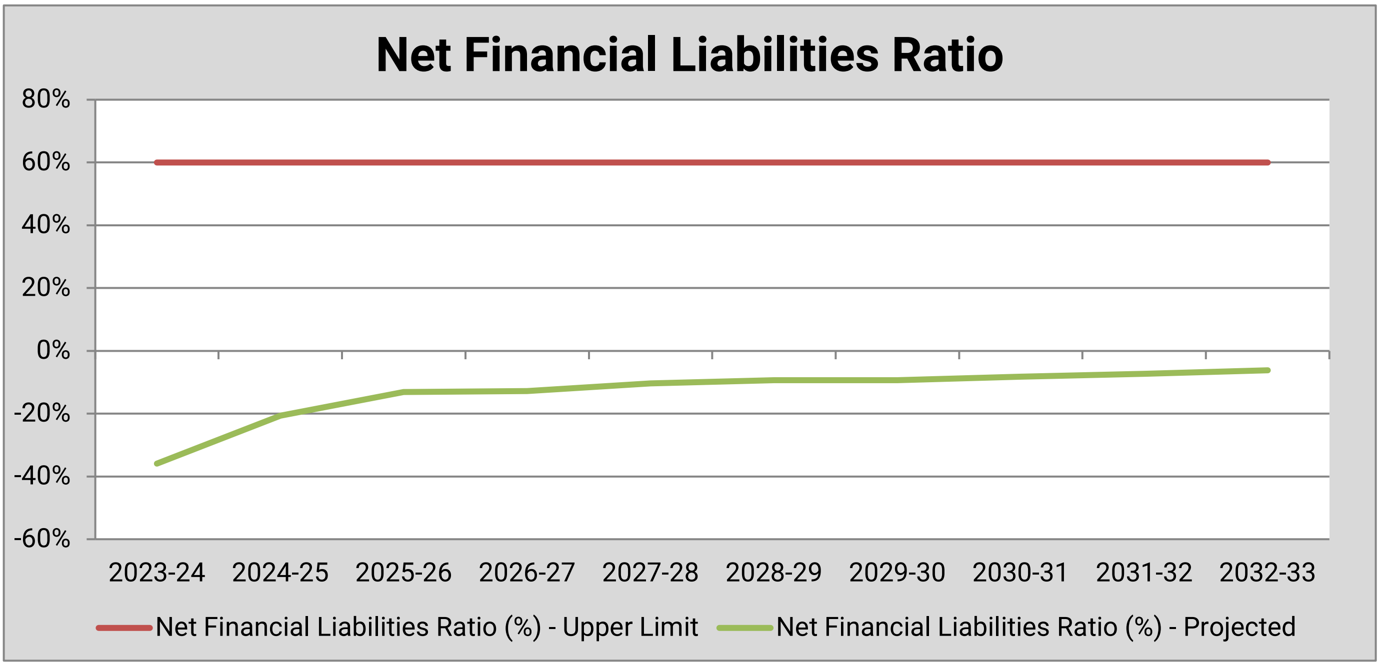
- continue to integrate Council's ten-year capital program with the long-term financial plan
- investigate capitalising interest expense for qualifying assets
- conduct timely reviews on Council's debt policy and optimise long term financial forecasts and capital investment to ensure that borrowing decisions are financially sustainable
- continue to partner with QTC in undertaking credit/sustainability reviews or similar where practicable to ensure current budgeting, forecasting and financing assumptions and parameters are reasonable.

6.5 Key Performance Information



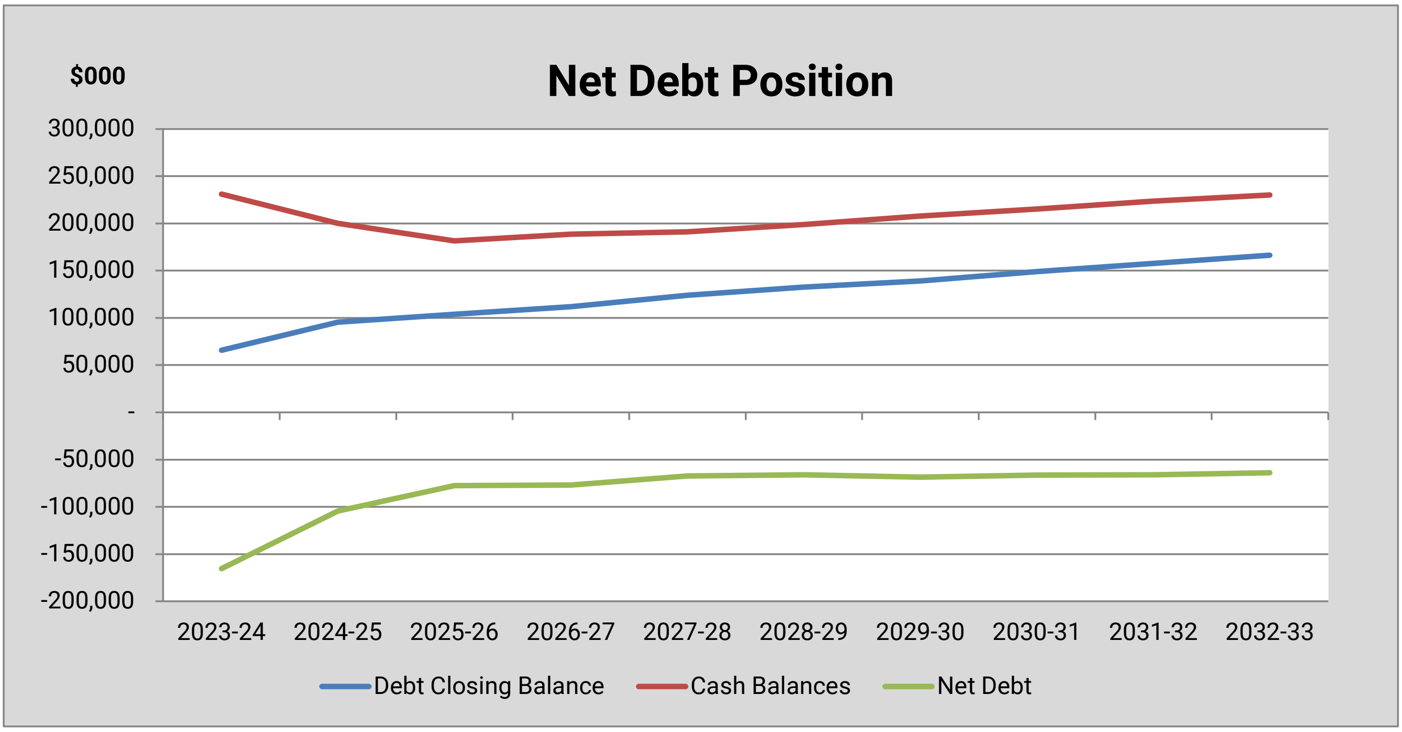
The above graph illustrates the Leverage Ratio and demonstrates Council can adequately service principal and interest payments associated with borrowings.

The following chart evidences Council's ability to fund its net financial liabilities from recurrent revenues. Council's balance sheet is very healthy with respect to working capital (current assets minus current liabilities). The Net Financial Liabilities ratio also considers the non-current liabilities in addition to current liabilities and subtracts the current assets before considering this amount as a percentage of total operating revenue.



Council's asset base is in the order of $3.13 billion and the prudent application of debt is being used to fund intergenerational assets that meet the criteria set out in Council's Debt Policy.

In addition to the aforementioned measures and key performance indicators, Council is aware of its net debt position. Net debt is calculated as total debt (current plus non-current) minus cash and cash equivalents. The net debt measure is a factor in considered QTC sustainability reviews and is stated as a risk due to Council's commitment to utilise surplus cash balances and constrained cash reserves. If debt exceeds cash at any time, this is a signal for review, although not necessarily a major concern provided Council can still service the debt.



7. Equity Management

7.1 Background

Community equity on Council's Statement of Financial Position comprises:

- asset revaluation surplus
- retained earnings (profits from previous years)
- constrained cash reserves.

As mentioned previously, constrained cash reserves are monies that have been received for a particular purpose and can be from sources including special charges, developer contributions or grants, contributions or donations. These reserves are reconciled and reported on a monthly basis.

7.2 Equity Management Policy Statement

Council's utilisation of the asset revaluation surplus is in accordance with the Australian Accounting Standards.

Council holds the following policy position with respect to reserves:

- funds are only restricted for current or future planned expenditure
- reserves will not exceed cash balances at the end of each financial year.

7.3 Equity Management Policy Guidelines

The Strategy has adopted the following approaches in relation to equity management:

- community equity will always be budgeted to grow from one year to the next, even in the case of one off operational deficits – i.e. when operating deficits are forecast, capital revenue streams will be sourced to ensure community equity continues to grow
- expenditure will be funded from grants and subsidies and/or reserves before unrestricted cash and borrowings are considered.

8. Implementation and Linkage

8.1 Background

Council reviews its LTFF annually in accordance with the *Local Government Regulation 2012*. Typically, the long-term financial strategy is implemented for year one through the annual budget development process. The 2023-2033 Financial Strategy has been updated as part of the 2023-24 annual budget process to ensure the key performance indicators and measures of sustainability are current and within acceptable levels prior to budget adoption. Following annual budget adoption, the ten-year forecast is also updated following each formal budget review to ensure understanding of in-year decisions on the long-term sustainability of Council.

8.2 Implementation and Linkage

The implementation of each element of the Strategy is through the broader financial management system. Council utilises its key financial policies to implement strategic direction in the asset, debt, investment, procurement, revenue and capital works sectors.

We will implement the Strategy:

- over ten years to ensure that the Strategy objectives can be achieved in a financially sustainable way and that these can be delivered in an effective and efficient manner
- through the delivery of operational and capital programs which are aligned with Corporate Plan objectives. Through the PMO, significant capital and operational projects will be subject to rigorous business cases and prioritisation to ensure that the alignment is applied consistently before they are included in future spending plans
- by continuing with rating reform which is provided in a separate policy document, however the intent is to:
    - ensure that the rating system is simplified and is understood by the community
    - that the Revenue Policy reflects the capacity of the property to generate revenue for owners
    - limiting increases in residential rates generally in line with the Consumer Price Index (CPI)
- through continued integration between asset management and procurement planning with financial planning which will ensure that spending on community assets will be clearly defined and in accordance with sound asset management and procurement practices
- by adhering to a sustainable borrowing policy which may see increases in affordable borrowings over the medium-term aimed at supporting capital spending in accordance with the Strategy objectives.

8.3 Implementation Control and Issues

From an operational perspective, the implementation of the Strategy is an opportunity to unite the organisation in its financial management. The Operational Leadership Group (middle, senior and executive managers) meets frequently to discuss congruence between operational works and strategic goals.

Council utilises scorecards to monitor performance against many strategies, required outcomes from the Financial Strategy are included in these scorecards. Through its monthly financial reports, formal budget reviews and associated variance analysis, financial workshops and Audit and Risk Management Committee, Council also continuously:

- challenges assumptions within the Strategy

- reviews the financial stability and measures of financial sustainability targets
- reviews the key performance indicators for appropriateness
- benchmarks performance against comparable local governments.

Council continues to implement business intelligence software which will provide budget managers and owners with another tool to assess performance against the Strategy.

With respect to issues, Council continues to review its Activity Based Costing (ABC) methodologies and corporate overhead allocation. These two fundamental areas ensure connection between operational decisions and strategic intent. Additionally, Council is cascading financial targets further down the organisation to ensure entity level targets and line items are achieved in an efficient manner and not through 'across the board' reductions where practicable. Each budget development process is iterative by nature to ensure the final position is financially sustainable. Through better costing, corporate overhead allocations, target allocations, and business intelligence improvements, the number of iterations should decrease to drive efficiencies in the way Council implements its Financial Strategy.

9. Commercial Opportunities

9.1 Background

Every year as part of its budget development process, Council reviews its Revenue Policy. The current policy highlights the overarching position we presently hold:

In order to minimise price increases on residents through the general rate, Council is committed to exploring additional or alternative revenue streams through the establishment of business activities under the National Competition Policy framework where this is appropriate and in accordance with policy.

In doing this the following principles will be considered:

- *Council will comply with the Act's and Regulation's requirements in relation to the application of the competitive neutrality principle to significant business activities, and the code of competitive conduct where applicable.*
- *The adoption of a business activity recognises the activity is conducted, or has the potential to be conducted, in competition with the private sector giving greater transparency to the community over the activity and clarity of the revenue stream.*
- *The determination of the standard and quality of each business activity required is based upon community/customer expectations and achieving best value for money, irrespective of whether the service is delivered by an internal or external provider.*
- *By concentrating upon outcomes rather than processes, service specification is likely to encourage innovation and new solutions to meeting the needs and expectations of the community and customers.*

Where possible, Council will seek to supplement revenue through application for external grants and subsidies. Every opportunity will be taken to maximise revenue in support of capital and operational spending. External funding, however, must be strategically targeted and in alignment with community and corporate objectives.

9.2 Policies associated with Commercial Businesses

Council maintains current policies to support the decision making process with respect to commercial businesses:

- Application of Dividends and Tax Equivalent Payments
- Dividend Policy – Significant and Prescribed Business Activities
- Competitive Neutrality Complaint Process
- Community Service Obligation.

Industry specific policies include but are not limited to:

- Pressure Sewerage System
- Trade Waste
- Waste Management and Resource Recovery.

9.3 Redland Investment Corporation and its Subsidiaries

Council continues to look for ways to minimise increases to rates and charges as well as strengthening its financial position. In 2015, Council established Redland Investment Corporation (RIC), an independent company set up with the objective to investigate and create alternative streams of revenue for Council. The ownership of a number of assets has been transferred from Council to RIC since this time.

RIC also manages some of Council's underutilised land with an objective to improve the use or gain best value for these assets that do not meet the Redland Open Space Strategy. RIC also has in place a service level agreement with Council to act as the preferred commercial consultant for the Priority Development Area (PDA) projects. RIC operates under the *Local Government Act 2009* and the *Corporations Act 2001*.

9.4 Existing Commercial Opportunities

Council currently has two commercial business units, namely:

- City Water
- City Waste.

The two units adhere to the requirements of the *Local Government Act 2009,* the *Local Government Regulation 2012* and the Local Government Tax Equivalents Regime (LGTER) in addition to heads of power relevant for their particular industries. Financial accounting, budget development and reporting for the commercial business units consider the Code of Competitive Conduct, Competitive Neutrality Principles, Pricing Provisions, Community Service Obligations (subsidies) and also Full Cost Pricing in addition to the standard considerations undertaken by officers and Councillors.

During each annual budget development process, specific workshops are allocated to the commercial businesses where the financial modelling and outputs (financial statements and long-term price paths) are considered in detail alongside the aforementioned statutory requirements. Additionally, each commercial business unit compiles an Annual Performance Plan.

Council's budget adoption and formal reviews outline the impacts to the two commercial businesses through the inclusion of operating and capital funding statements at the commercial business level. Council's long-term financial modelling at entity level includes specific parameters and assumptions for the commercial businesses to ensure congruence and alignment in financial management.

9.5 Redlands Priority Development Areas

Priority Development Areas (PDA) are products of the *Economic Development Act 2012* which facilitates economic development across Queensland. Both Cleveland (Toondah Harbour) and Redland Bay (Weinam Creek) were designated Priority Development Areas by the Queensland Government with the desired outcome to promote transport, tourism and businesses within Redland City.

9.6 Key Risks, Issues and Mitigation Strategies

The Strategy has identified the following opportunities and risks in relation to commercial opportunities which have been assessed in accordance with Council's adopted Enterprise Risk Management Framework.

Opportunity	Likelihood	Consequence	Rating
Demand to live in Redland City – official government modelling anticipates by 2061 the population will grow from 22.7 million (2012) to 48.3 million	Likely	Medium	**High**
Council's advocacy and ongoing education on recycle, re-use and reduce waste will provide long-term economic, social, and environmental benefits. SEQ councils regional waste alliance will promote the circular economy and generate jobs, improve the economy, increase accessibility to goods and maximise the value of resources	Likely	Medium	**High**
2032 Olympics drives a broader infrastructure investment, particularly transportation; contributes to Redland Coast and the region tourism; yields an increase in private investment or private/public partnerships across the region	Likely	Medium	**High**
Emphasis must be given to owning property only when it makes commercial sense, and to dispose of any surplus property at current market value	Possible	Medium	**Medium**

Risk	Likelihood	Consequence	Rating
Strategies, visions and master plans do not necessarily materialise due to competition for scarce resources	Possible	Low	**Medium**
Diminished commercial opportunities resulting from lasting effects of the COVID-19 pandemic and perceived roadblocks in Council planning process	Possible	Low	**Medium**
Reputation Risk - Council disposing of land that the community values and would like to retain	Unlikely	Low	**Low**
Current forecasts of gain on sale of developed land may not eventuate due to changes in market conditions	Unlikely	Low	**Low**

In order to mitigate the above risks or explore the opportunities, the following projects and actions continue across Council:

- Council will continue to demand prudency and efficiency in all decisions made by its existing commercial businesses City Water and City Waste
- Council will continue to apply national competition principles to ensure commercial business activities are competitive and provide a return on Council's investment
- Council's commercial decision-making will be guided by comprehensive business cases that identity opportunities, viability of options, project implications, and access opportunities and risks in order to provide best value for money outcomes
- Council will investigate available commercial opportunities underpinned by the four pillars of sustainability – social, economic, governance and environment (*Our Future Redlands – A Corporate Plan to 2026 and Beyond*)
- collaborate with all tiers of government and the private sector to develop sustainable and scalable commercialised solutions
- ensure that development outcomes are continually monitored and understood and planning scheme amendments are effectively and efficiently undertaken.

10. Appendices

10.1 Long-Term Financial Forecast Statements

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF COMPREHENSIVE INCOME	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
Recurrent revenue										
Rates charges	124,613	132,318	139,271	146,037	152,115	158,328	164,556	170,416	176,256	182,096
Levies and utility charges	186,457	199,943	210,644	220,213	228,900	237,703	246,680	255,745	265,922	274,482
Less: Pensioner remissions and rebates	(3,638)	(3,862)	(4,062)	(4,252)	(4,419)	(4,590)	(4,761)	(4,923)	(5,086)	(5,249)
Fees	18,526	19,423	20,428	21,142	21,951	22,865	23,816	24,806	25,838	26,913
Rental income	1,075	1,139	1,194	1,237	1,268	1,300	1,332	1,366	1,400	1,435
Interest received	11,796	9,538	8,033	7,009	6,704	6,453	6,760	6,993	7,280	7,529
Sales revenue	4,982	5,279	5,533	5,735	5,878	6,025	6,176	6,330	6,489	6,651
Other income	847	898	941	976	1,000	1,025	1,051	1,077	1,104	1,131
Grants, subsidies and contributions	10,914	10,882	9,055	9,506	9,550	9,596	9,222	8,755	9,518	10,251
Total recurrent revenue	**355,572**	**375,557**	**391,037**	**407,603**	**422,948**	**438,705**	**454,831**	**470,564**	**488,720**	**505,239**
Capital revenue										
Grants, subsidies and contributions	41,307	27,666	22,408	29,458	22,580	21,499	21,806	20,340	18,986	18,152
Non-cash contributions	12,230	99,788	31,594	16,273	11,461	11,060	11,279	19,372	19,242	8,939
Total capital revenue	**53,537**	**127,454**	**54,002**	**45,731**	**34,041**	**32,559**	**33,085**	**39,712**	**38,228**	**27,091**
TOTAL INCOME	**409,109**	**503,011**	**445,039**	**453,334**	**456,988**	**471,263**	**487,916**	**510,275**	**526,947**	**532,330**
Recurrent expenses										
Employee benefits	108,385	112,720	117,229	120,160	123,164	126,243	129,399	132,634	135,950	139,349
Materials and services	171,662	183,448	190,656	200,703	209,779	219,824	228,332	237,153	248,156	258,345
Finance costs	2,690	3,481	4,851	5,370	5,847	6,437	6,892	7,250	7,784	8,223
Depreciation and amortisation	75,188	75,561	78,274	81,181	82,947	85,418	88,629	91,362	94,401	95,918
Other expenditure	546	580	610	637	658	680	701	723	744	766
Net internal costs	(796)	(846)	(890)	(929)	(960)	(991)	(1,023)	(1,054)	(1,085)	(1,117)
Total recurrent expenses	**357,674**	**374,944**	**390,730**	**407,122**	**421,435**	**437,609**	**452,930**	**468,068**	**485,950**	**501,484**
Capital expenses										
(Gain) / loss on disposal of non-current assets	289	-	-	-	-	-	-	-	-	-
Total capital expenses	**289**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL EXPENSES	**357,963**	**374,944**	**390,730**	**407,122**	**421,435**	**437,609**	**452,930**	**468,068**	**485,950**	**501,484**
NET RESULT	**51,145**	**128,067**	**54,309**	**46,213**	**35,553**	**33,654**	**34,986**	**42,208**	**40,998**	**30,846**
Other comprehensive income/(loss)										
Items that will not be reclassified to a net result										
Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**51,145**	**128,067**	**54,309**	**46,213**	**35,553**	**33,654**	**34,986**	**42,208**	**40,998**	**30,846**

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF FINANCIAL POSITION	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
CURRENT ASSETS										
Cash and cash equivalents	231,077	200,027	181,520	188,734	191,202	198,729	207,701	215,371	223,616	230,159
Short-term investment	10,122	10,122	10,122	10,122	10,122	10,122	10,122	10,122	10,122	10,122
Trade and other receivables	48,805	51,954	54,202	56,517	58,379	60,626	62,693	64,738	66,816	69,242
Inventories	918	918	918	918	918	918	918	918	918	918
Other current assets	4,397	4,397	4,397	4,397	4,397	4,397	4,397	4,397	4,397	4,397
Total current assets	**295,319**	**267,419**	**251,159**	**260,688**	**265,019**	**274,792**	**285,831**	**295,547**	**305,870**	**314,839**
NON-CURRENT ASSETS										
Investment property	1,293	1,293	1,293	1,293	1,293	1,293	1,293	1,293	1,293	1,293
Property, plant and equipment	2,893,904	3,072,642	3,153,408	3,198,920	3,242,570	3,278,599	3,312,221	3,358,064	3,401,495	3,436,721
Intangible assets	635	872	1,108	1,444	1,807	2,173	2,501	2,867	3,215	3,646
Right-of-use assets	3,103	2,325	1,761	1,577	1,392	1,208	1,024	880	736	592
Other financial assets	73	73	73	73	73	73	73	73	73	73
Investment in other entities	12,657	12,657	12,657	12,657	12,657	12,657	12,657	12,657	12,657	12,657
Total non-current assets	**2,911,665**	**3,089,862**	**3,170,300**	**3,215,964**	**3,259,792**	**3,296,003**	**3,329,768**	**3,375,834**	**3,419,468**	**3,454,982**
TOTAL ASSETS	**3,206,984**	**3,357,281**	**3,421,459**	**3,476,652**	**3,524,810**	**3,570,795**	**3,615,599**	**3,671,381**	**3,725,338**	**3,769,821**
CURRENT LIABILITIES										
Trade and other payables	46,847	49,777	51,401	53,943	56,193	59,151	61,444	63,867	66,830	69,888
Borrowings - current	5,209	5,763	4,381	4,087	4,759	5,372	5,964	6,693	7,471	8,298
Lease liability - current	1,044	677	189	193	198	202	160	164	167	28
Provisions - current	17,573	13,255	14,843	14,798	12,728	12,696	12,714	12,793	12,778	12,814
Other current liabilities	11,632	11,928	12,181	12,382	12,525	12,671	12,821	12,975	13,133	13,294
Total current liabilities	**82,305**	**81,399**	**82,995**	**85,403**	**86,402**	**90,091**	**93,103**	**96,491**	**100,380**	**104,321**
NON-CURRENT LIABILITIES										
Borrowings - non-current	60,917	89,776	99,520	107,935	119,169	127,216	133,144	142,343	150,174	158,165
Lease liability - non-current	2,582	2,273	2,571	2,373	2,172	1,966	1,847	1,679	1,508	1,620
Provisions	16,743	16,348	14,580	12,934	13,506	14,307	15,304	16,458	17,869	19,460
Other non-current liabilities	5,020	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**85,261**	**108,397**	**116,671**	**123,242**	**134,847**	**143,489**	**150,295**	**160,481**	**169,551**	**179,246**
TOTAL LIABILITIES	**167,567**	**189,796**	**199,666**	**208,645**	**221,250**	**233,580**	**243,398**	**256,972**	**269,931**	**283,567**
NET COMMUNITY ASSETS	**3,039,417**	**3,167,484**	**3,221,794**	**3,268,007**	**3,303,561**	**3,337,215**	**3,372,201**	**3,414,409**	**3,455,407**	**3,486,254**
COMMUNITY EQUITY										
Asset revaluation surplus	1,225,400	1,225,400	1,225,400	1,225,400	1,225,400	1,225,400	1,225,400	1,225,400	1,225,400	1,225,400
Retained surplus	1,701,576	1,849,644	1,923,953	1,971,166	2,007,720	2,042,374	2,078,361	2,121,568	2,163,567	2,195,413
Constrained cash reserves	112,441	92,441	72,441	71,441	70,441	69,441	68,441	67,441	66,441	65,441
TOTAL COMMUNITY EQUITY	**3,039,417**	**3,167,484**	**3,221,794**	**3,268,007**	**3,303,561**	**3,337,215**	**3,372,201**	**3,414,409**	**3,455,407**	**3,486,254**

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF CASH FLOWS	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	330,713	350,843	370,246	387,543	403,507	419,051	435,327	451,261	468,444	483,595
Payments to suppliers and employees	(287,755)	(298,683)	(307,186)	(320,769)	(332,958)	(343,120)	(355,214)	(366,935)	(380,564)	(393,843)
	42,958	**52,160**	**63,060**	**66,774**	**70,549**	**75,931**	**80,113**	**84,326**	**87,880**	**89,752**
Interest received	11,796	9,538	8,033	7,009	6,704	6,453	6,760	6,993	7,280	7,529
Rental income	1,075	1,130	1,187	1,232	1,265	1,295	1,328	1,361	1,396	1,430
Non-capital grants and contributions	10,884	10,882	9,285	9,449	9,548	9,587	9,269	8,814	9,425	10,155
Borrowing costs	(1,323)	(2,389)	(3,726)	(4,216)	(4,668)	(5,232)	(5,661)	(5,992)	(6,498)	(6,908)
Right-of-use assets interest expense	(100)	(79)	(63)	(51)	(47)	(42)	(38)	(34)	(30)	(27)
Net cash inflow/(outflow) from operating activities	**65,290**	**71,242**	**77,776**	**80,197**	**83,351**	**87,991**	**91,772**	**95,469**	**99,453**	**101,931**
CASH FLOWS FROM INVESTING ACTIVITIES										
Payments for property, plant and equipment	(135,719)	(154,990)	(127,897)	(111,593)	(116,078)	(111,170)	(112,241)	(118,648)	(119,432)	(123,422)
Payments for intangible assets	-	(521)	(181)	(444)	(512)	(437)	(528)	(511)	(637)	(611)
Proceeds from sale of property, plant and equipment	1,443	1,541	961	1,467	1,277	1,039	1,653	1,104	1,277	1,541
Capital grants, subsidies and contributions	41,307	27,666	22,408	29,458	22,580	21,499	21,806	20,340	18,986	18,152
Other cash flows from investing activities	-	(4,724)	253	201	143	146	150	154	158	162
Net cash inflow/(outflow) from investing activities	**(92,970)**	**(131,028)**	**(104,456)**	**(80,911)**	**(92,591)**	**(88,924)**	**(89,159)**	**(97,562)**	**(99,649)**	**(104,178)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from borrowings	20,159	33,877	14,123	12,500	15,991	13,417	11,890	15,890	15,300	16,287
Repayment of borrowings	(3,960)	(4,464)	(5,761)	(4,379)	(4,085)	(4,757)	(5,370)	(5,962)	(6,691)	(7,469)
Right-of-use lease payments	(1,144)	(677)	(189)	(193)	(198)	(202)	(160)	(164)	(167)	(28)
Net cash inflow/(outflow) from financing activities	**15,055**	**28,736**	**8,172**	**7,928**	**11,709**	**8,458**	**6,360**	**9,764**	**8,442**	**8,790**
Net increase/(decrease) in cash held	**(12,625)**	**(31,049)**	**(18,508)**	**7,214**	**2,469**	**7,526**	**8,972**	**7,671**	**8,245**	**6,543**
Cash and cash equivalents at the beginning of the year	243,701	231,077	200,027	181,520	188,734	191,202	198,729	207,701	215,371	223,616
Cash and cash equivalents at the end of the year	**231,077**	**200,027**	**181,520**	**188,734**	**191,202**	**198,729**	**207,701**	**215,371**	**223,616**	**230,159**

LONG-TERM FINANCIAL FORECAST - PROJECTED OPERATING STATEMENT	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
Revenue										
Rates charges	124,613	132,318	139,271	146,037	152,115	158,328	164,556	170,416	176,256	182,096
Levies and utility charges	186,457	199,943	210,644	220,213	228,900	237,703	246,680	255,745	265,922	274,482
Less: Pensioner remissions and rebates	(3,638)	(3,862)	(4,062)	(4,252)	(4,419)	(4,590)	(4,761)	(4,923)	(5,086)	(5,249)
Fees	18,526	19,423	20,428	21,142	21,951	22,865	23,816	24,806	25,838	26,913
Operating grants and subsidies	10,006	9,914	8,034	8,434	8,434	8,434	8,014	7,504	8,224	8,914
Operating contributions and donations	908	968	1,021	1,072	1,117	1,162	1,208	1,251	1,294	1,337
Interest external	11,796	9,538	8,033	7,009	6,704	6,453	6,760	6,993	7,280	7,529
Other revenue	6,904	7,316	7,667	7,948	8,146	8,350	8,559	8,773	8,992	9,217
Total revenue	**355,572**	**375,557**	**391,037**	**407,603**	**422,948**	**438,705**	**454,831**	**470,564**	**488,720**	**505,239**
Expenses										
Employee benefits	108,385	112,720	117,229	120,160	123,164	126,243	129,399	132,634	135,950	139,349
Materials and services	171,662	183,448	190,656	200,703	209,779	219,824	228,332	237,153	248,156	258,345
Finance costs other	947	1,014	1,063	1,103	1,132	1,162	1,193	1,224	1,256	1,288
Other expenditure	546	580	610	637	658	680	701	723	744	766
Net internal costs	(796)	(846)	(890)	(929)	(960)	(991)	(1,023)	(1,054)	(1,085)	(1,117)
Total expenses	**280,744**	**296,916**	**308,668**	**321,674**	**333,774**	**346,917**	**358,602**	**370,680**	**385,021**	**398,631**
Earnings before interest, tax and depreciation	**74,828**	**78,642**	**82,369**	**85,929**	**89,174**	**91,788**	**96,229**	**99,884**	**103,699**	**106,608**
Interest expense - external	1,743	2,468	3,788	4,267	4,714	5,275	5,699	6,026	6,528	6,935
Depreciation and amortisation	75,188	75,561	78,274	81,181	82,947	85,418	88,629	91,362	94,401	95,918
Operating Surplus/(Deficit)	**(2,103)**	**613**	**307**	**481**	**1,513**	**1,095**	**1,901**	**2,496**	**2,770**	**3,755**

LONG-TERM FINANCIAL FORECAST - PROJECTED CAPITAL FUNDING STATEMENT	Year 1 2023-24 $000	Year 2 2024-25 $000	Year 3 2025-26 $000	Year 4 2026-27 $000	Year 5 2027-28 $000	Year 6 2028-29 $000	Year 7 2029-30 $000	Year 8 2030-31 $000	Year 9 2031-32 $000	Year 10 2032-33 $000
Proposed sources of capital funding										
Capital contributions and donations	22,897	18,727	20,600	28,508	21,629	20,548	20,855	19,389	18,035	17,201
Capital grants and subsidies	18,410	8,939	1,808	951	951	951	951	951	951	951
Proceeds on disposal of non-current assets	1,443	1,541	961	1,467	1,277	1,039	1,653	1,104	1,277	1,541
Capital transfers (to) from reserves	9,290	20,000	20,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Non-cash contributions	12,230	99,788	31,594	16,273	11,461	11,060	11,279	19,372	19,242	8,939
New loans	20,159	33,877	14,123	12,500	15,991	13,417	11,890	15,890	15,300	16,287
Funding from general revenue	68,304	77,568	76,537	72,185	80,025	79,612	81,950	86,952	90,365	94,549
Total sources of capital funding	**152,733**	**260,440**	**165,623**	**132,883**	**132,333**	**127,626**	**129,578**	**144,657**	**146,170**	**140,469**
Proposed application of capital funds										
Contributed assets	12,230	99,788	31,594	16,273	11,461	11,060	11,279	19,372	19,242	8,939
Capitalised goods and services	127,037	143,070	117,832	103,075	107,263	102,679	103,747	109,627	110,464	114,110
Capitalised employee costs	8,683	12,441	10,246	8,963	9,327	8,929	9,021	9,533	9,606	9,923
Loan redemption	4,784	5,141	5,951	4,572	4,282	4,959	5,530	6,126	6,858	7,497
Total application of capital funds	**152,733**	**260,440**	**165,623**	**132,883**	**132,333**	**127,626**	**129,578**	**144,657**	**146,170**	**140,469**
Other budgeted items										
Transfers to constrained operating reserves	(23,277)	(23,859)	(24,456)	(25,067)	(25,694)	(26,336)	(26,994)	(27,669)	(28,361)	(29,070)
Transfers from constrained operating reserves	19,617	23,859	24,456	25,067	25,694	26,336	26,994	27,669	28,361	29,070
Written down value (WDV) of assets disposed	1,731	1,541	961	1,467	1,277	1,039	1,653	1,104	1,277	1,541

10.2 Glossary – Financial Sustainability Measures

Measure	Formula	
Council Controlled Revenue Ratio: *This is an indicator of a council's financial flexibility, ability to influence its operating income, and capacity to respond to unexpected financial shocks*	Net Rates, Levies and Charges add Fees and Charges / Total Operating Revenue	
Population Growth Ratio: *This is a key driver of a council's operating income, service needs, and infrastructure requirements into the future*	Prior year estimated population / Previous year estimated population	-1
Operating Surplus Ratio: *This is an indicator of the extent to which operating revenues generated cover operational expenses. Any operating surplus would be available for capital funding or other purposes*	Operating Result / Total Operating Revenue	
Operating Cash Ratio: *This is a measure of a council's ability to cover its core operational expenses and generate a cash surplus excluding depreciation, amortisation, and finance costs*	Operating Result add Depreciation and Amortisation add Finance costs * / Total Operating Revenue	
Unrestricted Cash Expense Cover Ratio: *This is an indicator of the unconstrained liquidity available to a council to meet ongoing and emergent financial demands, which is a key component to solvency. It represents the number of months a council can continue operating based on current monthly expenses*	Total Cash and Equivalents add Current Investments add Available Ongoing QTC Working Capital Facility Limit, less Externally Restricted Cash / Total Operating Expenditure, less Depreciation and Amortisation less Finance Costs	*12
Asset Sustainability Ratio: *The asset sustainability ratio approximates the extent to which the infrastructure assets managed by a council are being replaced as they reach the end of their useful lives*	Capital Expenditure on Replacement of Infrastructure Assets (Renewals) / Depreciation Expenditure on Infrastructure Assets	
Asset Consumption Ratio: *The asset consumption ratio approximates the extent to which council's infrastructure assets have been consumed to what it would cost to build a new asset with the same benefit to the community*	Written Down Replacement Cost of Depreciable Infrastructure Assets / Current Replacement Cost of Depreciable Infrastructure Assets	
Asset Renewal Funding Ratio: *The asset renewal funding ratio measures the ability of a council to fund its projected asset renewal/replacements in the future*	Total of Planned Capital Expenditure on Asset Renewals over 10 years / Total of Required Capital Expenditure on Asset Renewals over 10 years	
Leverage Ratio: *The leverage ratio is an indicator of a council's ability to repay its existing debt. It measures the relative size of the council's debt to its operating performance*	Book Value of Debt ** / Total Operating Revenue, less Total Operating Expenditure add Depreciation and Amortisation	
Net Financial Liabilities Ratio: *This is an indicator of the extent to which the net financial liabilities of Council can be serviced by operating revenues*	Total Liabilities - Current Assets / Total Operating Revenue	

* Finance costs only includes interest charged on a local government's existing Queensland Treasury Corporation's debt balance.
** Book Value of Debt in this calculation excludes Right-of-Use lease liabilities.

Disclaimer

While every care has been taken in preparing this publication, Redland City Council accepts no responsibility for decisions or actions taken as a result of any data, information, statement or advice, expressed or implied, contained within. To the best of our knowledge the content was correct at the time of publishing.