Redland City Council

Financial Sustainability Report

2025–2026

Glossary

Assets: Resources owned by an individual or business that have economic value, such as cash, property, or investments.

Budget: A financial plan outlining expected income and expenses over a specific period.

Capital Expenditure: Costs incurred to acquire or upgrade long-life assets and infrastructure - such as roads, buildings and equipment - that deliver community benefits for many years.

Consumer Price Index (CPI): This is a key inflation measure, measuring the average change over time in the prices paid for goods and services.

Depreciation: The gradual reduction in the value of an asset over time due to wear and tear, usage or impacts from assets naturally ageing.

Dividends: Payments made to shareholders from a company's profits. Council CPI is often higher than household CPI because councils spend on services like city water and waste—which also return internal dividends—rather than typical household goods.

Expenses: Costs incurred in the process of delivering services to the community and generating revenue, such as salaries and wages, purchase of materials, and utilities.

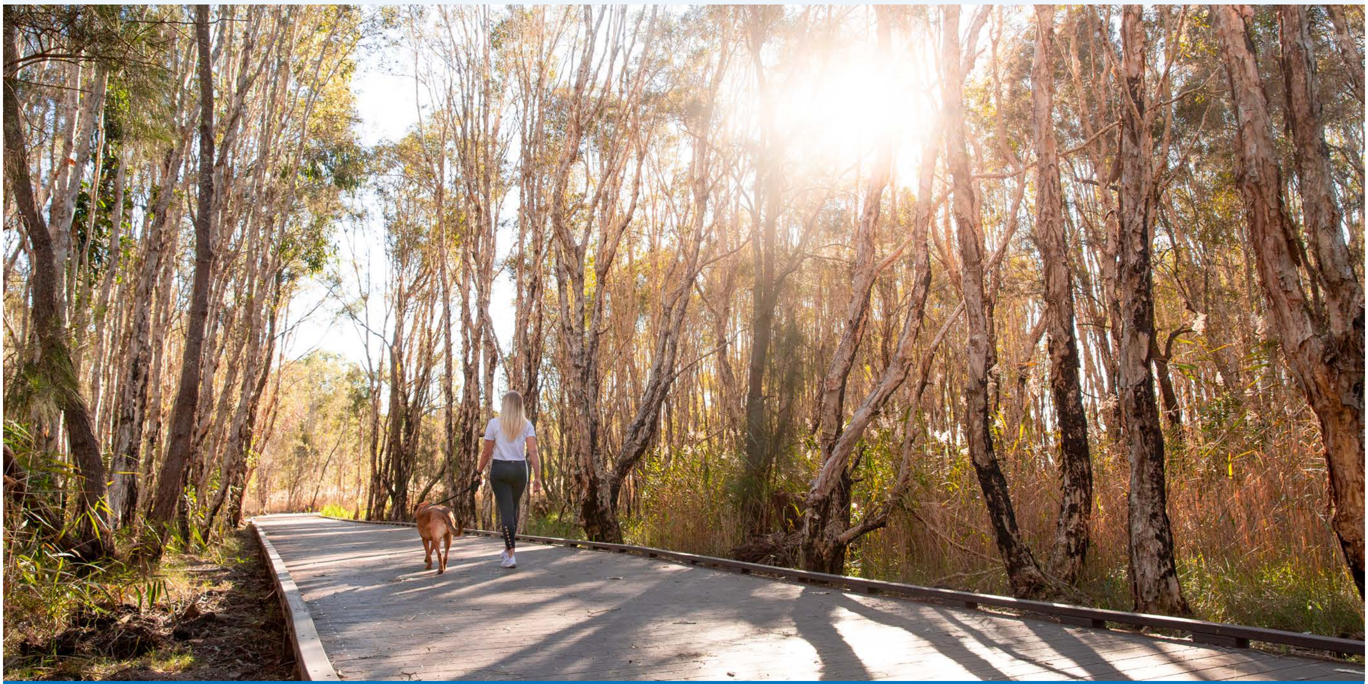
Inflation: The rate at which the general level of prices for goods and services rises, reducing purchasing power.

Infrastructure assets: Those significant, long-life assets that provide ratepayers with access to social and economic facilities. Examples include water and sewerage treatment plants, roads, bridges, drainage, buildings, and other community assets (does not include right-of-use assets).

Interest: The cost of borrowing money or revenue from lending money, typically expressed as a percentage of the loan amount.

Profit (net income): The amount remaining after subtracting expenses from revenue; indicates financial success.

Revenue: The total income generated from business operations before expenses are deducted.



Acknowledgement of Country

Redland City Council is committed to working with Traditional Custodians, supporting their role as custodians of their traditional lands and helping ensure the future prosperity and cultural enrichment across Redlands Coast.

Council acknowledges the Goenpul, Ngugi and Noonuccal First Nations Peoples of the Quandamooka region and recognises that the Quandamooka People are the Traditional Custodians of much of Redlands Coast.

Council also extends its acknowledgement of Traditional Custodians to the Danggan Balun (Five Rivers) claimant group who are currently in the process of Native Title determination for an area that crosses into southern Redlands Coast.

> *Redland City Council is currently financially sustainable and is forecasting to remain so into the future. We continue to meet all obligations set by the Department of Local Government.*

This report outlines Redland City Council's ability to maintain financial sustainability over the long term.

It provides insights into Council's revenue, expenses, asset management, and financial risks - helping stakeholders understand how Council will continue operating effectively while also meeting future obligations.

What is financial sustainability?

Financial sustainability means that a local council can manage its finances responsibly now and into the future.

It ensures councils can:

- Deliver essential services like roads, waste collection, water, and parks.
- Maintain and replace infrastructure over time.
- Avoid large debt or sudden rate increases.
- Plan for future needs without relying too heavily on unpredictable funding sources.

In simple terms, it's about making sure councils live within their means—just like a household budget—so they can keep serving the community without financial stress.

Why is financial sustainability important?

Local governments are responsible for delivering many of the services that affect our daily lives. If a council is not financially sustainable, it may:

- Struggle to maintain roads, parks, and community facilities.
- Be forced to cut services or increase rates unexpectedly.
- Be unable to respond to emergencies or future growth.

Financial sustainability helps councils plan ahead, invest wisely, and ensure fairness across generations—so today's spending doesn't become tomorrow's burden.

What is Council's approach to financial sustainability?

Sustainability extends beyond financial performance—it encompasses how we operate, the environment we protect, and the needs of our growing community.

Each year, Council's budget includes key financial sustainability measures for the current and following nine financial years, supported by a Long-Term Financial Forecast (LTFF) spanning a decade.

Long-term financial planning enables Council to anticipate future conditions, allocate resources strategically, and make informed decisions aligned with community priorities.

By forecasting revenue, expenditure, and capital needs, Council can identify risks early, adapt to economic shifts, and maintain financial stability.

This proactive approach supports responsible budgeting, builds stakeholder confidence, and ensures resilience. Council also benchmarks its long-term financial strategy annually against other local governments and service providers, factoring in growth and market trends.

The 2025–2026 budget aligns with the financial sustainability measures required by the Department, with only two minor exceptions projected in years nine and ten. These are forecasted figures that may change and can be addressed in future budgets.

Redland City Council is currently financially sustainable and is forecasting to remain so into the future. We continue to meet all obligations set by the Local Government Department, reporting on financial sustainability indicators in our budgets and monitoring them monthly.

Legislative requirements

How does Council measure financial sustainability?

Redland City Council manages its budget in accordance with a range of legislative requirements set by the Queensland Government.

Under the *Local Government Act 2009*, Section 104, councils must establish a financial management system that ensures long-term financial sustainability—defined as the ability to maintain both financial and infrastructure capital over time.

In line with the *Local Government Regulation 2012*, Council is required to adopt an annual budget between 31 May and 1 August each year.

This budget must include a long-term financial forecast covering income, expenses, assets, liabilities, and community equity. Additionally, it must provide financial statements for the current year and the following two years, including statements of financial position, cash flow, income and expenditure, and changes in equity.

Council's financial planning and reporting framework ensure transparency, accountability, and alignment with legislative obligations, while supporting responsible decision-making and long-term community outcomes.

Department of Local Government

The Department of Local Government provides clear guidance to help councils manage their finances:

- Councils must prepare a long-term financial sustainability statement each year, showing how they plan to stay financially healthy.
- Councils must adopt a revenue policy that outlines how they will raise money through rates, charges, and other sources.
- Financial decisions must be transparent, responsible, and aligned with community needs.

The Department encourages councils to:

- Focus on core services.
- Understand the full cost of delivering services.
- Use asset management plans to maintain infrastructure.
- Borrow responsibly and only when needed.

Queensland Audit Office (QAO)

The Role of the Queensland Audit Office (QAO):

The Queensland Audit Office independently reviews how councils manage their finances. Their findings help councils improve and stay accountable to the community.

Many councils face challenges like ageing infrastructure, rising costs, and limited revenue—especially in rural and remote areas.

Councils must plan services based on what they can afford, not just what they'd like to provide.

QAO recommends councils:

- Monitor service costs and performance.
- Review and update financial plans regularly.
- Address risks like climate change and cyber security.

QAO also introduced new measures like the asset consumption ratio, which helps councils assess how much life is left in their infrastructure and when it needs replacing.

Measures of sustainability

Sustainability measures provide evidence of Council's ability to continue operating and to provide an acceptable level of service to the community both currently and in the longer term.

Local governments are required to report on up to nine financial sustainability measures. In addition to the nine required financial sustainability measures, Council also elects to present the net financial liabilities measure to provide more information to the community. These measures follow.

Ratio	Description
Council controlled revenue ratio	This is an indicator of financial flexibility, ability to influence operating income, and capacity to respond to unexpected financial shocks.
Population growth ratio	This is a key driver of operating income, service needs, and infrastructure requirements into the future.
Operating surplus ratio	This is an indicator of the extent to which revenue raised covers operational expense only or is available for capital funding purposes or other purposes.
Operating cash ratio	This measures the ability to cover core operational expenses and generate a cash surplus excluding depreciation, amortisation, and finance costs.
Unrestricted cash expense cover ratio	This is an indicator of the unconstrained liquidity available to meet ongoing and emergent financial demands. It represents the number of months the Group can continue operating based on current monthly expenses.

Ratio	Description
Asset sustainability ratio	This is an approximation of the extent to which the infrastructure assets managed by the Group are being replaced as they reach the end of their useful lives. The asset sustainability ratio has a target to be achieved on average over the long-term (a period of at least 10 years) and is not necessarily expected to be met on a monthly or annual basis.
Asset consumption ratio	This measures the extent to which infrastructure assets have been consumed to what it would cost to build a new asset with the same benefit to the community.
Asset renewal funding ratio	This ratio measures the ability to fund projected asset renewal/replacements in the future.
Leverage ratio	This is an indicator of ability to repay existing debt. It measures the relative size of the Group's debt to its operating performance.
Net financial liabilities ratio	This is an indicator of the extent to which the net financial liabilities of the Group can be serviced by its operating revenues.

Council's ten-year financial forecast 2025-2035

The figures below reflect assumptions, parameters and indices as agreed for 2025–2026 budget development and, as in previous years, are subject to change following budget adoption.

Redland City Council	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Council Controlled Revenue Ratio Contextual purposes only	93.96%	94.17%	94.48%	94.81%	95.33%	95.40%	95.38%	95.55%	95.60%	95.64%
Population Growth Ratio** Contextual purposes only	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Operating Surplus Ratio Target greater than 0% on five-year average	0.17%	0.22%	0.22%	0.35%	0.34%	0.35%	0.50%	0.56%	0.54%	0.55%
Operating Cash Ratio Target greater than 0% on five-year average	23.13%	23.90%	25.15%	24.99%	24.93%	24.52%	24.07%	24.01%	23.66%	23.05%
Unrestricted Cash Expense Cover Ratio Target greater than 2 months	4.06 months	3.64 months	4.92 months	4.85 months	4.85 months	5.22 months	5.13 months	5.14 months	5.41 months	5.38 months
Asset Sustainability Ratio Target greater than 60% on five-year average	67.39%	82.27%	60.98%	61.06%	63.69%	68.53%	87.35%	80.69%	60.18%	88.26%
Asset Consumption Ratio Target greater than 60% on five-year average	66.59%	67.06%	65.98%	64.93%	63.95%	62.92%	61.86%	60.81%	59.74%	58.61%
Asset Renewal Funding Ratio Contextual purposes only	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Leverage Ratio Target between 0 and 4 times on five-year average	1.05 times	1.04 times	1.05 times	1.08 times	1.08 times	1.13 times	1.16 times	1.17 times	1.20 times	1.23 times
Net Financial Liabilities Ratio Less than 60% (on average over the long-term)	-23.33%	-13.87%	-10.97%	-9.60%	-9.08%	-10.47%	-9.36%	-8.73%	-10.02%	-9.73%

* 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

Economic and environmental considerations

Redlands Coast is predominantly residential, with a relatively small commercial and industrial base (around 2.8 per cent of rateable properties in 2025) compared to other south-east Queensland councils.

While this limits revenue from commercial rates, it contributes to the area's green character and desirable lifestyle. Of the 75,000 rateable properties, around a third pay the minimum general rate.

As the city's population continues to grow rapidly, Council regularly updates its ten-year financial forecast to reflect evolving policy, budget changes, and market conditions.

Economic pressures: inflation, interest rates and investment income

Global economic uncertainty and supply chain issues are driving up costs for materials, services, insurance, and maintenance.

Lower interest rates are reducing Council's investment income, affecting budget planning.

Environmental impacts: natural disasters, waste costs, and asset depreciation

Cyclone Alfred (March 2025) caused major damage in SE Queensland and northern NSW, resulting in significant disaster costs across our these region.

Waste costs are rising. In 2025–26, the State Government's Waste Levy will increase to $125 per tonne, but Council's offset payments are shrinking—leaving a $2.2 million gap, plus other waste-related costs. Since 2019, offsets have covered 100% of the levy on household waste, but this will drop to 70% this year and just 20% by 2031, placing growing financial pressure on Council.

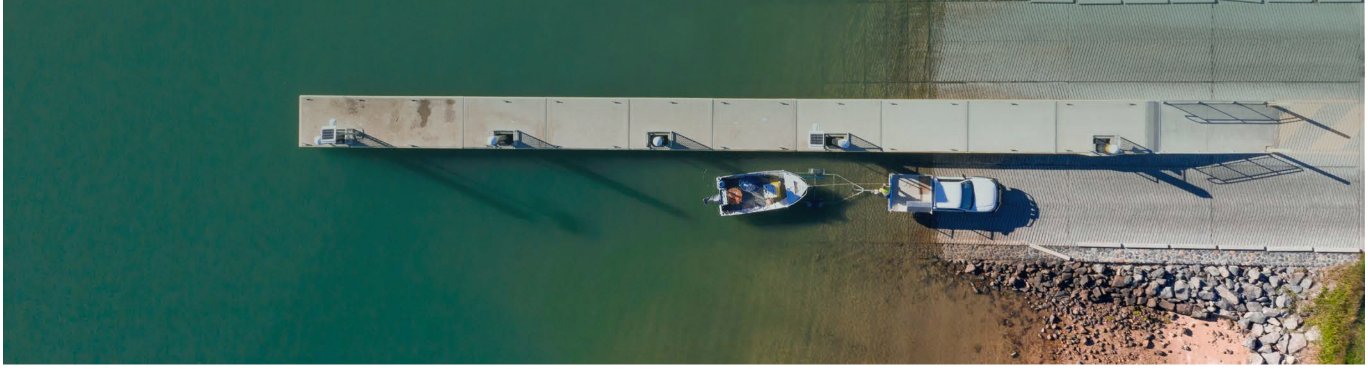
Asset depreciation is increasing due to environmental wear and higher construction costs, tightening capital budgets.

Community profile: land use, population growth, and coastal management

Population growth is driving demand for infrastructure, services, and sustainable development.

The region's extensive coastline (335 km) and canal estates require ongoing environmental management and tailored service delivery, including revetment wall maintenance.

Our beautiful but remote islands support relatively small communities. This brings unique challenges, incurring higher costs to deliver essential services than on the mainland.



Creating sustainable budgets

Council's budget development process begins with planning - this is based on known operational needs, such as taxes, employee costs, and service commitments.

Anticipated future needs—like infrastructure or technology upgrades—are then added. The draft budget is reviewed by the Executive Leadership Team (ELT) to ensure strategic alignment, followed by an assessment of additional funding requests.

A legal review ensures oversight and compliance, after which the ELT refines the budget further. The proposed budget is then presented to Councillors for endorsement.

Once finalised, it is adopted and implemented to guide financial operations for the year.

Reviews are conducted throughout the financial year to ensure Council is on track to deliver its budget commitments in a cost-effective way for the local community.

Learn more about Council's financial planning

With each annual Budget, Council adopts a new Financial Strategy which is a long term (10-year) financial plan.

It 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.

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