Redland CITY COUNCIL

Financial Strategy

2024–2034

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
1.8	June 2024	Incorporate final 2024-25 budget, forecast ten-year CAPEX and revised operating assumptions. Review and refresh risks, opportunities and the inclusion of the Financial Sustainability Measures from the Financial Management (Sustainability) Guideline 2024 version1.	Michael Wilson

1. Executive Summary, Overview and Scope

1.1 Executive Summary

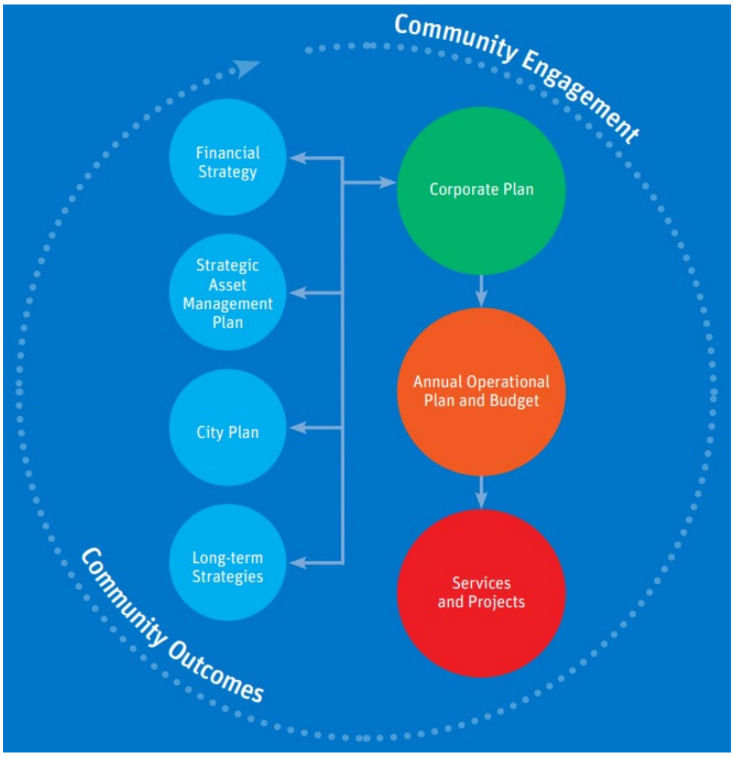
1.1.1 The Financial Strategy and Long-Term Financial Forecast

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 and Administrative Directives
- 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 2024-25	Year 2 2025-26	Year 3 2026-27	Year 4 2027-28	Year 5 2028-29	Year 6 2029-30	Year 7 2030-31	Year 8 2031-32	Year 9 2032-33	Year 10 2033-34
Council Controlled Revenue Ratio	90.78%	93.08%	93.79%	94.49%	94.71%	94.91%	94.94%	95.16%	95.28%	95.41%
Population Growth Ratio*	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Operating Surplus Ratio	-0.38%	0.15%	0.06%	0.08%	0.12%	0.15%	0.22%	0.26%	0.27%	0.27%
Operating Cash Ratio	20.19%	22.18%	22.28%	22.47%	21.81%	21.58%	21.46%	21.46%	21.33%	20.76%
Unrestricted Cash Expense Cover Ratio	9.32 months	8.26 months	6.31 months	6.11 months	5.85 months	5.78 months	5.63 months	5.41 months	5.24 months	4.92 months
Asset Sustainability Ratio	82.30%	87.42%	86.84%	51.16%	80.87%	82.92%	77.43%	71.96%	66.03%	60.62%
Asset Consumption Ratio	67.95%	67.08%	66.43%	65.35%	64.21%	63.26%	62.30%	61.42%	60.48%	59.53%
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	1.15 times	1.10 times	1.13 times	1.19 times	1.26 times	1.28 times	1.31 times	1.33 times	1.35 times	1.40 times
Net Financial Liabilities Ratio	-31.83%	-22.65%	-11.57%	-8.89%	-7.17%	-6.89%	-5.46%	-3.76%	-2.39%	-0.39%

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 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
Total recurrent revenue	382,312	402,971	423,017	441,971	462,843	484,693	507,908	531,908	555,523	580,325
Total capital revenue	141,244	36,032	51,037	37,344	33,692	32,609	31,780	38,393	27,931	24,784
TOTAL INCOME	523,556	439,003	474,054	479,314	496,536	517,301	539,687	570,300	583,453	605,109
Total recurrent expenses	383,777	402,349	422,771	441,628	462,271	483,942	506,774	530,517	554,029	578,788
Total capital expenses	9,603	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	393,380	402,349	422,771	441,628	462,271	483,942	506,774	530,517	554,029	578,788
NET RESULT	130,177	36,654	51,284	37,687	34,265	33,359	32,913	39,783	29,425	26,321
Other Comprehensive Income/(Loss)	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	130,177	36,654	51,284	37,687	34,265	33,359	32,913	39,783	29,425	26,321

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF FINANCIAL POSITION										
	Year 1 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
Total current assets	297,038	275,010	235,242	239,374	244,664	254,286	261,759	265,891	272,070	273,831
Total non-current assets	3,281,699	3,348,772	3,442,384	3,489,736	3,530,111	3,563,255	3,601,846	3,649,358	3,685,520	3,722,859
TOTAL ASSETS	3,578,737	3,623,782	3,677,626	3,729,110	3,774,775	3,817,541	3,863,605	3,915,250	3,957,590	3,996,690
Total current liabilities	61,645	73,298	67,704	70,405	69,602	72,703	76,137	79,405	83,180	86,841
Total non-current liabilities	113,685	110,423	118,578	129,674	141,876	148,182	157,899	166,492	175,632	184,750
TOTAL LIABILITIES	175,331	183,721	186,282	200,079	211,478	220,885	234,036	245,897	258,812	271,591
NET COMMUNITY ASSETS	3,403,407	3,440,061	3,491,344	3,529,031	3,563,297	3,596,656	3,629,569	3,669,353	3,698,778	3,725,099
TOTAL COMMUNITY EQUITY	3,403,407	3,440,061	3,491,344	3,529,031	3,563,297	3,596,656	3,629,569	3,669,353	3,698,778	3,725,099

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

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF CASH FLOWS										
	Year 1 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
Net cash inflow/(outflow) from operating activities	48,769	88,607	81,459	94,013	95,312	98,550	102,286	107,051	110,855	112,634
Net cash inflow/(outflow) from investing activities	(96,459)	(120,634)	(132,076)	(103,951)	(101,337)	(98,107)	(107,729)	(114,174)	(117,004)	(122,745)
Net cash inflow/(outflow) from financing activities	22,271	7,472	7,658	11,446	8,206	6,083	9,526	8,204	8,605	8,110
Net increase/(decrease) in cash held	(25,419)	(24,556)	(42,959)	1,509	2,181	6,525	4,083	1,080	2,456	(2,001)
Cash and cash equivalents at the beginning of the year	215,774	190,355	165,799	122,841	124,349	126,530	133,055	137,138	138,219	140,674
Cash and cash equivalents at the end of the year	190,355	165,799	122,841	124,349	126,530	133,055	137,138	138,219	140,674	138,674

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 Housing, Local Government, Planning and Public Works (formerly Department of State Development, Infrastructure, Local Government and Planning) released the Sustainability Framework for Local Governments. 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 2024 version 1 (Guideline). Council reports on the nine sustainability measures published in the Guideline and has elected to report Net Financial Liabilities Ratio as a tenth financial sustainability measure for completeness and comparability to prior years.

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 unless revenue has been collected in advance and is held in cash reserves
- 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 as an integral consideration of the deliverability of intergenerational capital works
- utilise and maximise returns from risk free 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:

- publishing clear financial 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 long-term financial forecast (LTFF) and analysing the impacts of any changes on our financial 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 its 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 2024-25 is the base year for the LTFF
- 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 currently expensed, irrespective of whether Council has qualifying assets, although capitalisation of interest is currently being investigated
- 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, the opportunities in the future from the sub-regional alliance of a materials Recycling Facility and impacts from CPI aligned waste collection and disposal contracts, the waste business is allocated its own parameters and the outputs of the waste 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 Measures of Financial 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), unless revenue is received in advance and held in cash reserves
- 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 maintaining the ability to pay our bills when they fall due. 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 (2024-25 only), and the Asset Sustainability Ratio (2027-28 only).

The Asset Sustainability Ratio is reported as both a single-year and a five-year average result (greater than 60%). 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 maintain compliance with this ratio target over time. The inclusion of additional asset financial ratios, such as the asset renewal funding ratio and asset consumption ratio in 2023-24 produced 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
- Council has saved the community thousands of dollars by investing in higher return, fixed term deposits of twelve months duration over the last few years.

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 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
- Revenue will be collected in the community interest, to be discounted or waivered for fees where possible, and will support those in most need through financial hardship allowances, remissions and concessions where applicants are eligible.

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 Plans (ASMPs) output 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.

Application of Dividends and Tax Equivalent Payment Policy

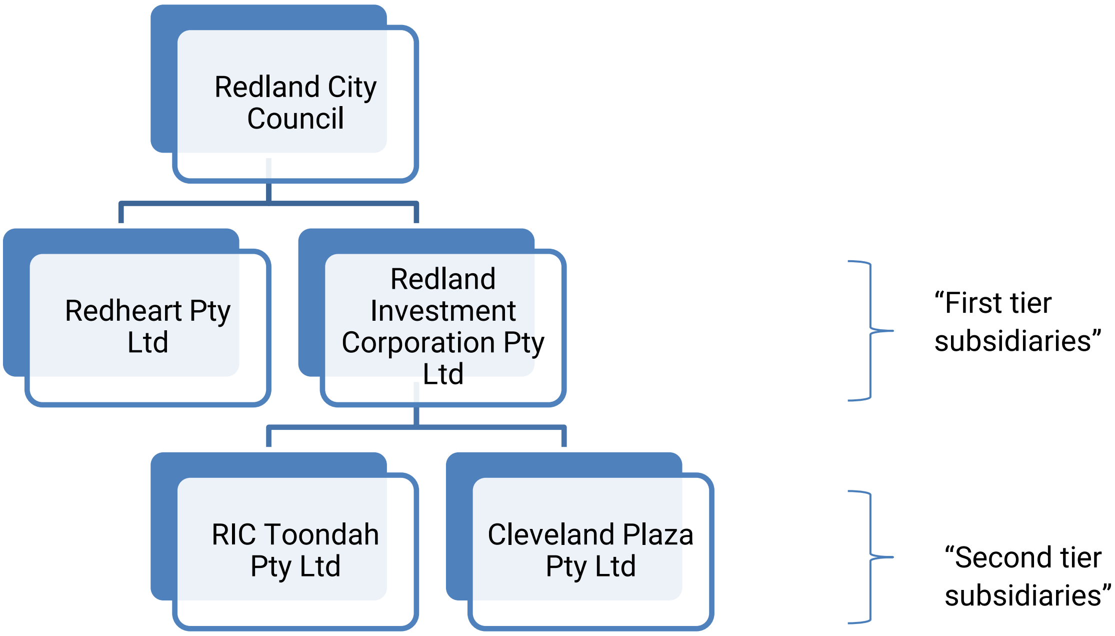
- Council receives dividends and tax equivalent payments from its commercial business activities (namely City Water and City Waste)
- All financial returns to Council will be applied to the provision of community benefit.

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 (%) – with the scope being the Redland City Local Government Area (LGA)
- price increases (%)
- expectations of the Expenditure Review Committee

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 %	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
General Rates Charges	0.80	0.68	1.29	1.62	1.55	1.40	1.04	0.90	0.79	0.75
Waste Utility Charges	0.80	0.68	1.29	1.62	1.55	1.40	1.04	0.90	0.79	0.75
General Fees	0.00	0.65	0.97	1.30	1.45	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	0.40	0.34	0.64	0.81	0.77	0.70	0.52	0.45	0.39	0.37

Price Increases %	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Underlying CPI (Brisbane, between 2% and 3%)	3.42	3.11	2.81	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Local Government Association of Queensland (LGAQ) Council Cost Index	4.00	3.63	3.25	2.88	2.50	2.50	2.50	2.50	2.50	2.50
RCC Blended CPI** (net of efficiencies)	5.51	4.24	3.66	3.08	2.50	2.50	2.50	2.50	2.50	2.50
Employee Costs (EBA)	3.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
General Rates (Minimum General Rate)	5.51	4.24	3.66	3.08	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

* 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.

In 2023, the Chief Executive Officer created an Expenditure Review Committee. The Committee comprises the Chief Executive Officer, General Manager Organisational Services, Chief Procurement Officer and the Executive Group Manager Financial Services and Chief Financial Officer and across several working days, the proposed operating budgets from each business area are worked through. Budgeted assumptions are tested to align to this Strategy, ASMPs, policy positions and the efficiency targets discussed. For 2024-2025, the operating goods and services efficiency target is a two per cent reduction on original requests across RCC.

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)

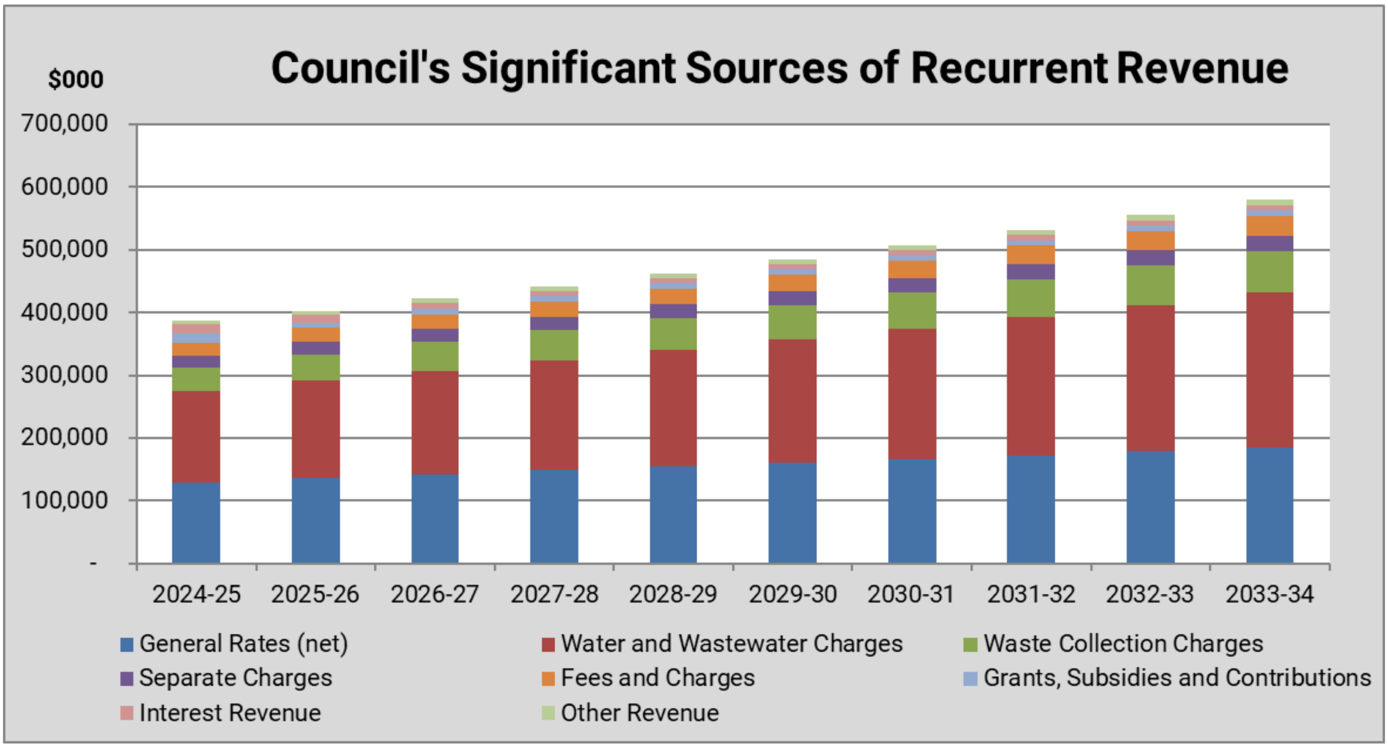
3. Revenue Management

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 cash 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 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 or when revenue has been received in advance and remains unspent, Council may 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 card fees through a surcharge on 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 current and future trends may optimise housing choice and diversity in the Redland area and improve council's operating revenues	Likely	Medium	**High**
Real estate development and investment pipeline in the city due to population gain from net overseas and interstate migration	Possible	Low	**Medium**
Additional revenue generated from selling ACCUs (Australian carbon credit units). Redland City Council can reduce greenhouse gas emissions by avoiding sending organic waste to landfill	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. Restrictions 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 are negatively correlated with water consumption	Possible	Medium	**Medium**
Decrease in interest revenue due to decreases in the RBA official cash rate. Reductions in the official cash rate are forecast to commence in late 2024 as inflation falls to within the RBA target range (between 2 - 3%) in the budget year	Likely	Low	**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) fail to crystallise resulting in less than anticipated revenue	Possible	Medium	**Medium**

Risk	Likelihood	Consequence	Rating
Uncertainty of future waste levy advance payments from 2026-27. Four years waste levy advance payment received in 2021-22, with an additional advance payment made in 2022-23	Likely	Low	**Medium**

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

- the continued work of the Advocacy, Major Projects and 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
- refinement of 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
- continued reviews of 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**

Opportunity	Likelihood	Consequence	Rating
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	Medium	**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 and drive economic development in the area	Likely	Medium	**High**
Appropriately term-diversified investment portfolio results in additional revenue	Almost Certain	Low	**High**

Risk	Likelihood	Consequence	Rating
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**

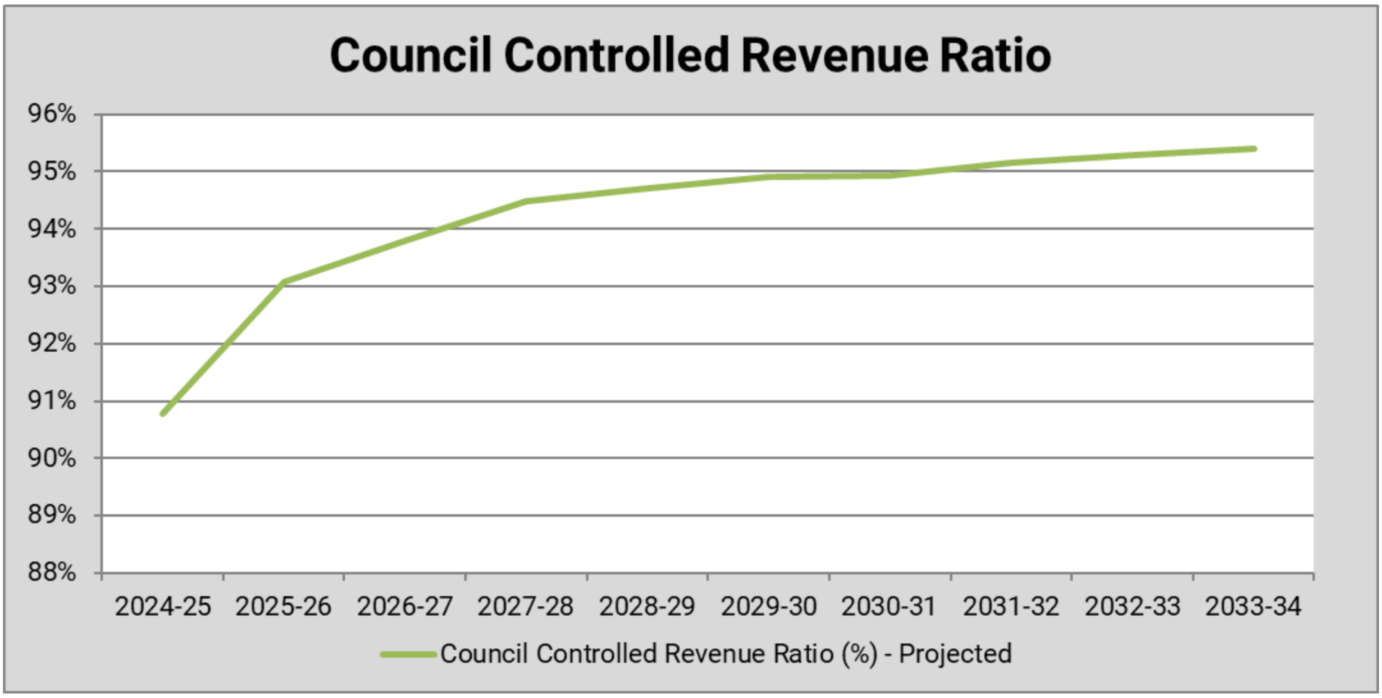
In order to mitigate the above risks or explore the opportunities, the following projects and actions progress across Council:

- 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 $3.42 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 maintaining this long-term measure with 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 (PMO) 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**
Project Management Office (PMO) continues to drive improved portfolio management governance, enabling effective project delivery and financial efficiency of operational and capital projects	Likely	Medium	**High**
Implement asset data governance and data improvement initiatives that enhance decision making and improve reporting, long-term financial forecasting and asset management practices	Likely	Low	**Medium**
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, 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**
Review depreciation methodologies to ensure alternative approaches are better reflective of consumption patterns	Unlikely	Medium	**Medium**
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 and Service Management Plans (ASMPs), prioritisation models and long-term financial forecasts, improves Council's ability to assess its ongoing financial viability	Likely	Medium	**High**

Risk	Likelihood	Consequence	Rating
Inadequate allocation of scarce resources impacting investment in maintenance, renewal and expansion of assets in a timely manner 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**
Increasing public liability claims for injuries occurring in Council owned or controlled facilities or land	Rare	Medium	**Low**
Maintenance carried out on assets that have been transferred to other entities including Department of Transport and Main Roads, Quandamooka Yoolooburrabee Aboriginal Corporation 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 elevates Council's exposure to litigation	Possible	Medium	**Medium**
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:

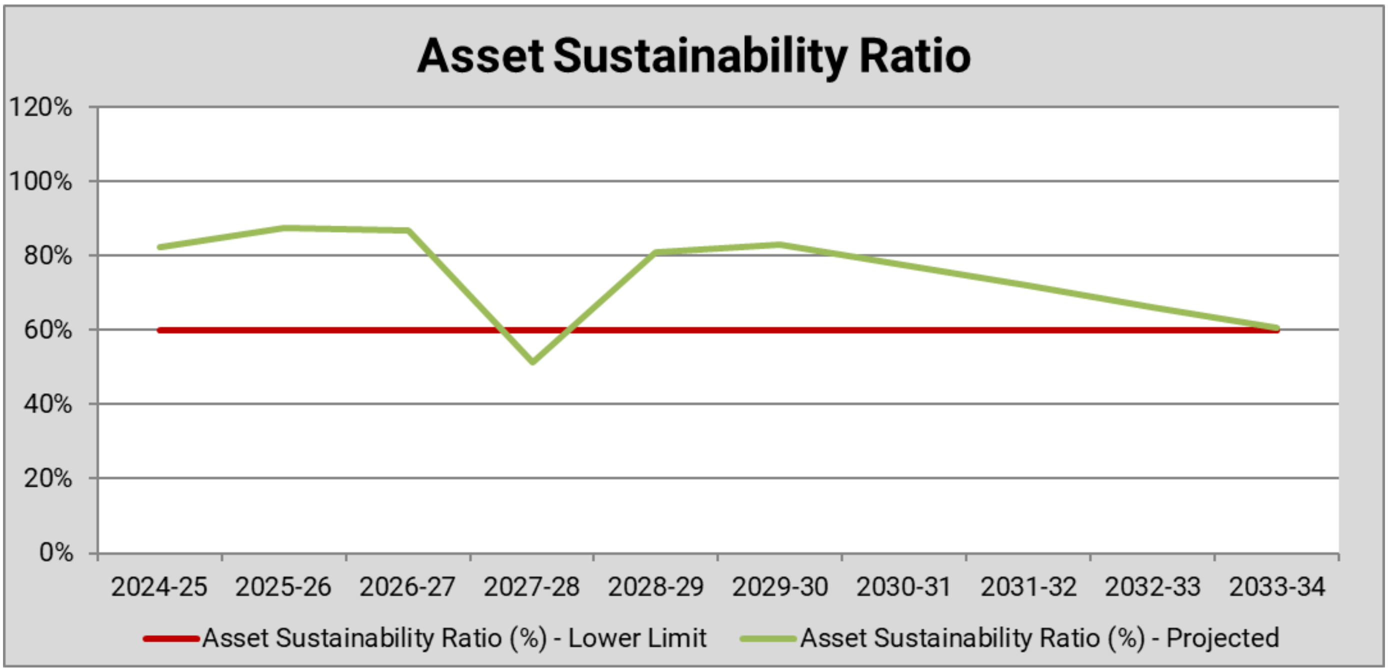
- continued embedding of Council's asset management system
- continued improvement of asset data governance and data capture and cleansing to enhance decision making
- ongoing maturity of Asset and Service Management Plans in accordance with statutory requirements, business needs and agreed service levels
- 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 Project Management Office (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. Council's Digital Transformation journey over the coming 4 – 7 years will 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 approximates the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives. This measure is reported as both a single year and five year result. Council's Capital Portfolio Prioritisation Administrative Directive requires expenditure on renewals before new asset creation – this improves Council's performance against the target.

To ensure continuation of existing service levels, planning and development of Asset and Service Management Plans for the 2024-25 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.

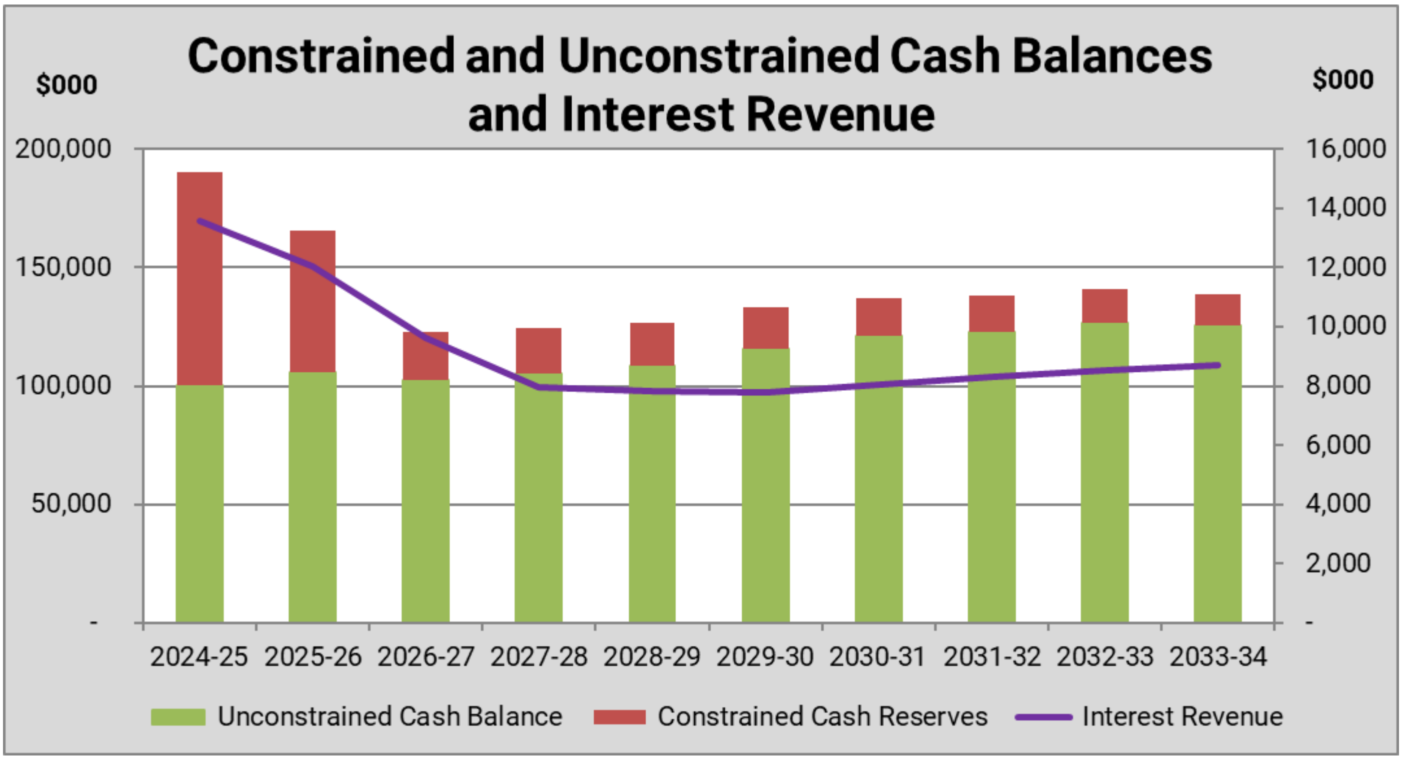
The current ten-year capital program and depreciation forecasts result in the following graph:



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 – further consideration and analysis to increase returns on cash investment 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 with increasing the amount of 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

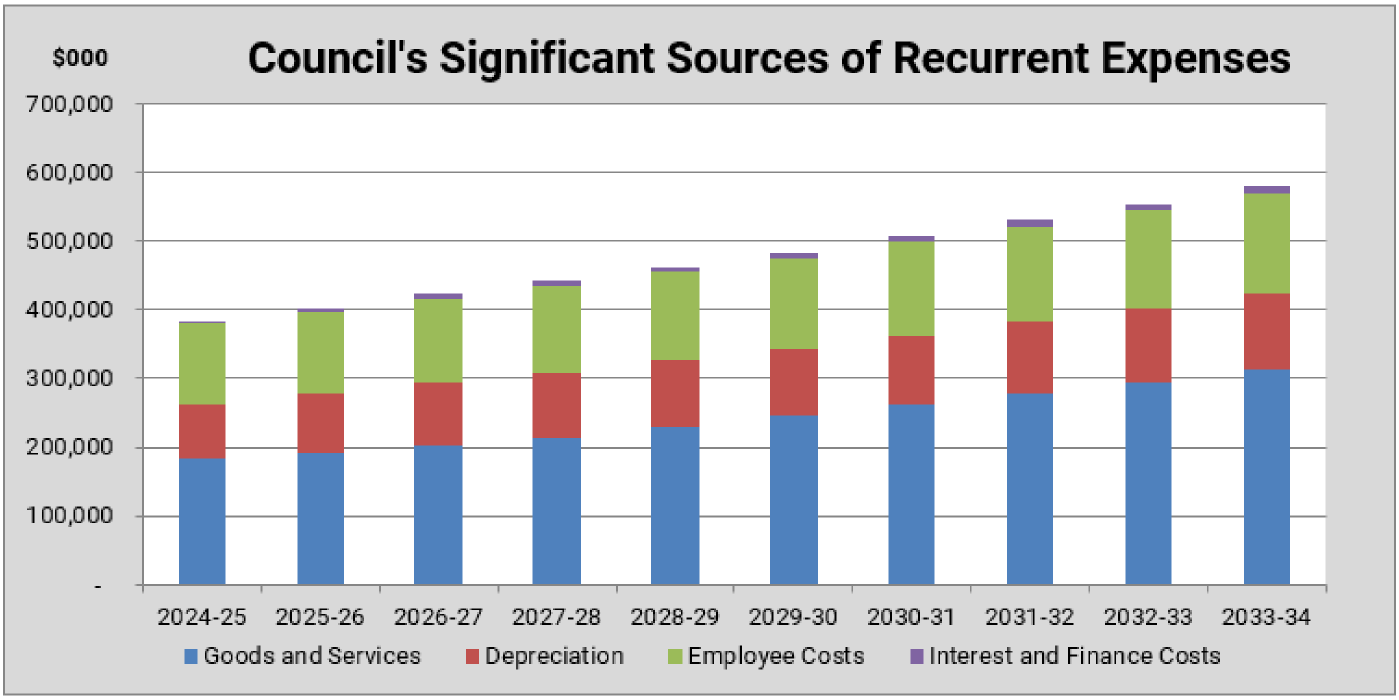
5.1 Background

Council's significant sources of operational expenditure include:

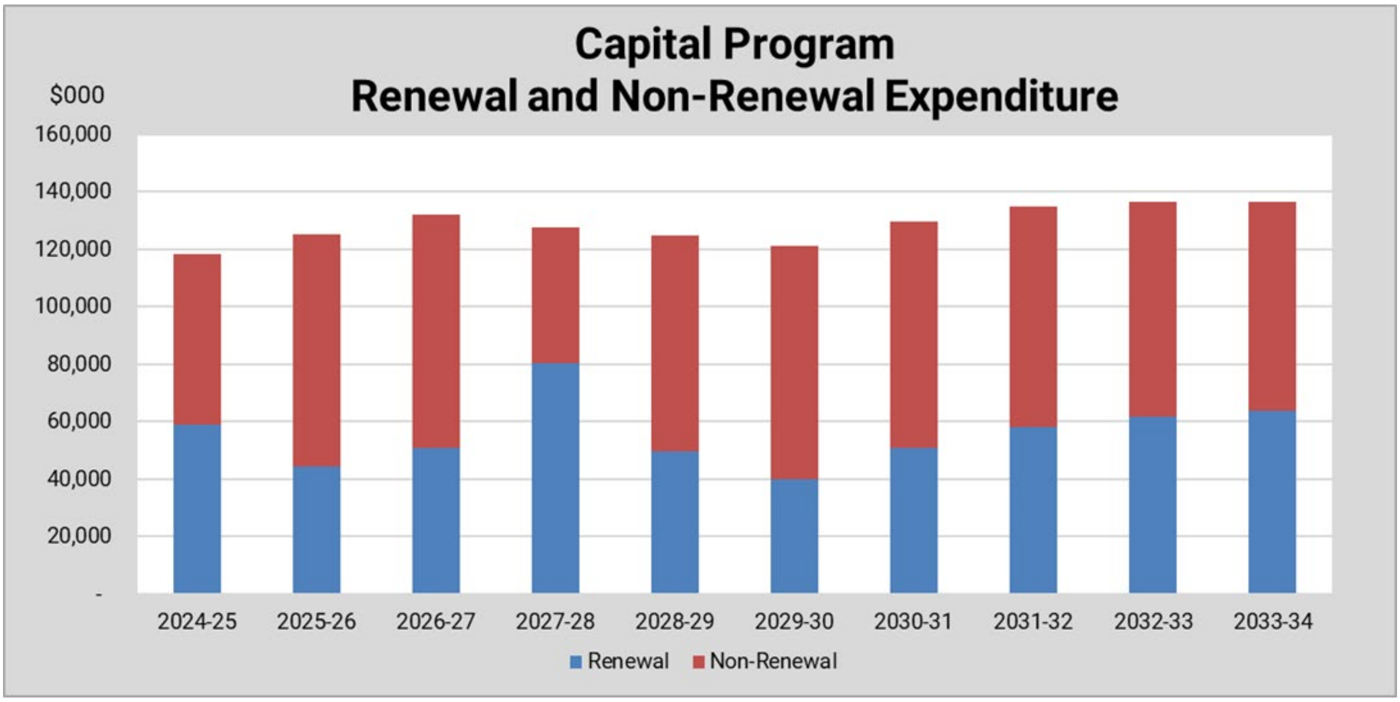
- goods and services (including the purchase of bulk water)
- depreciation
- employee costs
- other expenses (including community service obligations and subsidies)
- interest and finance costs.

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:

- 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)
- depreciation – due to the requirement to optimise depreciation charges based on condition assessment rather than straight line methodology
- 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
- interest expense and finance costs – Council continues to make annual debt repayments in advance to reduce interest expense and works with treasury service providers to control finance costs.

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

- programming 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 programmed 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
- 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 and broader procurement, 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 strategic asset and data management portfolios 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**
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**

Opportunity	Likelihood	Consequence	Rating
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 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**
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**
Continue investigating the benefits 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**
Progress the sub-regional alliance of a shared Materials Recycling Facility (MRF). This will result in innovative and efficient methods of waste disposal and resource recovery, and will ultimately drive down operating costs	Almost Certain	Low	**High**
Progress the Digital Transformation Program. This will result in financial benefits and capability uplift across the organisation	Almost Certain	Medium	**High**
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 the State Government waste and resource recovery strategy citing ambitious growth targets to reduce waste to landfill	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**
Reduction in existing service delivery due to cost shifting from other tiers of government	Likely	Low	**Medium**
High staff turnover rate. 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**

Risk	Likelihood	Consequence	Rating
Future financial sustainability is impacted by failure to achieve key financial sustainability ratios	Possible	Low	**Medium**
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 and the Middle East, 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**
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 and management of public infrastructure	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 initiatives.

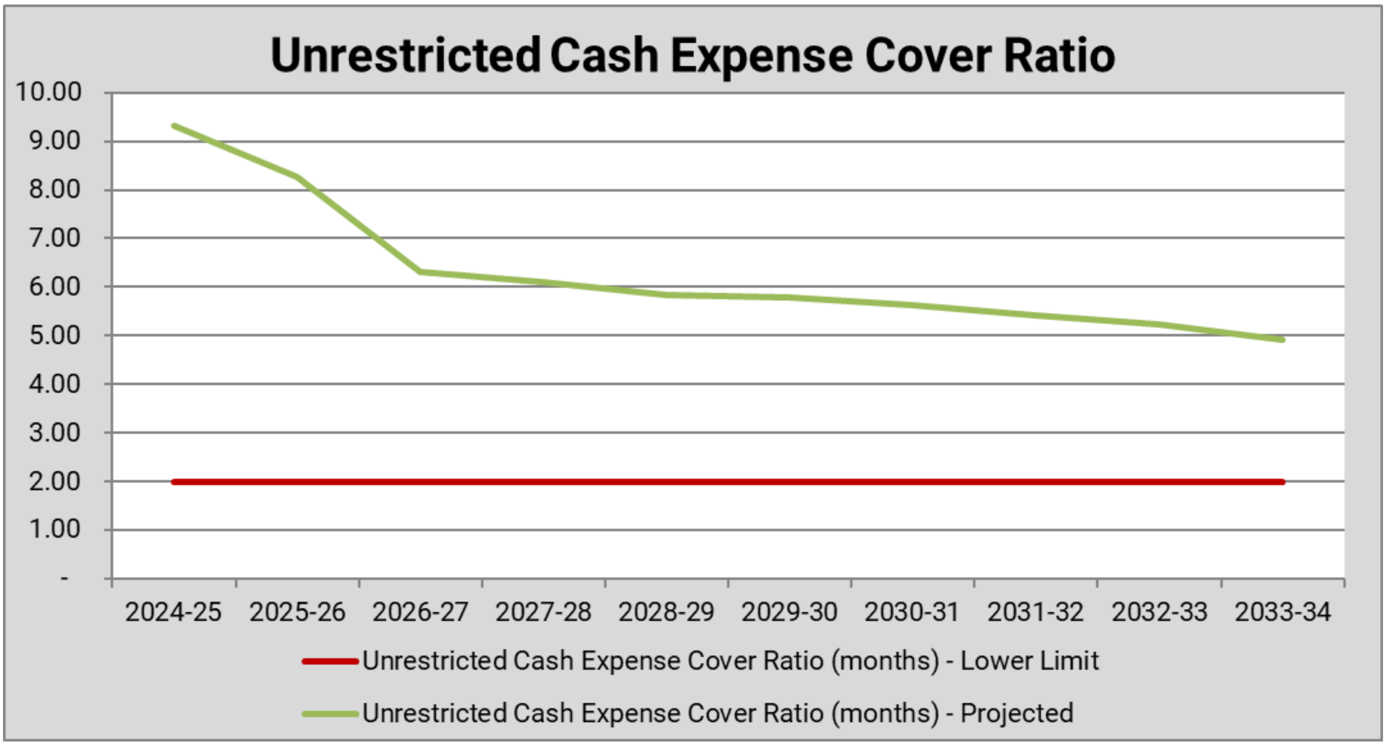
The following risks continue to be monitored before mitigation projects are initiated:

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

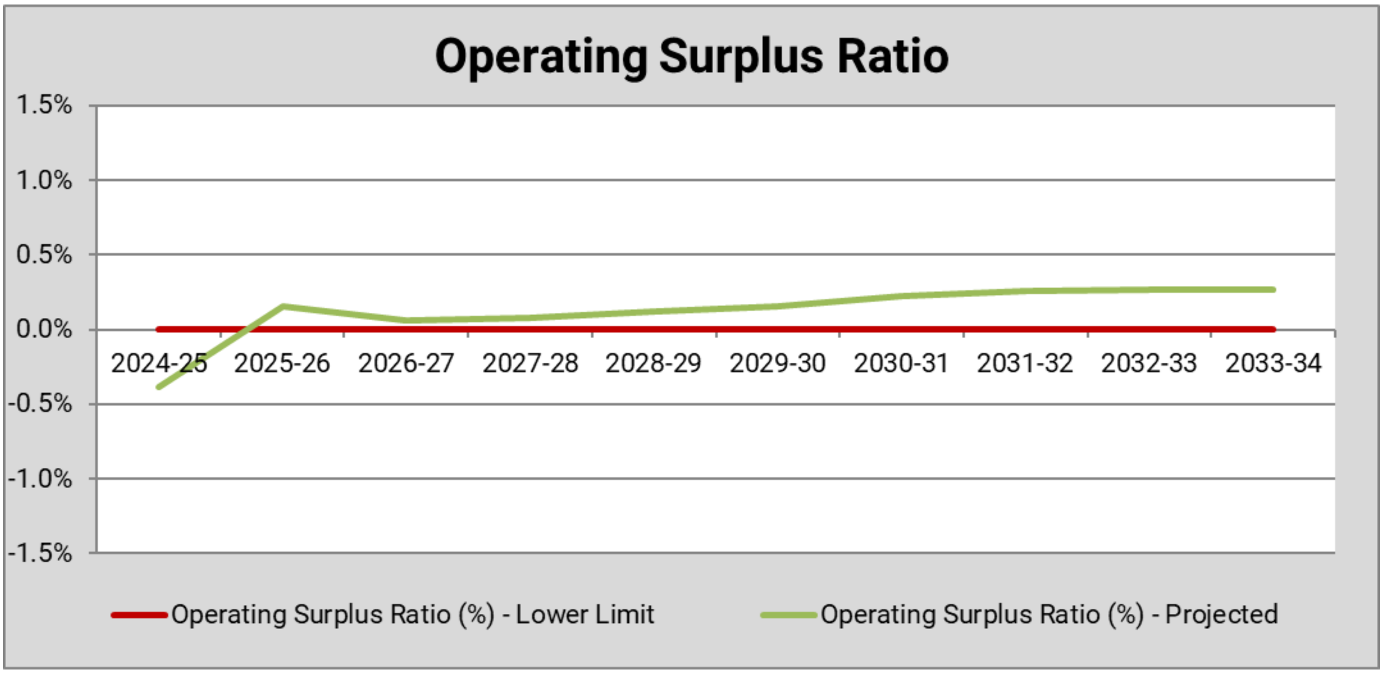
5.5 Key Performance Information

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.



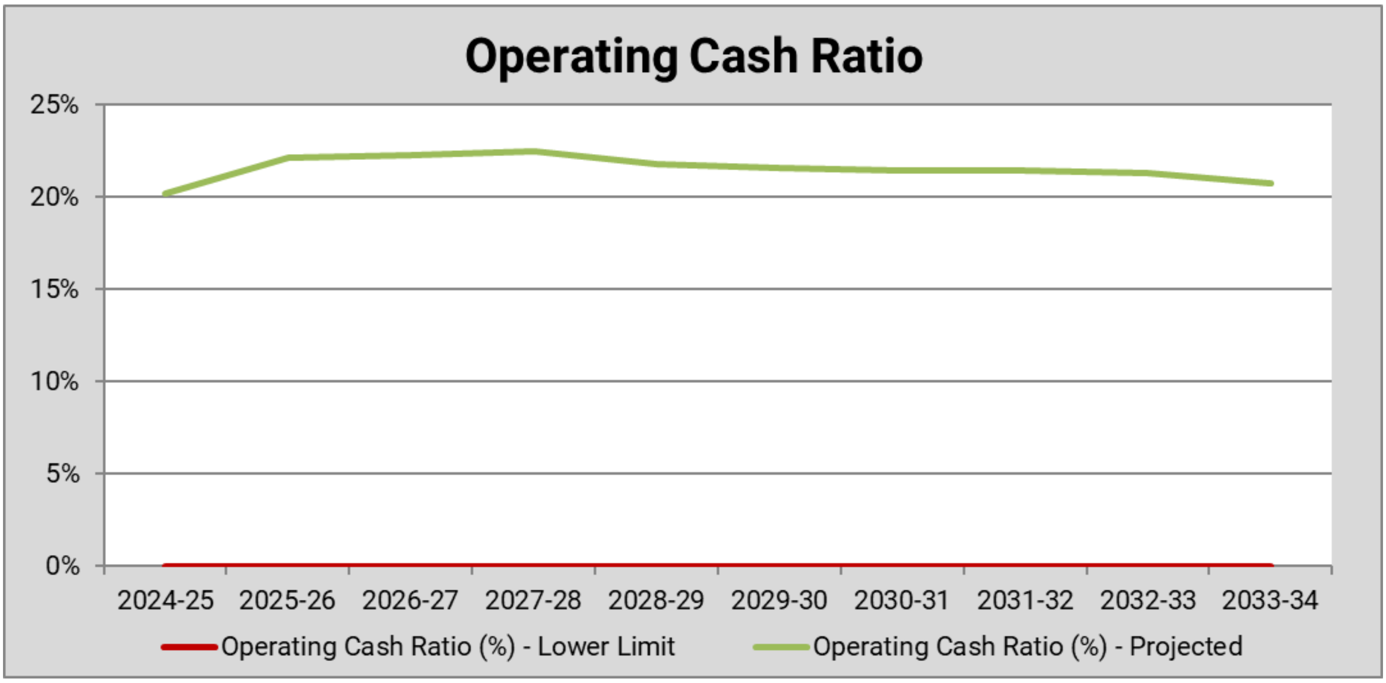
The Operating Surplus Ratio is a measure of how recurrent revenues cover recurrent expenditure (including interest expense and depreciation). The following graph outlines the forecast Operating Surplus Ratio over life of the financial forecast:



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.

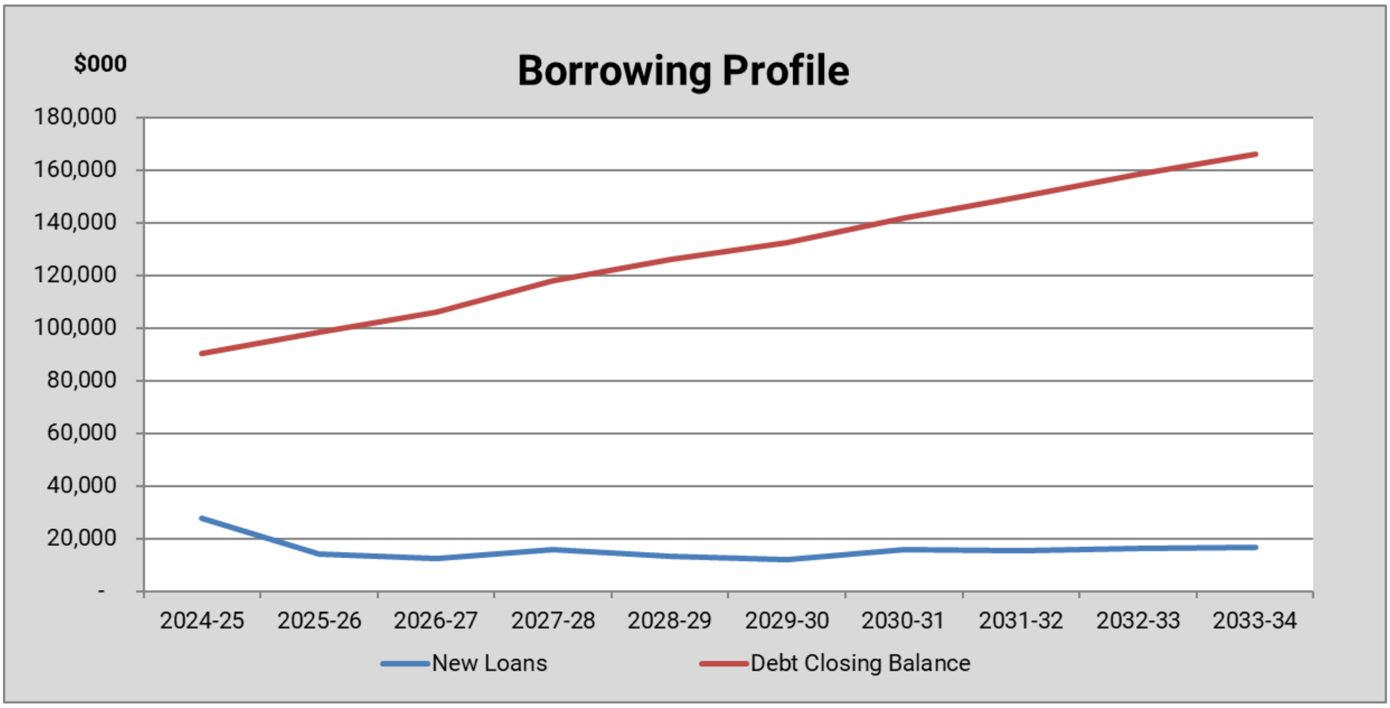
Council borrows from Queensland Treasury Corporation (QTC) for capital works for one or more of the following three purposes:

- 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 unfavorable 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.

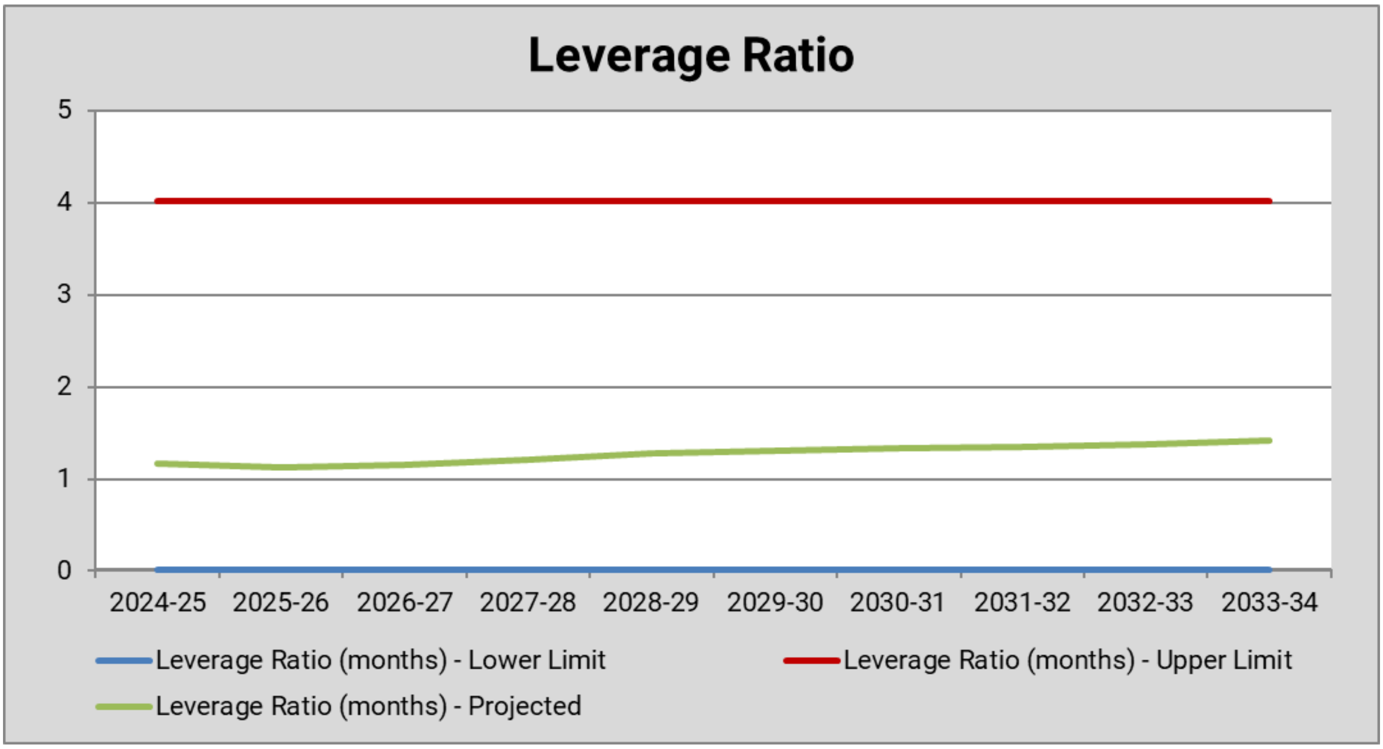
Opportunity	Likelihood	Consequence	Rating
Continued strategic borrowing programs for identified intergenerational projects	Almost Certain	Medium	High
Technology improvements, economies of scale or efficiencies reduce the costs associated with closed landfill rehabilitation	Possible	Medium	Medium

Risk	Likelihood	Consequence	Rating
Asset management planning identifies a growing infrastructure backlog that requires multiple sources of funding (grants and subsidies, 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:

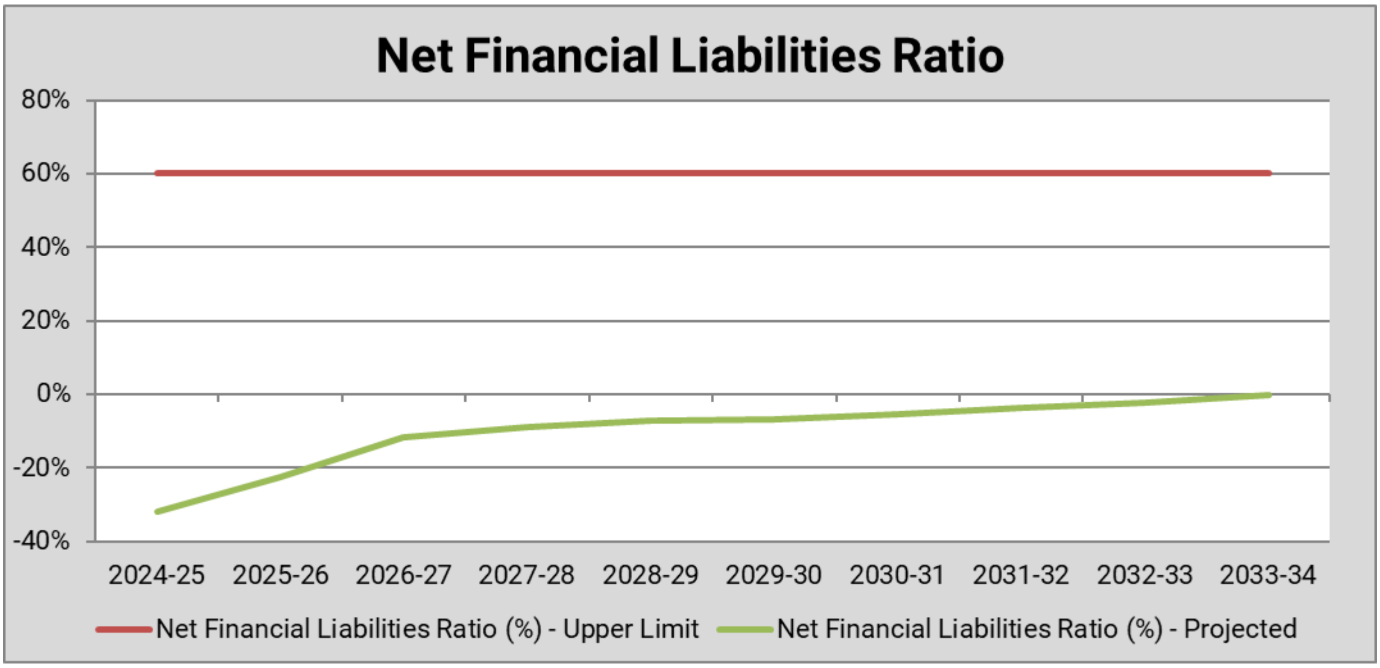
- continue to integrate Council's ten-year capital program with the LTFF
- investigate capitalising interest expense for qualifying assets
- conduct timely reviews on Council's debt policy and optimise long-term financial forecasts and capital investment to ensure that borrowing decisions are financially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

6.5 Key Performance Information



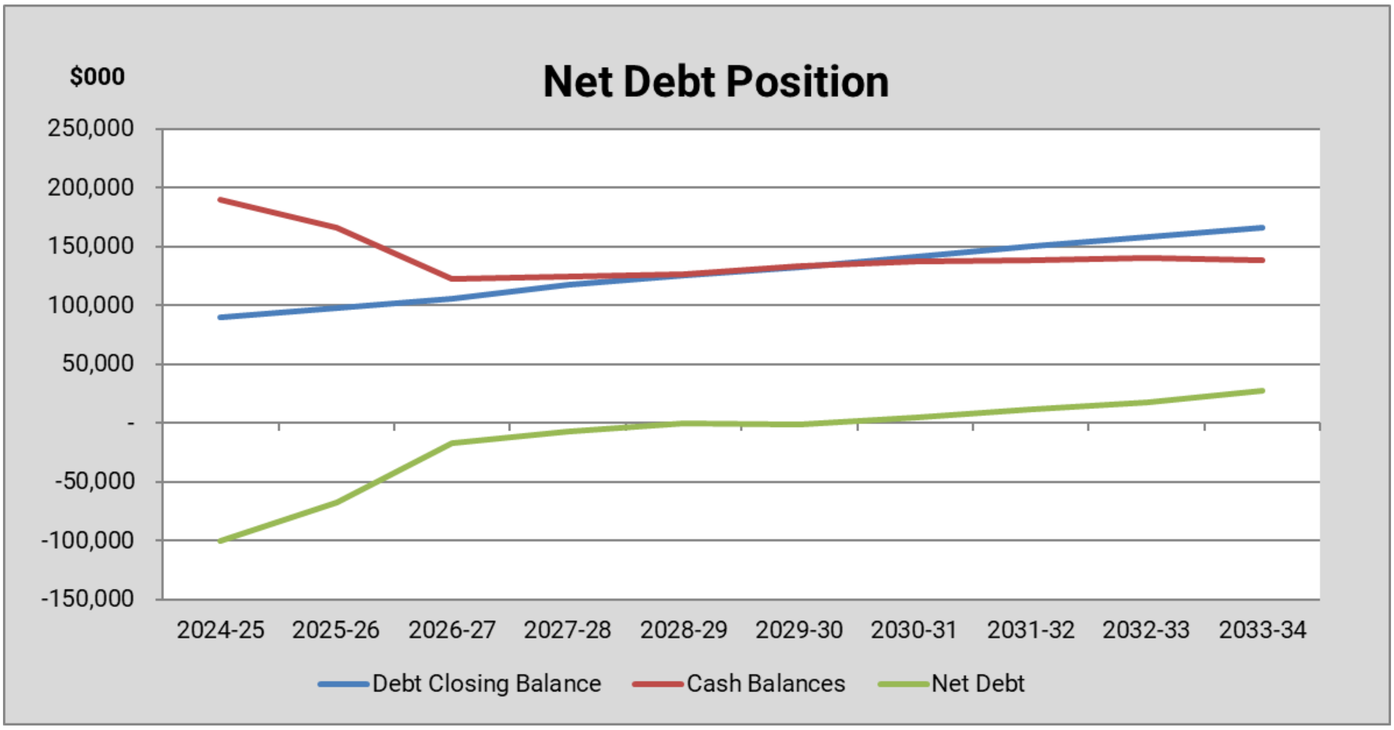
The above graph illustrates the Leverage Ratio and demonstrates Council can adequately service principal and interest payments associated with borrowings.

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 $3.42 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 these 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 2024-2034 Financial Strategy has been updated as part of the 2024-25 annual budget process to ensure the key performance indicators and measures of financial 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 Executive and Senior Leadership Groups meet 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 (PDAs) 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
Queensland Government Statistician's Office (QGSO) anticipates by 2046 the population of Redland City will grow from 161.7 thousand (2021) to 183.6 thousand	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**
Council's advocacy and ongoing education on recycle, re-use and reduce waste will provide long-term economic, social, and environmental benefits. SEQ Councils' Sub-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 Redlands Coast and the region tourism; yields an increase in private investment or private/public partnerships across the region	Likely	Medium	**High**

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 or reducing non-commercial services 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 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
Recurrent revenue										
Rates charges	132,519	139,115	145,634	152,223	158,478	164,834	170,947	177,054	182,888	189,038
Levies and utility charges	202,583	218,029	232,152	245,708	259,407	273,844	288,995	305,902	322,201	339,360
Less: Pensioner remissions and rebates	(3,896)	(4,082)	(4,264)	(4,447)	(4,619)	(4,794)	(4,963)	(5,133)	(5,296)	(5,468)
Fees	20,936	22,021	23,235	24,125	25,087	26,130	27,217	28,350	29,529	30,757
Rental income	1,128	1,169	1,207	1,242	1,273	1,305	1,338	1,371	1,405	1,440
Interest received	13,583	12,027	9,612	7,945	7,829	7,766	8,046	8,311	8,515	8,682
Sales revenue	4,990	5,171	5,339	5,492	5,629	5,770	5,914	6,062	6,214	6,369
Other income	935	969	1,000	1,029	1,055	1,081	1,108	1,136	1,164	1,193
Grants, subsidies and contributions	9,534	8,553	9,102	8,653	8,704	8,756	9,306	8,855	8,903	8,953
Total recurrent revenue	**382,312**	**402,971**	**423,017**	**441,971**	**462,843**	**484,693**	**507,908**	**531,908**	**555,523**	**580,325**
Capital revenue										
Grants, subsidies and contributions	20,232	17,965	18,789	22,286	22,047	21,549	20,486	19,021	17,695	15,845
Non-cash contributions	121,013	18,067	32,248	15,058	11,645	11,060	11,294	19,372	10,236	8,939
Total capital revenue	**141,244**	**36,032**	**51,037**	**37,344**	**33,692**	**32,609**	**31,780**	**38,393**	**27,931**	**24,784**
TOTAL INCOME	**523,556**	**439,003**	**474,054**	**479,314**	**496,536**	**517,301**	**539,687**	**570,300**	**583,453**	**605,109**
Recurrent expenses										
Employee benefits	117,020	119,946	122,945	126,018	129,169	132,398	135,708	139,100	142,578	146,142
Materials and services	185,222	192,120	204,693	215,507	231,613	246,624	262,380	277,959	293,918	313,181
Finance costs	3,995	5,343	5,979	6,562	7,283	7,815	8,250	8,902	9,272	9,806
Depreciation and amortisation	78,067	85,516	89,769	94,188	94,875	97,797	101,149	105,291	109,017	110,437
Other expenditure	620	644	667	691	714	737	761	784	807	831
Net internal costs	(1,148)	(1,220)	(1,283)	(1,338)	(1,383)	(1,428)	(1,474)	(1,519)	(1,564)	(1,609)
Total recurrent expenses	**383,777**	**402,349**	**422,771**	**441,628**	**462,271**	**483,942**	**506,774**	**530,517**	**554,029**	**578,788**
Capital expenses										
(Gain) / loss on disposal of non-current assets	9,603	-	-	-	-	-	-	-	-	-
Total capital expenses	**9,603**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL EXPENSES	**393,380**	**402,349**	**422,771**	**441,628**	**462,271**	**483,942**	**506,774**	**530,517**	**554,029**	**578,788**
NET RESULT	**130,177**	**36,654**	**51,284**	**37,687**	**34,265**	**33,359**	**32,913**	**39,783**	**29,425**	**26,321**
Other comprehensive income/(loss)										
Items that will not be reclassified to a net result										
TOTAL COMPREHENSIVE INCOME	**130,177**	**36,654**	**51,284**	**37,687**	**34,265**	**33,359**	**32,913**	**39,783**	**29,425**	**26,321**

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF FINANCIAL POSITION	Year 1 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
CURRENT ASSETS										
Cash and cash equivalents	190,355	165,799	122,841	124,349	126,530	133,055	137,138	138,219	140,674	138,674
Short-term investment	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Trade and other receivables	52,508	55,037	58,227	60,850	63,959	67,056	70,446	73,498	77,222	80,983
Inventories	1,123	1,123	1,123	1,123	1,123	1,123	1,123	1,123	1,123	1,123
Other current assets	3,052	3,052	3,052	3,052	3,052	3,052	3,052	3,052	3,052	3,052
Total current assets	**297,038**	**275,010**	**235,242**	**239,374**	**244,664**	**254,286**	**261,759**	**265,891**	**272,070**	**273,831**
NON-CURRENT ASSETS										
Investment property	1,403	1,403	1,403	1,403	1,403	1,403	1,403	1,403	1,403	1,403
Property, plant and equipment	3,266,103	3,333,832	3,427,570	3,475,121	3,515,587	3,548,627	3,586,842	3,633,896	3,669,617	3,706,437
Intangible assets	294	435	715	904	1,202	1,695	2,171	2,629	3,070	3,589
Right-of-use assets	2,469	1,671	1,267	878	489	100	-	-	-	-
Other financial assets	73	73	73	73	73	73	73	73	73	73
Investment in other entities	11,357	11,357	11,357	11,357	11,357	11,357	11,357	11,357	11,357	11,357
Total non-current assets	**3,281,699**	**3,348,772**	**3,442,384**	**3,489,736**	**3,530,111**	**3,563,255**	**3,601,846**	**3,649,358**	**3,685,520**	**3,722,859**
TOTAL ASSETS	**3,578,737**	**3,623,782**	**3,677,626**	**3,729,110**	**3,774,775**	**3,817,541**	**3,863,605**	**3,915,250**	**3,957,590**	**3,996,690**
CURRENT LIABILITIES										
Trade and other payables	38,992	40,003	41,975	43,708	46,162	48,443	50,829	53,082	55,710	58,522
Borrowings - current	5,252	4,499	4,197	4,858	5,469	6,071	6,800	7,593	8,438	9,338
Lease liability - current	781	345	350	355	360	320	325	330	335	-
Provisions - current	10,540	22,082	14,544	14,600	10,507	10,540	10,624	10,605	10,660	10,696
Other current liabilities	6,080	6,370	6,638	6,883	7,103	7,328	7,558	7,795	8,037	8,285
Total current liabilities	**61,645**	**73,298**	**67,704**	**70,405**	**69,602**	**72,703**	**76,137**	**79,405**	**83,180**	**86,841**
NON-CURRENT LIABILITIES										
Borrowings - non-current	85,169	94,140	102,445	113,581	121,531	127,351	136,444	144,153	152,004	159,254
Lease liability - non-current	2,112	1,803	1,453	1,098	737	437	137	(167)	(263)	32
Provisions	22,036	14,480	14,680	14,996	19,608	20,394	21,318	22,506	23,891	25,463
Other non-current liabilities	4,368	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**113,685**	**110,423**	**118,578**	**129,674**	**141,876**	**148,182**	**157,899**	**166,492**	**175,632**	**184,750**
TOTAL LIABILITIES	**175,331**	**183,721**	**186,282**	**200,079**	**211,478**	**220,885**	**234,036**	**245,897**	**258,812**	**271,591**
NET COMMUNITY ASSETS	**3,403,407**	**3,440,061**	**3,491,344**	**3,529,031**	**3,563,297**	**3,596,656**	**3,629,569**	**3,669,353**	**3,698,778**	**3,725,099**
COMMUNITY EQUITY										
Asset revaluation surplus	1,441,319	1,441,319	1,441,319	1,441,319	1,441,319	1,441,319	1,441,319	1,441,319	1,441,319	1,441,319
Retained surplus	1,871,903	1,938,558	2,029,841	2,068,528	2,103,794	2,138,153	2,172,066	2,212,850	2,243,275	2,270,596
Constrained cash reserves	90,184	60,184	20,184	19,184	18,184	17,184	16,184	15,184	14,184	13,184
TOTAL COMMUNITY EQUITY	**3,403,407**	**3,440,061**	**3,491,344**	**3,529,031**	**3,563,297**	**3,596,656**	**3,629,569**	**3,669,353**	**3,698,778**	**3,725,099**

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF CASH FLOWS	Year 1 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	344,411	378,074	399,984	421,245	441,842	463,670	485,890	510,040	532,873	557,375
Payments to suppliers and employees	(317,872)	(307,430)	(333,356)	(339,767)	(358,159)	(376,276)	(395,052)	(414,002)	(432,797)	(455,278)
	26,539	**70,645**	**66,628**	**81,478**	**83,683**	**87,394**	**90,838**	**96,038**	**100,076**	**102,097**
Interest received	13,583	12,027	9,612	7,945	7,829	7,766	8,046	8,311	8,515	8,682
Rental income	1,128	1,169	1,207	1,242	1,273	1,305	1,338	1,371	1,405	1,440
Non-capital grants and contributions	9,658	9,084	8,932	8,820	8,690	8,750	9,136	9,022	8,889	8,947
Borrowing costs	(1,823)	(4,318)	(4,920)	(5,471)	(6,164)	(6,665)	(7,071)	(7,691)	(8,031)	(8,532)
Right-of-use assets interest expense	(316)	-	-	-	-	-	-	-	-	-
Net cash inflow/(outflow) from operating activities	**48,769**	**88,607**	**81,459**	**94,013**	**95,312**	**98,550**	**102,286**	**107,051**	**110,855**	**112,634**
CASH FLOWS FROM INVESTING ACTIVITIES										
Payments for property, plant and equipment	(118,283)	(135,680)	(151,480)	(127,165)	(124,505)	(120,498)	(129,082)	(134,442)	(135,652)	(138,033)
Payments for intangible assets	-	(356)	(378)	(240)	(457)	(571)	(585)	(600)	(725)	(804)
Proceeds from sale of property, plant and equipment	1,593	1,514	725	924	1,357	1,188	1,221	1,611	1,435	-
Capital grants, subsidies and contributions	20,232	17,966	18,788	22,286	22,047	21,549	20,486	19,021	17,696	15,844
Other cash flows from investing activities	-	(4,079)	269	245	219	225	231	236	242	248
Net cash inflow/(outflow) from investing activities	**(96,459)**	**(120,634)**	**(132,076)**	**(103,951)**	**(101,337)**	**(98,107)**	**(107,729)**	**(114,174)**	**(117,004)**	**(122,745)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from borrowings	27,922	14,123	12,500	15,991	13,417	11,890	15,890	15,300	16,287	16,586
Repayment of borrowings	(5,044)	(5,905)	(4,497)	(4,195)	(4,856)	(5,467)	(6,069)	(6,798)	(7,591)	(8,436)
Right-of-use lease payments	(607)	(746)	(345)	(350)	(355)	(340)	(295)	(299)	(91)	(40)
Net cash inflow/(outflow) from financing activities	**22,271**	**7,472**	**7,658**	**11,446**	**8,206**	**6,083**	**9,526**	**8,204**	**8,605**	**8,110**
Net increase/(decrease) in cash held	**(25,419)**	**(24,556)**	**(42,959)**	**1,509**	**2,181**	**6,525**	**4,083**	**1,080**	**2,456**	**(2,001)**
Cash and cash equivalents at the beginning of the year	215,774	190,355	165,799	122,841	124,349	126,530	133,055	137,138	138,219	140,674
Cash and cash equivalents at the end of the year	**190,355**	**165,799**	**122,841**	**124,349**	**126,530**	**133,055**	**137,138**	**138,219**	**140,674**	**138,674**

LONG-TERM FINANCIAL FORECAST - PROJECTED OPERATING STATEMENT	Year 1 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
Revenue										
Rates charges	132,519	139,115	145,634	152,223	158,478	164,834	170,947	177,054	182,888	189,038
Levies and utility charges	202,583	218,029	232,152	245,708	259,407	273,844	288,995	305,902	322,201	339,360
Less: Pensioner remissions and rebates	(3,896)	(4,082)	(4,264)	(4,447)	(4,619)	(4,794)	(4,963)	(5,133)	(5,296)	(5,468)
Fees	20,936	22,021	23,235	24,125	25,087	26,130	27,217	28,350	29,529	30,757
Operating grants and subsidies	8,442	7,414	7,914	7,414	7,414	7,414	7,914	7,414	7,414	7,414
Operating contributions and donations	1,092	1,139	1,188	1,239	1,290	1,342	1,392	1,442	1,489	1,539
Interest external	13,583	12,027	9,612	7,945	7,829	7,766	8,046	8,311	8,515	8,682
Other revenue	7,053	7,308	7,546	7,763	7,957	8,156	8,360	8,569	8,783	9,003
Total revenue	**382,312**	**402,971**	**423,017**	**441,971**	**462,843**	**484,693**	**507,908**	**531,908**	**555,523**	**580,325**
Expenses										
Employee benefits	117,020	119,946	122,945	126,018	129,169	132,398	135,708	139,100	142,578	146,142
Materials and services	185,222	192,093	204,646	215,448	231,552	246,561	262,316	277,893	293,850	313,110
Finance costs other	984	1,025	1,059	1,091	1,120	1,149	1,180	1,210	1,241	1,274
Other expenditure	620	644	667	691	714	737	761	784	807	831
Net internal costs	(1,148)	(1,193)	(1,236)	(1,279)	(1,322)	(1,366)	(1,409)	(1,452)	(1,495)	(1,539)
Total expenses	**302,699**	**312,515**	**328,082**	**341,969**	**361,233**	**379,480**	**398,554**	**417,535**	**436,981**	**459,818**
Earnings before interest, tax and depreciation	**79,613**	**90,456**	**94,936**	**100,002**	**101,611**	**105,212**	**109,353**	**114,373**	**118,542**	**120,507**
Interest expense - external	3,011	4,318	4,920	5,471	6,164	6,665	7,071	7,691	8,031	8,532
Depreciation and amortisation	78,067	85,516	89,769	94,188	94,875	97,797	101,149	105,291	109,017	110,437
Operating Surplus/(Deficit)	**(1,465)**	**622**	**246**	**343**	**573**	**750**	**1,134**	**1,391**	**1,494**	**1,538**

LONG-TERM FINANCIAL FORECAST - PROJECTED CAPITAL FUNDING STATEMENT	Year 1 2024-25 $000	Year 2 2025-26 $000	Year 3 2026-27 $000	Year 4 2027-28 $000	Year 5 2028-29 $000	Year 6 2029-30 $000	Year 7 2030-31 $000	Year 8 2031-32 $000	Year 9 2032-33 $000	Year 10 2033-34 $000
Proposed sources of capital funding										
Capital contributions and donations	18,281	17,966	17,838	21,335	21,097	20,598	19,535	18,070	16,745	14,893
Capital grants and subsidies	1,951	-	951	951	951	951	951	951	951	951
Proceeds on disposal of non-current assets	1,593	1,514	725	924	1,357	1,188	1,221	1,611	1,435	-
Capital transfers (to)/from reserves	2,086	30,000	40,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Non-cash contributions	121,013	18,067	32,248	15,058	11,645	11,060	11,294	19,372	10,236	8,939
New loans	27,922	14,123	12,500	15,991	13,417	11,890	15,890	15,300	16,287	16,586
Funding from general revenue	70,867	79,083	84,687	91,750	92,351	91,250	97,434	105,207	107,641	113,883
Total sources of capital funding	**243,712**	**160,754**	**188,948**	**147,008**	**141,817**	**137,936**	**147,325**	**161,510**	**154,295**	**156,252**
Proposed application of capital funds										
Contributed assets	121,013	18,067	32,248	15,058	11,645	11,060	11,294	19,372	10,236	8,939
Capitalised goods and services	108,413	125,153	139,710	117,213	114,964	111,383	119,293	124,238	125,467	127,730
Capitalised employee costs	9,870	10,883	12,149	10,192	9,997	9,686	10,373	10,803	10,910	11,107
Loan redemption	4,416	6,651	4,842	4,545	5,211	5,807	6,364	7,096	7,682	8,476
Total application of capital funds	**243,712**	**160,754**	**188,948**	**147,008**	**141,817**	**137,936**	**147,325**	**161,510**	**154,295**	**156,252**
Other budgeted items										
Transfers to constrained operating reserves	(21,216)	(21,746)	(22,290)	(22,847)	(23,418)	(24,003)	(24,603)	(25,219)	(25,849)	(26,495)
Transfers from constrained operating reserves	22,438	21,746	22,290	22,847	23,418	24,003	24,603	25,219	25,849	26,495
Written down value (WDV) of assets disposed	11,196	1,514	725	924	1,357	1,188	1,221	1,611	1,435	-

10.2 Glossary – Financial Sustainability Measures

Measure	Formula (numerator / denominator)	
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 Infrastructure Asset Renewals over 10 years / Total of Required Capital Expenditure on Infrastructure 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 ** / Operating Results add Depreciation and Amortisation and Finance Costs	
Net Financial Liabilities: *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.

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