Redland CITY COUNCIL

Financial Strategy

2026-2036



Contents

1. Executive Summary, Overview and Scope 4
1.1 Executive Summary 4
1.1.1 The Financial Strategy and Long-Term Financial Forecast....4
1.1.2 The Financial Strategy Objectives 8
1.1.3 Organisational and Community Outcomes 9
1.1.4 Key Principles 9
1.1.5 Accountability and Transparency....9
1.1.6 Reviewing and Refining the Financial Strategy....10
1.2 Overview....10
1.2.1 Background....10
1.2.2 Key Assumptions....10
1.2.3 Measures of Financial Sustainability....11
1.2.4 Key Financial Policies 11
1.3 Scope....13
2. Parameters and Measures....13
2.1 Parameters 13
2.2 Financial Sustainability Targets....14
3. Revenue Management 15
3.1 Background....15
3.2 Revenue Policy Statements 15
3.2.1 Revenue Policy Statement 15
3.2.2 Investment Policy Statement 16
3.3 Revenue Assumptions in the Long-Term Financial Forecast....16
3.3.1 Revenue and Pricing Key Risks, Issues and Mitigation Strategies....17
3.3.2 Investment Key Risks, Issues and Mitigation Strategies 17
4. Asset Management....18
4.1 Background....18
4.2 Asset and Service Management Administrative Directive....18
4.3 Asset and Service Management Guidelines....19
4.4 Asset Management System 19
4.4.1 Asset Management System Key Risks, Issues and Mitigation Strategies 19
5. Expenditure Management....20
5.1 Background....20
5.2 Expenditure Management Policy Statement....21

5.3 Expenditure Assumptions in the Long-Term Financial Forecast 21
5.4 Expenditure Management Key Risks, Issues and Mitigation Strategies 21
6. Liabilities Management 22
6.1 Background 22
6.2 Liabilities Management Policy Statements 23
6.2.1 Debt Policy Statement 23
6.2.2 Landfill Rehabilitation Policy Statement 23
6.2.3 Employee Benefits Policy Statement 23
6.3 Liabilities Management Policy Guidelines 23
6.4 Liabilities Management Key Risks, Issues and Mitigation Strategies 23
7. Equity Management 24
7.1 Background 24
7.2 Equity Management Policy Statement 24
7.3 Equity Management Policy Guidelines 24
8. Implementation and Linkage 24
8.1 Background 24
8.2 Implementation and Linkage 24
8.3 Implementation Control and Issues 25
9. Commercial Opportunities 25
9.1 Background 25
9.2 Policies associated with Commercial Businesses 26
9.3 Existing Commercial Opportunities 26
9.4 Commercial Opportunities Key Risks, Issues and Mitigation Strategies 26
10. Appendices 28
10.1 Long-Term Financial Forecast Statements 28
10.2 Glossary – Financial Sustainability Measures 32

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
1.9	June 2025	Incorporate final 2025-26 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.	Anne-Marie Norris
1.10	June 2026	Update content to align with administrative changes, and update content and layout. Incorporate final 2026-27 budget and detailed LTFF outputs.	Sandra Bridgeman

1. Executive Summary, Overview and Scope

1.1 Executive Summary

1.1.1 The Financial Strategy and Long-Term Financial Forecast

The Financial Strategy (the Strategy) is Council's long-term financial plan that is underpinned by a series of policies, plans, 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* (the 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 the broader Financial Management System that includes:

- Our Future Redland City-Corporate Plan 2026-2031
- 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).

Strategic Planning Framework



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

LONG–TERM FINANCIAL FORECAST – FINANCIAL SUSTAINABILITY MEASURES										
	Year 1 2026-27	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Year 6 2031-32	Year 7 2032-33	Year 8 2033-34	Year 9 2034-35	Year 10 2035-36
Council Controlled Revenue Ratio	93.7%	93.8%	93.9%	93.9%	94.0%	94.1%	94.0%	93.8%	93.6%	93.4%
Population Growth Ratio*	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Operating Surplus Ratio	0.1%	0.5%	1.1%	1.1%	1.2%	0.8%	0.7%	0.8%	1.2%	1.0%
Operating Cash Ratio	21.50%	22.73%	23.92%	24.53%	25.03%	25.56%	26.27%	26.91%	27.56%	27.73%
Unrestricted Cash Expense Cover Ratio	4.49 months	6.26 months	7.60 months	8.09 months	7.80 months	8.13 months	9.39 months	10.54 months	11.71 months	12.80 months
Asset Sustainability Ratio	81.8%	78.8%	76.4%	70.6%	60.2%	60.1%	62.8%	61.9%	62.4%	60.3%
Asset Consumption Ratio	74.43%	73.00%	71.58%	70.13%	68.62%	66.98%	65.35%	63.70%	61.97%	60.24%
Asset Renewal Funding Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Leverage Ratio	0.90 times	0.92 times	0.90 times	0.89 times	0.90 times	0.91 times	0.90 times	0.89 times	0.88 times	0.87 times
Net Financial Liabilities Ratio	-19.0%	-19.5%	-16.7%	-17.1%	-12.3%	-11.8%	-17.1%	-21.9%	-27.0%	-32.0%

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 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
Total recurrent revenue	468,153	491,654	516,878	540,632	564,599	588,513	613,986	639,759	666,946	690,816
Total capital revenue	59,926	45,325	29,359	39,748	15,579	28,747	43,704	23,940	19,872	17,498
TOTAL INCOME	528,079	536,979	546,237	580,380	580,178	617,261	657,691	663,699	686,818	708,314
Total recurrent expenses	467,707	489,287	511,123	534,514	557,925	583,954	609,937	634,578	659,182	683,640
Total capital expenses	(1,711)	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	465,996	489,287	511,123	534,514	557,925	583,954	609,937	634,578	659,182	683,640
NET RESULT	62,083	47,692	35,114	45,866	22,252	33,306	47,754	29,120	27,636	24,674
Other Comprehensive Income/(Loss)	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	62,083	47,692	35,114	45,866	22,252	33,306	47,754	29,120	27,636	24,674

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF FINANCIAL POSITION	Year 1 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
Total current assets	310,178	343,855	358,313	386,467	388,547	412,494	472,212	531,012	594,005	656,548
Total non-current assets	3,546,169	3,587,073	3,631,754	3,671,348	3,716,857	3,750,017	3,762,317	3,756,257	3,743,708	3,727,638
TOTAL ASSETS	3,856,347	3,930,928	3,990,067	4,057,815	4,105,404	4,162,511	4,234,529	4,287,269	4,337,713	4,384,186
Total current liabilities	90,019	92,039	94,373	96,684	99,172	101,493	104,122	106,693	109,361	112,027
Total non-current liabilities	131,130	155,999	177,690	197,261	220,110	241,590	263,225	284,274	304,413	323,547
TOTAL LIABILITIES	221,149	248,038	272,063	293,945	319,282	343,083	367,347	390,967	413,774	435,574
NET COMMUNITY ASSETS	3,635,198	3,682,889	3,718,004	3,763,870	3,786,122	3,819,428	3,867,182	3,896,302	3,923,939	3,948,613
TOTAL COMMUNITY EQUITY	3,635,198	3,682,889	3,718,004	3,763,870	3,786,122	3,819,428	3,867,182	3,896,302	3,923,939	3,948,612

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

LONG–TERM FINANCIAL FORECAST – PROJECTED STATEMENT OF CASH FLOWS										
	Year 1 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
Net cash inflow/(outflow) from operating activities	98,448	119,734	130,729	139,490	147,764	156,312	166,462	176,963	187,973	195,954
Net cash inflow/(outflow) from investing activities	(99,687)	(100,930)	(128,485)	(121,084)	(158,920)	(144,025)	(119,091)	(129,684)	(135,797)	(142,509)
Net cash inflow/(outflow) from financing activities	8,287	11,935	8,705	6,574	9,982	8,669	8,877	8,345	7,459	6,550
Net increase/(decrease) in cash held	7,048	30,740	10,949	24,980	(1,173)	20,956	56,248	55,624	59,635	59,994
Cash and cash equivalents at the beginning of the year	234,422	241,470	272,209	283,158	308,138	306,965	327,921	384,169	439,793	499,428
Cash and cash equivalents at the end of the year	241,470	272,209	283,158	308,138	306,965	327,921	384,169	439,793	499,428	559,422

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* (the 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 Local Government, Water and Volunteers (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 (the 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 comparability to prior years.

Secondary objectives of the Strategy provide further detail to support the primary objective:

- achieve financial sustainability aimed at ensuring that recurrent (operating) revenue is sufficient to cover an efficient operating expense base including depreciation,
- to ensure adequate funding is available to provide efficient and effective core services to the community,
- continuation of good asset management to ensure that community assets are well maintained and are fit for purpose,
- address key intergenerational infrastructure and service needs, 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 – *naturally wonderful lifestyle*, *connected communities, and embracing opportunities*. Underpinning the vision is Council's one purpose: *We exist to shape today with tomorrow in mind – creating a sustainable, prosperous, and connected city.* Council's purpose demonstrates a commitment to financial sustainability through being fiscally responsible with community assets and funds.

1.1.3 Organisational and Community Outcomes

Council 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,
- 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 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

Council 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, Council 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
  - continue to deliver through the most efficient and effective means to reduce goods and services costs
  - challenging the priorities 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’. Council will demonstrate accountability and transparency by:

- publishing clear financial sustainability measures, and associated targets which demonstrate if the 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 Council’s 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 Council's forward planning and risk assessment,
- capturing the budget revisions in Council's long-term financial forecast (LTFF) and analysing the impacts of any changes on the financial sustainability measures,
- undertaking reviews of capital and operational projects,
- considering policy changes before changing spending plans,
- considering the outcomes of any future community and/or rating consultation processes.

1.2 Overview

1.2.1 Background

The Strategy provides an agreed roadmap for managing financial resources and processes and is aligned with the objectives and priorities of the 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 events, supply chain issues and associated impacts on raw materials and inventories,
- population growth and changes in population demographics (for example an ageing population,)
- legislative and statutory requirements and 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.

1.2.2 Key Assumptions

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

- the proposed budget for 2026-27 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 the Capital Portfolio Prioritisation Administrative Directive,
- borrowing costs are expensed,
- property, plant and equipment are 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,
- commercial business modelling for the Water business and the Waste business reflect their respective challenges and opportunities in the broader environment in which they operate within,
- growth in rateable properties for which forecast parameters draw upon statistical analysis as well as a correlation with projected population growth forecast (mid series) calculated by the Queensland Government Statistician's Office (QGSO), the timely use of relevant quarterly

Consumer Price Indices (CPI) to input factors as published by the Australian Bureau of Statistics (ABS).

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**),
- 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 service costs 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 the Debt Policy (**Leverage Ratio** and **Net Financial Liabilities Ratio**),
- ensuring that Council's infrastructure assets are maintained and fit for purpose (**Asset Sustainability Ratio**, Asset Consumption Ratio and Asset Renewal Funding Ratio).

1.2.4 Key Financial Policies

Council has a suite of financial policies and administrative directives which form part of its overall financial framework. An outline of the key policies and administrative directives are summarised below, with further detailed provided in the annual budget publication.

Investment Policy

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

Debt Policy

- Council will combine existing surplus funds with new debt to mirror the asset lives in Council's Corporate Plan, Operational Plan and assets requiring renewal,
- Council makes its annual debt repayments in advance to settle existing loans one year ahead of schedule to minimise annual borrowing costs,
- 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 a timely manner to ensure community interest and good financial practice,
- Council will support ratepayers and residents through various mechanisms, being:
  - Apply remissions, concessions and financial hardship practices in individual circumstances and where appropriate to do so
  - Application of discount or waiver of fees where appropriate to do so.

Corporate Procurement Policy

- Council is committed to achieving value for money when procuring,
- Council outlines other sound contracting principles including open and effective competition, ethical behaviour, 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) outputs align to inputs of the annual budget development process,
- Each ASMP is linked to and supports other corporate planning and reporting processes,
- Council's ten-year capital program is compiled to respond to the ASMPs.

Capital Portfolio Prioritisation Administrative Directive

- Council's Capital Portfolio Prioritisation Administrative Directive ensures the community's existing infrastructure will be maintained and further supports the objectives of the Asset and Service Management Administrative Directive,
- Capital expenditure will be prioritised into renewal programs before asset upgrades or the creation of new assets.

Application of Dividends and Tax Equivalent Payment Policy

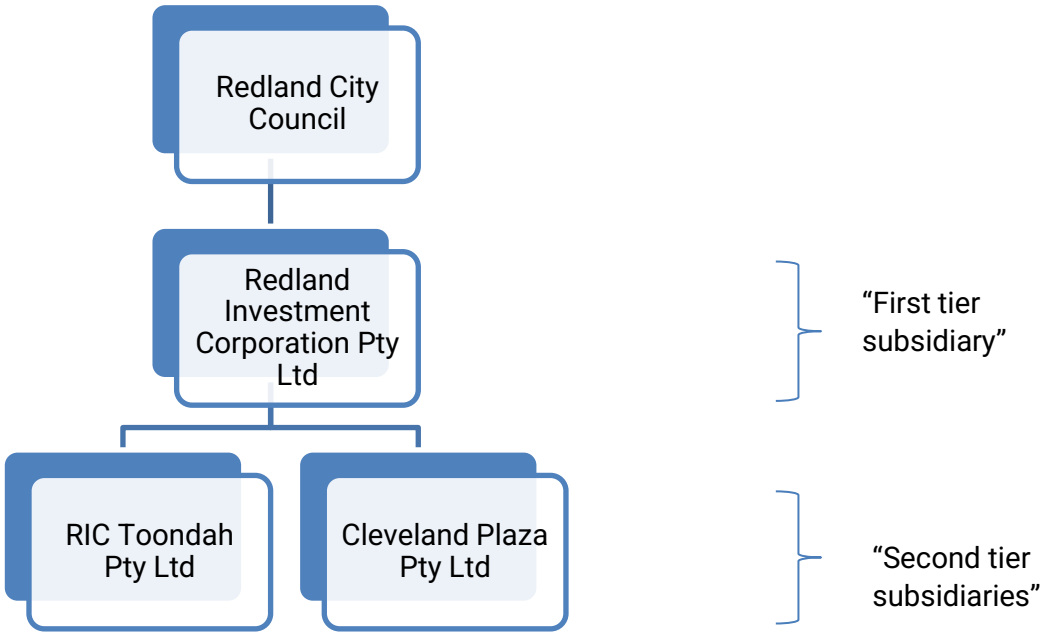
- Council receives dividends and tax equivalent payments from its commercial business activities (namely City Water and City Waste),
- All financial returns to Council will be applied to the provision of community benefit.

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 outlines the financial frameworks and provides the 10-year 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.

The Strategy and financial statements also incorporate the change to RIC's governance arrangements as adopted in the April 2026 General Meeting. This reflects the absorption of RIC's operations into Council's Major Projects Group and the associated transition plan which has commenced following the decision of Council.

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 (%) – with reference to the appropriate ABS CPI and other cost or inflation measures

In 2023, the Chief Executive Officer created an Expenditure Review Committee (ERC). The ERC comprises of the Chief Executive Officer, General Manager Organisational Services, Chief Procurement Officer and the Executive Group Manager Financial Services and Chief Financial Officer. Budgeted assumptions are tested to align to this Strategy, ASMPs, policy positions and the use of appropriate efficiency targets are reviewed and considered. The ERC and broader ELT (Executive Leadership Team) remain focused on driving strong financial discipline within the organisation and prioritise investment decisions.

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 monthly on its performance against both the target and the anticipated performance based on revised budget.

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)

Note : Net Financial Liabilities Ratio is an elective ratio for Council to report and is only relevant over a full financial year result due to the nature behind its calculation.

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).

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

- general rates - risk that future increases in general rates may be less than Council's costs – 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 section 9 commercial opportunities.

Council's significant capital funding streams include:

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

In relation to the LTFF, the following capital funding streams will require continued management attention 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.
- 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 and annual operational plan is an essential element of the Strategy. As outlined in the Revenue Policy (FIN-017-P), 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.
- **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 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 monthly 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.

3.3.1 Revenue and Pricing Key Risks, Issues and Mitigation Strategies

To mitigate risks and explore opportunities the following remain key focus areas for Council:

- the continued work of Economic Development and Partnerships to:
  - 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
  - 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.

3.3.2 Investment Key Risks, Issues and Mitigation Strategies

To mitigate risks and explore opportunities the following remain key focus areas for Council:

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

4. Asset Management

4.1 Background

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

Council is responsible for the 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 $3.5 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 and inflationary pressures
- decreasing availability and increased competition for funds
- 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 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
- asset valuation methodologies.

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 Council's 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 isin effect 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 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 asset system is to ensure a formal and consistent approach to asset management across the organisation. The system has a framework supported by policies and technology and draws on best practice (ISO 55000 series). Supporting this framework further is a well-established Portfolio Management Office (PMO) and a dedicated Strategic Asset Management Unit.

4.4.1 Asset Management System Key Risks, Issues and Mitigation Strategies

To mitigate risks and explore opportunities for asset management systems, the following remain key focus areas for Council:

- continued embedding of Council's asset management system
- continued improvement of asset data governance and data capture and cleansing to enhance decision making
- ongoing maturity of Asset and Service Management Plans in accordance with statutory requirements, business needs and agreed service levels

- continuation of the Infrastructure Planning and Charging Unit to ensure Council is maximising opportunities for recovery of appropriate costs with respect to trunk infrastructure
- continue to develop the maturity of the PMO. Enhanced maturity will lead to enriched processes, stronger/appropriate governance, and improved deliverability for operational and capital projects
- continue to review the effectiveness of the asset management system in the following areas: enhanced asset management practices and integration of asset planning, budget development and long-term financial forecasting
- 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.

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.

Capital expenditure on planned renewal and non-renewal projects is undertaken over the life of the Strategy, with the split underpinned by Council's Capital Portfolio Prioritisation Administrative Directive.

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

- materials and services – critically review the timing and cost of discretionary operational projects
- materials and services – lower and continue to review operational activity expenditure and implementing efficiencies where practicable
- depreciation – ensure a rigorous asset valuation framework is developed and embedded
- employee expenses – 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 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 are sought to fund appropriate capital projects
- 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 – 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 items 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 in delivering services
- 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 Expenditure Management Key Risks, Issues and Mitigation Strategies

To mitigate risks and explore opportunities, the following remain key focus areas for 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
- continued use of a strategic procurement model in Council to drive efficiencies and savings
- 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
- 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.

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.

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 10-year model that forecasts the future works. The calculation to determine the provision is carried out in accordance with the *Australian Accounting Standards Board (AASB) 137 – Provisions, Contingent Liabilities and Contingent Assets.*

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

6.2 Liabilities Management Policy Statements

6.2.1 Debt Policy Statement

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

6.2.2 Landfill Rehabilitation Policy Statement

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

6.2.3 Employee Benefits Policy Statement

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

6.3 Liabilities Management Policy Guidelines

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

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

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

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

6.4 Liabilities Management Key Risks, Issues and Mitigation Strategies

To mitigate risks and explore opportunities, the following remain key focus areas for Council:

- continue to integrate Council's 10-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.

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.

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 2026-2036 Financial Strategy has been updated as part of the 2026-27 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.

Council 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 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.

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. 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, Council is seeking to drive efficiencies in the way it implements the 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 presently held:

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 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.

9.4 Commercial Opportunities Key Risks, Issues and Mitigation Strategies

To mitigate risks and explore opportunities, the following remain key areas of focus for 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

- 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 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
Recurrent revenue										
Rates charges	156,902	167,489	177,904	187,020	196,419	206,684	217,201	227,641	238,740	248,290
Levies and utility charges	255,395	265,664	277,469	289,574	301,924	313,120	324,306	334,993	346,258	355,548
Less: Pensioner remissions and rebates	(4,202)	(4,459)	(4,713)	(4,937)	(5,167)	(5,416)	(5,671)	(5,925)	(6,193)	(6,428)
Fees	30,730	32,649	34,479	35,976	37,538	39,358	41,265	43,265	45,362	47,561
Rental income	959	987	1,017	1,045	1,074	1,101	1,128	1,156	1,185	1,215
Interest received	13,211	13,935	15,094	16,093	16,715	17,350	19,215	21,859	24,591	27,398
Sales revenue	5,852	6,028	6,209	6,380	6,555	6,719	6,887	7,059	7,236	7,416
Other income	579	596	614	631	648	664	681	698	715	733
Grants, subsidies and contributions	8,727	8,764	8,806	8,849	8,894	8,934	8,974	9,012	9,052	9,083
Total recurrent revenue	**468,153**	**491,654**	**516,878**	**540,632**	**564,599**	**588,513**	**613,986**	**639,759**	**666,946**	**690,816**
Capital revenue										
Grants, subsidies and contributions	44,893	30,267	17,714	28,688	4,284	9,375	33,468	15,000	11,281	17,498
Non-cash contributions	15,033	15,059	11,645	11,060	11,295	19,372	10,236	8,940	8,591	-
Total capital revenue	**59,926**	**45,325**	**29,359**	**39,748**	**15,579**	**28,747**	**43,704**	**23,940**	**19,872**	**17,498**
TOTAL INCOME	**528,079**	**536,979**	**546,237**	**580,380**	**580,178**	**617,261**	**657,691**	**663,699**	**686,818**	**708,314**
Recurrent expenses										
Employee benefits	138,819	143,233	147,803	153,924	160,323	167,015	173,614	180,498	187,677	195,165
Materials and services	225,245	233,139	241,814	250,402	259,167	267,187	275,099	283,048	291,342	299,880
Finance costs	6,218	6,829	7,579	8,161	8,628	9,297	9,861	10,457	11,026	11,572
Depreciation and amortisation	96,715	105,351	113,163	121,238	128,990	139,613	150,495	159,684	168,218	176,077
Other expenditure	710	735	763	790	817	843	868	893	919	946
Net internal costs	-	-	-	-	-	-	-	-	-	-
Total recurrent expenses	**467,707**	**489,287**	**511,123**	**534,514**	**557,925**	**583,954**	**609,937**	**634,578**	**659,182**	**683,640**
Capital expenses										
(Gain) / loss on disposal of non-current assets	(1,711)	-	-	-	-	-	-	-	-	-
Total capital expenses	**(1,711)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL EXPENSES	**465,996**	**489,287**	**511,123**	**534,514**	**557,925**	**583,954**	**609,937**	**634,578**	**659,182**	**683,640**
NET RESULT	**62,083**	**47,692**	**35,114**	**45,866**	**22,252**	**33,306**	**47,754**	**29,120**	**27,636**	**24,674**
Other comprehensive income/(loss)										
TOTAL COMPREHENSIVE INCOME	**62,083**	**47,692**	**35,114**	**45,866**	**22,252**	**33,306**	**47,754**	**29,120**	**27,636**	**24,674**

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF FINANCIAL POSITION										
	Year 1 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
CURRENT ASSETS										
Cash and cash equivalents	241,470	272,209	283,158	308,138	306,965	327,921	384,169	439,793	499,428	559,422
Short-term investment	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	63,888	66,826	70,335	73,508	76,762	79,754	83,223	86,399	89,756	92,306
Inventories	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Other current assets	3,420	3,420	3,420	3,420	3,420	3,420	3,420	3,420	3,420	3,420
Total current assets	**310,178**	**343,855**	**358,313**	**386,467**	**388,547**	**412,494**	**472,212**	**531,012**	**594,005**	**656,548**
NON-CURRENT ASSETS										
Investment property	3,379	3,379	3,379	3,379	3,379	3,379	3,379	3,379	3,379	3,379
Property, plant and equipment	3,513,442	3,554,346	3,599,027	3,638,620	3,684,130	3,717,289	3,729,179	3,723,129	3,710,256	3,693,550
Intangible assets	149	149	149	150	150	150	560	550	874	1,510
Right-of-use assets	9,564	9,564	9,564	9,564	9,564	9,564	9,564	9,564	9,564	9,564
Other financial assets	73	73	73	73	73	73	73	73	73	73
Investment in other entities	11,769	3,976	3,976	3,976	3,976	3,976	3,976	3,976	3,976	3,976
Equity Investment	7,793	7,793	7,793	7,793	7,793	7,793	7,793	7,793	7,793	7,793
Total non-current assets	**3,546,169**	**3,587,073**	**3,631,754**	**3,671,348**	**3,716,857**	**3,750,017**	**3,762,317**	**3,756,257**	**3,743,708**	**3,727,638**
TOTAL ASSETS	**3,856,347**	**3,930,928**	**3,990,067**	**4,057,815**	**4,105,404**	**4,162,511**	**4,234,529**	**4,287,269**	**4,337,713**	**4,384,186**
CURRENT LIABILITIES										
Trade and other payables	42,501	43,866	45,596	47,314	49,079	50,621	52,418	54,104	55,863	57,523
Borrowings - current	4,058	4,714	5,318	5,910	6,633	7,412	8,244	9,129	10,039	11,044
Lease liability - current	600	600	600	600	600	600	600	600	600	600
Provisions - current	25,840	25,840	25,840	25,840	25,840	25,840	25,840	25,840	25,840	25,840
Other current liabilities	17,019	17,019	17,019	17,019	17,019	17,019	17,019	17,019	17,019	17,019
Total current liabilities	**90,019**	**92,039**	**94,373**	**96,684**	**99,172**	**101,493**	**104,122**	**106,693**	**109,361**	**112,027**
NON-CURRENT LIABILITIES										
Borrowings - non-current	86,352	97,631	105,733	111,714	120,974	128,864	136,909	144,369	150,918	156,462
Lease liability - non-current	9,494	9,494	9,494	9,494	9,494	9,494	9,494	9,494	9,494	9,494
Provisions	34,931	48,521	62,110	75,700	89,290	102,879	116,469	130,058	143,648	157,238
Other non-current liabilities	353	353	353	353	353	353	353	353	353	353
Total non-current liabilities	**131,130**	**155,999**	**177,690**	**197,261**	**220,110**	**241,590**	**263,225**	**284,274**	**304,413**	**323,547**
TOTAL LIABILITIES	**221,149**	**248,038**	**272,063**	**293,945**	**319,282**	**343,083**	**367,347**	**390,967**	**413,774**	**435,574**
NET COMMUNITY ASSETS	**3,635,198**	**3,682,889**	**3,718,004**	**3,763,870**	**3,786,122**	**3,819,428**	**3,867,182**	**3,896,302**	**3,923,939**	**3,948,613**
COMMUNITY EQUITY										
Asset revaluation surplus	1,710,032	1,710,032	1,710,032	1,710,032	1,710,032	1,710,032	1,710,032	1,710,032	1,710,032	1,710,032
Retained surplus	1,807,931	1,855,622	1,890,737	1,936,603	1,958,855	1,992,161	2,039,915	2,069,035	2,096,672	2,121,345
Constrained cash reserves	117,235	117,235	117,235	117,235	117,235	117,235	117,235	117,235	117,235	117,235
TOTAL COMMUNITY EQUITY	**3,635,198**	**3,682,889**	**3,718,004**	**3,763,870**	**3,786,122**	**3,819,428**	**3,867,182**	**3,896,302**	**3,923,939**	**3,948,612**

LONG-TERM FINANCIAL FORECAST - PROJECTED STATEMENT OF CASH FLOWS	Year 1 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	444,465	466,018	489,477	512,521	535,742	559,239	582,336	605,716	629,951	651,786
Payments to suppliers and employees	(365,834)	(364,937)	(377,909)	(392,717)	(407,924)	(422,943)	(437,284)	(452,314)	(467,805)	(484,021)
	78,631	**101,082**	**111,568**	**119,804**	**127,818**	**136,297**	**145,052**	**153,402**	**162,146**	**167,765**
Interest received	13,211	13,935	15,094	16,093	16,715	17,350	19,215	21,859	24,591	27,398
Rental income	-	-	-	-	-	-	-	-	-	-
Non-capital grants and contributions	10,103	8,762	8,798	8,844	8,888	8,932	8,966	9,007	9,048	9,083
Borrowing costs	(3,497)	(4,045)	(4,731)	(5,252)	(5,657)	(6,267)	(6,771)	(7,305)	(7,811)	(8,292)
Right-of-use assets interest expense	-	-	-	-	-	-	-	-	-	-
Net cash inflow/(outflow) from operating activities	**98,448**	**119,734**	**130,729**	**139,490**	**147,764**	**156,312**	**166,462**	**176,963**	**187,973**	**195,954**
CASH FLOWS FROM INVESTING ACTIVITIES										
Payments for property, plant and equipment	(132,678)	(131,196)	(146,199)	(149,772)	(163,204)	(153,400)	(152,559)	(144,684)	(147,078)	(160,007)
Payments for intangible assets	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of property, plant and equipment	1,711	-	-	-	-	-	-	-	-	-
Capital grants, subsidies and contributions	31,279	30,267	17,714	28,688	4,284	9,375	33,468	15,000	11,281	17,498
Other cash flows from investing activities	-	-	-	-	-	-	-	-	-	-
Net cash inflow/(outflow) from investing activities	**(99,687)**	**(100,930)**	**(128,485)**	**(121,084)**	**(158,920)**	**(144,025)**	**(119,091)**	**(129,684)**	**(135,797)**	**(142,509)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from borrowings	12,600	15,991	13,417	11,890	15,890	15,300	16,287	16,586	16,586	16,586
Repayment of borrowings	(4,313)	(4,056)	(4,712)	(5,316)	(5,908)	(6,631)	(7,410)	(8,242)	(9,127)	(10,037)
Right-of-use lease payments	-	-	-	-	-	-	-	-	-	-
Net cash inflow/(outflow) from financing activities	**8,287**	**11,935**	**8,705**	**6,574**	**9,982**	**8,669**	**8,877**	**8,345**	**7,459**	**6,550**
Net increase/(decrease) in cash held	**7,048**	**30,740**	**10,949**	**24,980**	**(1,173)**	**20,956**	**56,248**	**55,624**	**59,635**	**59,994**
Cash and cash equivalents at the beginning of the year	234,422	241,470	272,209	283,158	308,138	306,965	327,921	384,169	439,793	499,428
Cash and cash equivalents at the end of the year	**241,470**	**272,209**	**283,158**	**308,138**	**306,965**	**327,921**	**384,169**	**439,793**	**499,428**	**559,422**

LONG-TERM FINANCIAL FORECAST - PROJECTED OPERATING STATEMENT										
	Year 1 2026-27 $000	Year 2 2027-28 $000	Year 3 2028-29 $000	Year 4 2029-30 $000	Year 5 2030-31 $000	Year 6 2031-32 $000	Year 7 2032-33 $000	Year 8 2033-34 $000	Year 9 2034-35 $000	Year 10 2035-36 $000
Revenue										
Rates charges	156,902	167,489	177,904	187,020	196,419	206,684	217,201	227,641	238,740	248,290
Levies and utility charges	255,395	265,664	277,469	289,574	301,924	313,120	324,306	334,993	346,258	355,548
Less: Pensioner remissions and rebates	(4,202)	(4,459)	(4,713)	(4,937)	(5,167)	(5,416)	(5,671)	(5,925)	(6,193)	(6,428)
Fees	30,730	32,649	34,479	35,976	37,538	39,358	41,265	43,265	45,362	47,561
Operating grants and subsidies	7,813	7,813	7,813	7,813	7,813	7,813	7,813	7,813	7,813	7,813
Operating contributions and donations	914	951	993	1,037	1,081	1,121	1,161	1,199	1,240	1,271
Interest external	13,211	13,935	15,094	16,093	16,715	17,350	19,215	21,859	24,591	27,398
Other revenue	7,390	7,611	7,840	8,055	8,277	8,484	8,696	8,913	9,136	9,364
Total revenue	**468,153**	**491,654**	**516,878**	**540,632**	**564,599**	**588,513**	**613,986**	**639,759**	**666,946**	**690,816**
Expenses										
Employee benefits	138,819	143,233	147,803	153,924	160,323	167,015	173,614	180,498	187,677	195,165
Materials and services	225,245	233,139	241,814	250,402	259,167	267,187	275,099	283,048	291,342	299,880
Finance costs other	6,218	6,829	7,579	8,161	8,628	9,297	9,861	10,457	11,026	11,572
Other expenditure	710	735	763	790	817	843	868	893	919	946
Net internal costs	-	-	-	-	-	-	-	-	-	-
Total expenses	**370,992**	**383,937**	**397,960**	**413,277**	**428,936**	**444,341**	**459,442**	**474,895**	**490,964**	**507,563**
Earnings before interest, tax and depreciation	**97,161**	**107,717**	**118,918**	**127,355**	**135,663**	**144,172**	**154,544**	**164,864**	**175,982**	**183,253**
Interest expense - external	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	96,715	105,351	113,163	121,238	128,990	139,613	150,495	159,684	168,218	176,077
Operating Surplus/(Deficit)	**446**	**2,367**	**5,755**	**6,118**	**6,673**	**4,559**	**4,050**	**5,181**	**7,764**	**7,176**

10.2 Glossary – Financial Sustainability Measures

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

Disclaimer

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

This page has been left intentionally blank

redland.qld.gov.au

3829 8999