Lockyer Valley Regional Council

Long Term Financial Plan 2024-25 to 2033-34

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ACKNOWLEDGMENT OF COUNTRY

Lockyer Valley Regional Council respectfully acknowledges the Traditional Owners, the Yuggera and Ugarapul people as custodians of the region we share.

We pay our respects to their elders past, present and emerging and the Aboriginal and Torres Strait Islander Elders of other communities who may live here as the keepers of the traditions, customs, cultures and stories of proud peoples. Lockyer Valley Regional Council is committed to cultivating inclusive environments for all staff, customers, residents and visitors.

1. INTRODUCTION

1.1 EXECUTIVE SUMMARY

Council's Long Term Financial Plan is a strategic plan providing Council with guiding principles and a financial framework to achieve sustainable financial management now and into the future for our region.

This framework allows Council to understand what opportunities and challenges are faced by our region and sets a sustainable and financially responsible direction for the future to ensure we meet future growth needs.

The Queensland Audit Office Report 'Results of audit: Local government entities 2015/2016' states,

"With the Queensland population expected to increase by 18 per cent in the next 10 years and community expectations for service delivery rising councils need to critically review the services and the service levels they provide to their communities to remain financially sustainable."

Financial sustainability means that over the short-, medium- and long-term Council has the ability to maintain services, programs, infrastructure and support growth expected by the community.

Council will ensure community assets are maintained, upgraded and replaced so that costs are embedded into future planning.

COMMITMENT TO HUMAN RIGHTS

Council is committed to protecting and promoting human rights by ensuring that human rights are considered in all the work we do – from the decisions we make to the services we provide. This commitment is in accordance with Council's obligations under the *Human Rights Act 2019*.

1.2 LOCKYER VALLEY PROFILE

Located a stones throw from Australia's third largest city and quietly nestled in Brisbane's backyard – the Lockyer Valley is now home to more than 43,000 residents, 3,500 businesses and spans in excess of 2,200 square kilometres.

The country living and city convenience is becoming increasingly attractive as people continue to seek to optimise their work-life balance, with our population expanding by more than 1.5 per cent per annum on average over the last five years.

The Lockyer Valley has a rich and diverse agricultural landscape, stunning national parks and as demonstrated by a number of natural disasters, the community has the ability to overcome diversity.

The Lockyer Valley is on track to be home to some 48,000 residents in the next five years, directing Council to focus our financial objectives around providing residents and businesses with sustainable management of our region for many years to come.

Managing growth will present Council with challenges, however strategically planning for the future will provide a range of opportunities for our region to continue to grow and prosper.

Council needs careful planning and financial strategies to maintain manageable debt levels over the longer term without affecting service delivery.

VISION:

We will deliver sustainable services to enhance the liveability of our community while embracing our economic, cultural and natural diversity.

MISSION:

Lead, engage and empower.

OUR VALUES:

Values form the basis of our culture. They add meaning to work and they provide a basis for consistent planning and decision making across the organisation. To ensure that staff live our values, every employee of Lockyer Valley Regional Council is expected to demonstrate articulated behaviours in their daily activities and in the way they make decisions. Our values are:


Leadership

LEADERSHIP

We lead through excellence and partner with the community to achieve Council's vision and mission.


Accountability

ACCOUNTABILITY

We accept ownership of our role and take responsibility for our actions. We are results focused, take pride in our successes and efforts and learn from our mistakes.


Integrity

INTEGRITY

We strive to be valued and trusted by the Lockyer Valley community. We are respectful, open, transparent and honest in our dealings with the community. At all times we act in the best interests of the community.


Communication

COMMUNICATION

We embrace diversity and communicate openly and honestly. We listen actively, consider and value the views of others. Our communication is clear, concise and consistent.


Customer Focus

CUSTOMER FOCUS

We strive to engage and communicate with our internal and external customers to meet agreed outcomes. We identify and aim to meet the needs of all customers in a responsive and equitable manner.


Teamwork & Collaboration

TEAMWORK AND COLLABORATION

We value creative thinking and look for opportunities to collaborate and connect to deliver a better Lockyer Valley. We work together by recognising and sharing our talents, skills, experience and knowledge.

2. STRATEGIC FIT

2.1 ALIGNMENT TO CORPORATE PLANS

The Lockyer Valley Regional Council's Long Term Financial Plan is an integral part of Council's strategic planning including:

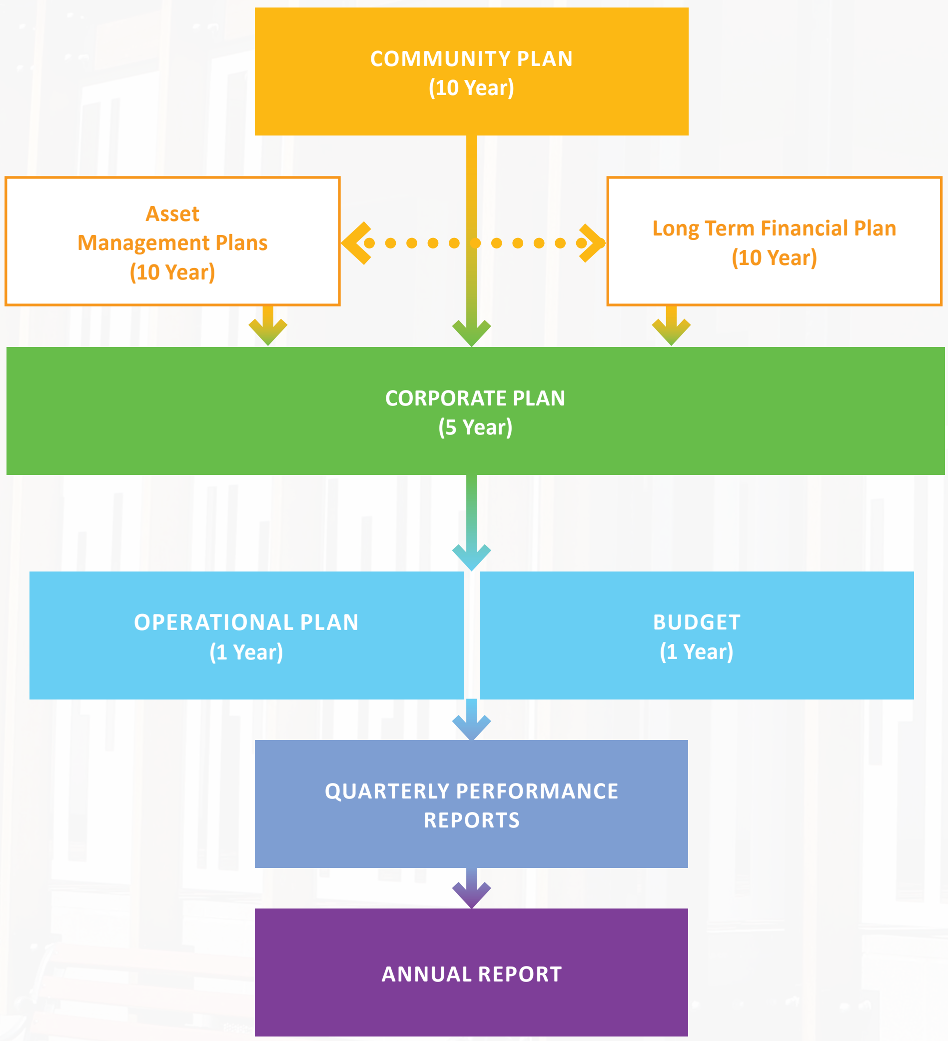
- Community Plan – Lockyer: Our Valley, Our Vision Community Plan 2017-2027
- Corporate Plan 2022-2027
- Operational Plan 2024-2025
- Asset Management Plans 2021

The adoption of a financial strategy is important to provide a tool for ensuring that all financial decisions are made within the context of long-term financial sustainability.

It is also a requirement of the *Local Government Regulation 2012* for Councils to have a long term asset management plan that is part of, and consistent with, the long term financial forecast.

STRATEGIC CORPORATE PLANNING FRAMEWORK

The diagram below represents the strategic planning framework used by Council:



2.2 KEY LEGISLATIVE REQUIREMENTS

Section 104 (2) of the *Local Government Act 2009* ("the Act") states:

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

Section 178 of the *Local Government Regulation 2012* – Chapter 5 Financial planning and accountability – Division 1 Financial sustainability statements states:

"(2) A local government's long-term financial sustainability statement must state—

(a) each measure of financial sustainability applicable to the local government for the 9 financial years following the year to which the statement relates; and

(b) an explanation of the local government's financial management strategy that is consistent with the long-term financial forecast."

Section 169 of the *Local Government Regulation 2012* – Chapter 5 Financial planning and accountability – Division 3 Annual Budget Preparation and content of budget states:

"(6) The measures of financial sustainability are the following measures described in the financial management (sustainability) guideline –

(a) council controlled revenue ratio; (b) population growth ratio; (c) operating surplus ratio; (d) operating cash ratio; (e) unrestricted cash expense cover ratio; (f) asset sustainability ratio; (g) asset consumption ratio; (h) asset renewal funding ratio; (i) leverage ratio."

2.3 POLICY LINKAGES

Section 104 of the *Local Government Act 2009* ("the Act") requires a local government to establish a system of financial management.

The Act requires systems to be implemented so that:

"Financial risks are managed prudently, and financial policies are formulated to ensure a reasonable degree of equity, stability and predictability so that current services, facilities and activities are financed by current users; and having regard to the effect of the policies on the future users of these services, facilities and activities."

The long-term financial plan is influenced by the following policy documents. The policies are reviewed on an annual basis and adopted as part of the budget process.

FINANCIAL SUSTAINABILITY POLICY

The policy covers the key principles as they relate to operating surpluses, expenditure management, asset management, debt, commercial opportunities, and the ratios Council will use to measure financial sustainability.

ASSET MANAGEMENT POLICY

The Asset Management Policy outlines Council's commitment to the effective stewardship of its community assets and infrastructure.

REVENUE POLICY

The Revenue Policy sets out the principles used by Lockyer Valley Regional Council for the making and levying of rates and charges, determining the purpose of and the granting of concessions for rates and charges, recovering overdue rates and charges, methods for setting cost recovery fees and the extent to which physical and social infrastructure costs for new developments are to be funded by charges for the development.

REVENUE STATEMENT

The Revenue Statement is an explanatory statement, detailing the revenue measures adopted in the current budget.

DEBT POLICY

The debt policy must state new borrowings for the current financial year and the next nine years and the time over which Council plans to repay existing and new borrowings.

INVESTMENT POLICY

The Policy provides Council's finance officers with an investment framework within which to place Council investments to achieve competitive returns whilst adequately managing risk exposure and ensuring cash funds are available to meet Council's short-term cash requirements. In order of priority, the order of investment activities is preservation of capital, liquidity and return.

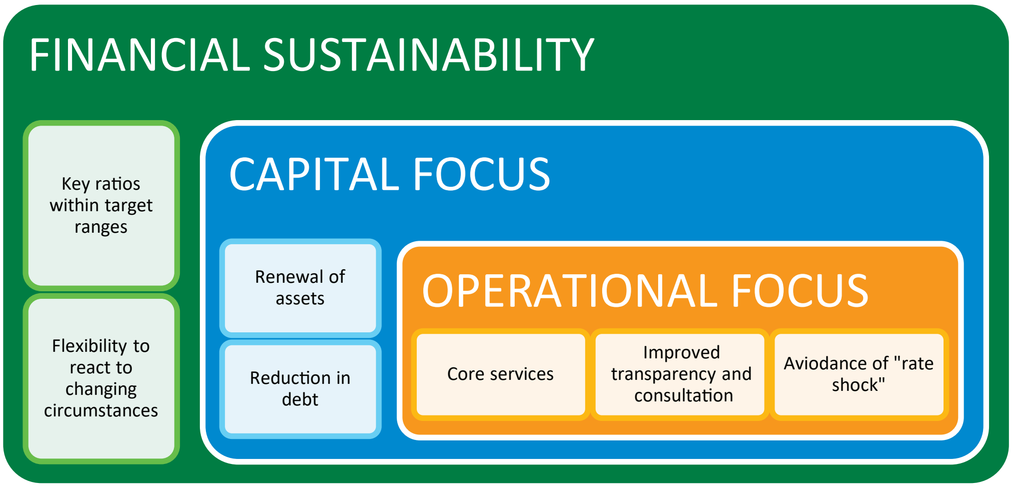
3. OUR VISION OF FINANCIAL SUSTAINABILITY

3.1 OUTCOMES

Lockyer Valley Regional Council's intent is to maintain financial sustainability now and into the future. Incorporating key areas of focus for all financial decisions to guide the direction for non-negotiable governance within our organisation.

- Reach financial sustainability targets whilst minimising the impact on our ratepayers
- Achieve an annual operational surplus
- Manage current debts and expenditure and seek reductions
- Maintain assets and provide services that meet the needs of the community
- Deliver financially sustainable infrastructure programs with financial sustainability and minimising the operating costs for our rate payers

Making informed financial estimates allow Council to determine future financial trends for the short-, medium- and long-term planning. Modelling provides analysis and insights into complex financial scenarios, allowing Council to make informed decisions on how the business will perform in the future. This aligns with Council's vision, mission and values and ensures Council is meeting the needs of our community.



3.2 PRIORITIES

PRIORITY DEVELOPMENT INFRASTRUCTURE

Developments must promote and encourage growth in the Lockyer Valley. The Local Government Infrastructure Plan (LGIP) identifies the local shared infrastructure needed to support planned urban development in the local community. In accordance with the requirements of the *Planning Act 2016* and *Planning Regulation 2017*, Council adopted a resolution that new developments within the region need to ensure they off set transport, stormwater, parks and land for community facilities with infrastructure charges.

CAPITAL WORKS PROGRAM

The capital works program includes the design and delivery of new, upgraded or renewed infrastructure assets. The capital program should consider the risk associated with the new assets considering whole of life costs for the duration of the asset's life from construction through to and including its disposal. Funding for this program ranges from, infrastructure contributions, grants and subsidies, reserve funding, general revenue, sales of assets and loans. Council revenue is used to offset operating deficits, fund capital expenditure and debt repayments. Council must use innovative solutions to ensure that infrastructure, especially community assets are generating income to contribute to the renewals program, ensuring that infrastructure and assets meet the requirements of the community and into the future.

FUNDING PROGRAMS

State and Federal grants and funding assist with economic support for Council to deliver infrastructure projects and programs to our region. Investment in our regional Council is imperative to allow economic stimulus to fast-track new community assets and infrastructure. Funding programs are designed to encourage growth, employment opportunities and economic benefits to the community, where Council may not have otherwise had the financial capacity to be able to fund such projects.

FINANCIAL SUSTAINABILITY

Council must ensure coverage of operating activities and net investments in non-financial assets used in the provision of goods and services. Measurement of the businesses strength and our ability to cover financial payments, loans and debt is imperative to meet financial sustainability targets. Council is currently debt free and Council will aim to keep any future debt at a minimum to ensure that costs can be kept to a minimum and to minimise the life of these financial commitments and therefore reducing interest and avoiding Consumer Price Index (CPI) increases.

CASH BALANCES

Due to prudent financial management in recent years, Council currently has a healthy cash balance which is forecast to remain sufficient over the life of the Long-Term Financial Plan.

Management of cash reserves and returns from investments require regular review as part of our financial planning model to ensure we optimise our cash reserves. Investing cash in high interest funds can ensure that Council receives good return on investments. Council needs to maintain a healthy reserve to ensure the ability to withstand any financial shocks from natural disasters or other unforeseen events.

Council's financial management over the last 10 years has evolved to ensure that we are working towards strengthening our cash balance whilst minimising the impact on ratepayers. By working towards a lean budget model approach, Council is ensuring that we are making financially responsible decisions whilst providing the community with essential services.

DEBT BALANCES

All borrowing decisions must be carefully considered. The decision on Council's ultimate levels of debt will require a balance between the levels of service provided, affordability for the community and Council's long term financial sustainability.

At present, Council has no loans with Queensland Treasury Corporation (QTC). Council had expressed a desire to use surplus cash to make additional repayments and therefore reduced the loan costs with additional payments being made in 2016/2017, 2017/2018, 2018/2019, 2022/2023, and fully repaid all outstanding loan balances in February, 2024.

ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Council's approach to corporate social responsibility can be defined by our long-term financial stability, how we care for the environment and collectively growing our social responsibilities and impacts in our community.

Council promotes environmental protection through our consideration of how we procure goods and services by using an environmentally friendly and sustainable methodology for materials that are being used in our projects within the community.

Economic benefits to our region are realised through the effective use of resources and harnessing innovative approaches to design and technology. Environmental sustainability and innovation go hand in hand with our regional long-term development and viability.

By driving development and growth, supporting local industry and contributing to socio-economic benefits, this is an integral way in which we are creating a stronger and more resilient community. By showing a commitment to aligning our corporate values to business decisions made by Council, we are ensuring the economic and social systems drive a sustainable standard of living benefiting our region.

3.3 COMMITMENTS

Council have identified a number of commitments that we will be focusing on in the short to medium term to remain financially stable now and into the future. These commitments align with strategic priority areas such as:

- Asset and Service Delivery Management
- Financing and Investment
- Rating
- Process and Efficiency Improvement

Managing our risks and focusing on these key areas will allow Council to secure long term financial sustainability.

FINANCING AND INVESTMENT

Scoping and investigating other possible revenue streams to minimise impacts to rate payers.

Regular review of investments and cash reserves to optimising financial benefits to our region.

Ensuring the capital and borrowing programs are regularly reviewed as part of our financial modelling.

RATING

Regularly review Council's rates and charges along with rating strategies and policies to establish that we are meeting legislative and regulated requirements.

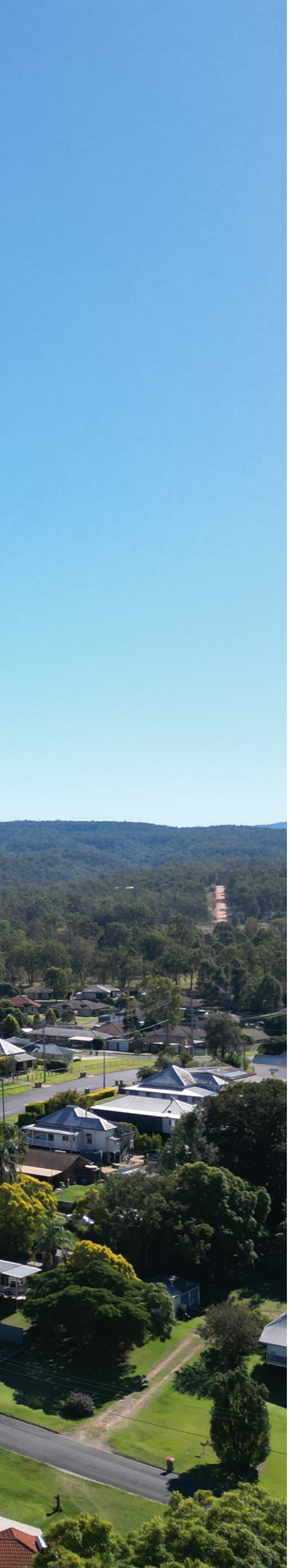
PROCESS AND EFFICIENCY IMPROVEMENT

Continue to improve internal controls and mechanisms for efficiencies. Ensure that information technology (IT) architecture suits the current requirement of the business and ensure regular reviews are made to investigate consolidation options of systems to drive time and cost efficiencies.

Explore and capture efficiencies and improvements by assessing service level and core business areas by investigating opportunities for improvement via innovation and good governance.

LOCAL BENEFITS AND VALUE FOR MONEY

By ensuring the circulation of Council money within our community, local businesses are reaping the benefits of employment and financial stimulus. Procuring local goods, services and employing members of the community ensures that we are contributing and developing our local industries and businesses.



Our region boasts a diverse agricultural landscape and an environmentally fluctuating scenery. Ensuring we procure local businesses where we can, guarantee that our contractors have local knowledge on what is the best way to undertake works, obtain locally sourced resources and ensure that the right people are being utilised on our projects within Lockyer Valley.

Using local business allows value for money decision making, in turn ensuring that we are encouraging economic benefits by being cost conscious and encouraging competition.

Council ensure that procurement decisions are evidence based, efficient and proportionate to maximising our investments. By ensuring that the effectiveness of our projects Council use procurement principles such as performance and risk management, drive for specific results and ensuring that investment in innovative approaches is delivered.

Organisationally Council's accountability and transparency is our responsibility to our community to strengthen continuous improvements and organisational processes. This ensures Council are accountable to all beneficiaries and rate payers so that our results are targeted and delivered on time.

3.4 CHALLENGES AND RISKS

External factors beyond Council's control will always impact our region and Council's financial sustainability. These include changes in the national economy, natural disasters, demographic shift, technological, political and cultural changes. Council is well placed to deal with external challenges as confirmed by Council's Queensland Treasury (QTC) Credit Rating of "Moderate with a Neutral outlook".

External factors influencing our region are integral components in the development of our strategic plans and policies. Factors such as Consumer Price Index (CPI) movements, growth rates, exchange rates, interest rates are all economic comparative measures of growth that are unknowns and can only be modelled and assumed.

Climate change and natural disasters are environmental unknowns that have impacted our region over the last 14 years. Part of our financial planning is to understand potential future risks that cause vulnerability within our region. Enhanced resilience is imperative as the effect of climate change is most likely to continue to occur and impact our community.

Supply of materials and availability of contractors to undertake capital and operational work programs have been affected most recently by a global pandemic. The flow on effects have been felt by every single person in our community and Council is not immune to these impacts.

There is also additional pressure on Council to ensure grant funded projects are completed within specified timeframes. If these are not met the financial responsibility falls back to Council.

Lockyer Valley Regional Council are shareholders in Urban Utilities (UU), who are responsible for the management, supply and maintenance of water and wastewater. Distribution of dividends received from Urban Utilities are dependent on their current earnings as determined by the financial stability of their business.

3.5 MANAGEMENT OF STRATEGIC FINANCIAL AND ECONOMIC RISKS

Lockyer Valley Regional Council's Corporate Risk Management Framework (Framework) groups Council's risks into twelve distinct categories, based on the greatest consequence to Council. One risk category is financial and economic risk. The Framework also defines the risk type, by its impact to Council's operations. The three types of risk to Council are strategic risk, operational or project risk. Strategic risk is a high-level risk which affects Council's ability to achieve its strategic outcomes. These risks generally arise externally and are outside of Council's explicit control. Strategic risk can also be operational risks which are of a magnitude to impact strategic outcomes.

Included below are Council's Financial and Economic Strategic Risks, along with their inherent risk rating, currently identified on Council's Strategic Corporate Risk Register.

STRATEGIC FINANCIAL AND ECONOMIC RISKS	RISK NO	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	REVIEW
Changes in the amount and/or timing of the payment of the Federal Assistance Grants will result in a reduction in cash flows and Operating Surplus.	FE1-1	Minor	Unlikely	Low	Quarterly
An unfavourable change to the Urban Utilities (UU) dividend policy will result in a reduction in cash flows and operating surplus.	FE1-2	Minor	Unlikely	Low	Quarterly
The timing of the cash outflows for the construction of new trunk infrastructure does not match the timing of the cash inflows from infrastructure charges which may impact adversely on Council's general cash balances.	FE1-3	Moderate	Possible	Medium	Quarterly
Lack of strategic procurement and planning means Council is not optimising its buying power which could result in value for money not being obtained and increased cost sustained by Council.	FE1-4	Moderate	Likely	High	Monthly
Ability to accurately capture salaries and wages (staff time) that should be capitalised to projects is poor. This results in budgeted capitalised wages not being realigned and moved to actual operating expenses via the budget review process, thus reducing the operating surplus and not accurately reflecting the cost of infrastructure.	FE1-5	Moderate	Likely	High	Quarterly
A lack of practices and oversight for the effective detection, investigation and prevention of fraud and corruption of any description within Council may result in fraudulent and corrupt activity taking place.	FE1-6	Minor	Possible	Medium	Monthly


CIVIC
Gatton 150 Years

4. KEY AREAS OF INTEREST

4.1 COUNCIL'S ASSET MANAGEMENT AND SERVICES

Financial sustainability systematically requires a strong underlying asset management enterprise. Proactive strategies are designed to prevent challenges by ensuring activity schedules, expectations and opportunities are planned for future requirements.

New and emerging infrastructure need to meet the needs of the community by ensuring they are fit for purpose and can facilitate future growth in technology and expansion. Assets that are well maintained as they age can remain effective and sustainable infrastructure. Investment in maintenance and operations of Council owned assets such as roads, community sports and recreational facilities should last years to come.

Effective acquisition, operation and disposal of assets requires effective planning with supportive asset maintenance via upgrades and consolidation. Socio-ecological impacts can be reduced by ensuring that future assets are built in a sustainable manner and meet designated timeframes for completion. Council facilities must meet the needs of the community whilst ensuring we are providing a high quality of service.

4.2 COUNCIL'S QUEENSLAND TREASURY CORPORATION CREDIT RATING / BORROWING CAPACITY

As an organisation Council strives to deliver purposeful, cost effective and substantiable projects that align with the community's expectations whilst meeting a financial sustainability outlook.

The Queensland Treasury Corporation (QTC) undertakes a financial review as part of the Local Government Borrowings Program or as requested by the State Department, Infrastructure, Local Government and Planning (the Department) or Council. Predominantly the reviews are aimed at Council's capacity to repay existing debt and additional borrowings. QTC Reviews provide an independent assessment of Council's financial position and stability.

Council's rating is currently "Moderate with a Neutral outlook" which was affirmed in the 2023 review. As per QTC's definitions, a rating of moderate means: "A local government with a capacity to meet its financial commitments is moderate in the short to medium-term but is at an acceptable limit in the long-term. This capacity may be weakened by adverse changes in general business and economic conditions including unforeseen financial shocks. It may also be weakened by adverse changes to its business and operational environment. The capacity to manage core business risks is moderate."

A neutral outlook means: *"There are no known foreseeable events that would have a direct impact on the local government's capacity to meet its financial commitments. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if such an event or circumstance warranted as such."*

REVIEW DATE	RATING	OUTLOOK
2012	Moderate	Neutral
2013	Moderate	Negative
2014 (March)	Moderate	Negative
2014 (December)	Weak	Neutral
2016	Weak	Neutral
2020	Moderate	Neutral
2023	Moderate	Neutral

4.3 LONG TERM FINANCIAL FORECAST

In developing the long-term financial forecast, Council has applied the principles of equity, effectiveness, simplicity and affordability.

4.4 LONG TERM FINANCIAL PLAN – THE NEXT 10 YEARS

In the short term, financial viability is important to ensure we deliver benefits to the current community. Due to the current environmental factors that have ravaged our region, it is important to ensure Council is contributing and delivering on projects and remedial works which support the community infrastructure and recovery.

The impacts of these events will have medium to long term financial and socio-economic effects. The development of strategies and investing for the future will ensure that we maintain a financially viable and stable outlook. Long term our goal is to ensure we are future proofing our region for generations to come.

The way forward is through responsible and sustainable development strategies and ensuring that Council keeps debt levels at a minimum.

Councils' long-term agenda must always be the driving force behind our short- and medium-term financial planning.

4.5 KEY ASSUMPTIONS

There are some key assumptions in our Long-Term Financial Plan that are based on factors that are out of our control.

- Consumer Price Index (CPI) – Consumer Price Index is a key variable within our financial planning model.
- Council Cost Index (CCI) – advertised each year by Local Government Association Queensland (LGAQ).
- Growth Projection – Population modelling data is used in conjunction with property growth and development based on historical data.
- Urban Utilities – Water and Wastewater are reviewed and based on the Queensland Competition Authority (QCA) Guidelines.
- Grants and Subsidies – Ongoing eligibility and receivability of State and Federal Government grants.
- Other Income Sources – Fees and charges, recoverable contract work, rental income etc.

4.6 FINANCIAL SUSTAINABILITY RATIOS

The results for Council's measures of financial sustainability are shown below. The future ratios are based on the 2024-25 budget and long-term financial forecast.

Council Controlled Revenue Ratio: Net rates, levies and charges plus fees and charges ÷ Total operating revenue. Council-controlled revenue is an indicator of a council's financial flexibility, ability to influence its operating income, and capacity to respond to unexpected financial shocks.

Population Growth Ratio: Prior year estimated population ÷ Previous year estimated population (figures provided by the Department). Population growth is a key driver of a council's operating income, service needs, and infrastructure requirements into the future.

Operating Surplus Ratio: Operating result as a percentage of operating revenue. This indicates the extent to which revenues cover operational expenses only or are also available for capital funding. A positive ratio means that the surplus can be used for capital expenditures or debt repayments.

Operating Cash Ratio: This ratio 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.

Unrestricted Cash Expense Cover Ratio: This is a key indicator utilised to measure Council liquidity (i.e. current financial health) and to also assess ongoing financial sustainability risk. This ratio calculates how long Council can continue paying its day-to-day expenses from retained earnings without needing additional cash flow injections.

Asset Sustainability Ratio: Capital expenditure on replacement assets ÷ Depreciation expense. This is an approximation of the extent to which the infrastructure assets managed by Council are being replaced as service potential is used up. Ongoing review of Asset Management Plans will influence out year results.

Asset Consumption Ratio: Written down replacement & cost of depreciable infrastructure assets ÷ Current replacement & cost of depreciable infrastructure assets. The asset consumption ratio approximates the extent to which council's infrastructure assets have been consumed compared to what it would cost to build a new asset with the same benefit to the community.

Asset Renewal Funding Ratio: Total of planned capital expenditure on infrastructure asset renewals over 10 years ÷ Total of required capital expenditure on infrastructure asset renewals over 10 years. This measures Council's ability to fund its projected infrastructure asset renewal/replacements in the future.

Leverage Ratio: Measures Council's debt to its operating performance. An indicator of Council's ability to repay existing debt. Councils that repay the entirety of their debt within the reporting period are also not required to report this measure for the financial year however will still need to calculate and publish the five-year average result. Councils which have held no QTC debt or other loans during the preceding five financial years are not required to report this measure.

5. FINANCIAL STATEMENTS

5.1 RELEVANT MEASURES OF FINANCIAL SUSTAINABILITY

Lockyer Valley Regional Council
2024/2025 Budget and Long Term Financial Forecast
Relevant Measures of Financial Sustainability

Ratio	Calculation	Target	2024/2025 Budget	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031	Forecast 2031/2032	Forecast 2032/2033	Forecast 2033/2034
1. Council Controlled Revenue Ratio	Net Rates, Levies and Charges add Fees and Charges/Total Operating Revenue	Not applicable	67.1%	68.1%	68.7%	69.3%	69.6%	70.0%	70.3%	70.6%	70.9%	71.2%
2. Population Growth Ratio	Prior year estimated population/Previous year estimated population	Not applicable	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
3. Operating Surplus Ratio	Operating Result/Total Operating Revenue (excluding capital items)	> 0%	0.12%	0.46%	0.63%	0.75%	0.94%	0.75%	0.53%	0.55%	0.04%	0.15%
4. Operating Cash Ratio	Operating Result add Depreciation and Amortisation add Finance Costs/Total Operating Revenue	> 0%	19.1%	19.9%	20.1%	20.2%	20.3%	20.2%	20.0%	20.1%	20.1%	19.9%
5. Unrestricted Cash Expense Cover Ratio	(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	3 months	6.6	6.5	6.8	6.3	6.3	6.5	6.6	6.6	6.7	6.5
6. Asset Sustainability Ratio	Capital Expenditure on Replacement of Infrastructure Assets (Renewals)/Depreciation Expenditure on Infrastructure Assets	> 80%	98.7%	87.5%	91.2%	95.9%	101.1%	105.6%	111.1%	116.7%	118.2%	123.4%
7. Asset Consumption Ratio	Written Down Replacement Cost of Depreciable Infrastructure Assets/Current Replacement Cost of Depreciable Infrastructure Assets	> 60%	69.1%	69.1%	67.7%	66.1%	65.9%	64.7%	63.1%	65.5%	64.3%	62.9%
8. Asset Renewal Funding Ratio	Total of Planned Capital Expenditure on Infrastructure Asset Renewals over 10 years/Total of Required Capital Expenditure on Infrastructure Asset Renewals over 10 years	Not applicable	Transitional timeframes included in the Financial Management (Sustainability) Guideline 2024 requires reporting of this ratio to commence for the 2024/2025 financial statements.									
9. Leverage Ratio	Book Value of Debt/Total Operating Revenue less Total Operating Expenditure add Depreciation and Amortisation	0 - 3 times	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5.2 FINANCIAL STATEMENTS – STATEMENT OF COMPREHENSIVE INCOME

Lockyer Valley Regional Council
2024/2025 Budget and Long Term Financial Forecast
Statement of Income and Expenditure

	2023 $ Actuals	2024 $ Forecast Actuals	2025 $ Proposed Budget	2026 $ Forecast	2027 $ Forecast	2028 $ Forecast	2029 $ Forecast	2030 $ Forecast	2031 $ Forecast	2032 $ Forecast	2033 $ Forecast	2034 $ Forecast
Revenue												
Recurrent Revenue												
Rates & Utility Charges	44.85M	47.60M	50.01M	52.55M	55.24M	58.10M	60.38M	62.75M	65.21M	67.77M	70.43M	73.19M
Less Discounts	(1.89M)	(1.96M)	(2.05M)	(2.14M)	(2.22M)	(2.31M)	(2.41M)	(2.50M)	(2.60M)	(2.71M)	(2.82M)	(2.93M)
Net rates and utility charges	***42.96M***	***45.64M***	**47.96M**	**50.42M**	**53.02M**	**55.79M**	**57.97M**	**60.24M**	**62.60M**	**65.06M**	**67.61M**	**70.26M**
Fees and charges	7.51M	7.35M	7.72M	8.03M	8.35M	8.68M	9.03M	9.39M	9.77M	10.16M	10.57M	10.99M
Sales, contract and recoverable works	1.35M	1.12M	1.17M	1.21M	1.25M	1.29M	1.33M	1.38M	1.42M	1.47M	1.52M	1.57M
Operational Grants & subsidies	22.56M	21.64M	19.70M	20.13M	20.57M	21.02M	21.49M	21.96M	22.44M	22.93M	23.44M	23.95M
Interest received	2.61M	2.59M	2.33M	2.20M	2.30M	2.36M	2.42M	2.53M	2.64M	2.76M	2.87M	2.96M
Other recurrent income	4.71M	4.67M	4.12M	3.89M	3.82M	3.89M	3.97M	4.05M	4.13M	4.21M	4.30M	4.38M
Total Recurrent Revenue	***81.70M***	***83.02M***	**83.00M**	**85.87M**	**89.31M**	**93.03M**	**96.20M**	**99.55M**	**103.01M**	**106.59M**	**110.30M**	**114.12M**
Capital revenue:												
Capital Grants	*18.72M*	*49.00M*	17.08M	4.77M	3.57M	3.90M	4.23M	4.60M	5.03M	5.47M	5.97M	6.50M
Developer Contributions	*4.47M*	-	-	0.50M	0.50M	0.50M	0.50M	0.50M	0.50M	0.50M	0.50M	0.50M
Gain/(loss) on sale of property, plant & equipment	*0.09M*	*0.20M*	0.20M	(0.01M)	(0.03M)	0.01M	0.03M	0.08M	0.01M	(0.02M)	0.49M	0.25M
Total capital revenue	***23.28M***	***49.20M***	**17.29M**	**5.26M**	**4.04M**	**4.41M**	**4.76M**	**5.18M**	**5.54M**	**5.94M**	**6.96M**	**7.25M**
Total Revenue	***104.98M***	***132.22M***	**100.29M**	**91.13M**	**93.34M**	**97.44M**	**100.96M**	**104.72M**	**108.55M**	**112.53M**	**117.26M**	**121.37M**
Expenses												
Recurrent Expenses												
Employee costs	*27.70M*	*30.43M*	32.29M	33.73M	35.20M	36.73M	38.33M	40.00M	41.74M	43.52M	45.38M	47.33M
Materials and services	*25.04M*	*36.49M*	34.89M	35.07M	36.13M	37.50M	38.32M	39.47M	40.67M	41.69M	42.74M	44.11M
Depreciation and amortisation	*12.20M*	*13.91M*	15.60M	16.54M	17.28M	17.96M	18.51M	19.19M	19.91M	20.64M	21.98M	22.35M
Finance costs	*2.59M*	*0.66M*	0.12M	0.13M	0.13M	0.13M	0.14M	0.14M	0.15M	0.15M	0.15M	0.16M
Total Recurrent Expenses	***67.53M***	***81.50M***	**82.91M**	**85.47M**	**88.74M**	**92.34M**	**95.30M**	**98.80M**	**102.46M**	**106.01M**	**110.26M**	**113.95M**
Net Result adjusted for Capital Items	***37.45M***	***50.73M***	**17.38M**	**5.66M**	**4.60M**	**5.11M**	**5.67M**	**5.92M**	**6.09M**	**6.52M**	**7.00M**	**7.42M**
Net Recurrent Result/Operating Surplus/(Deficit)	***14.18M***	***1.52M***	**0.096M**	**0.398M**	**0.565M**	**0.696M**	**0.906M**	**0.744M**	**0.546M**	**0.581M**	**0.043M**	**0.169M**

5.3 FINANCIAL STATEMENTS - FINANCIAL POSITION

Lockyer Valley Regional Council
2024/2025 Budget and Long Term Financial Forecast
Statement of Financial Position

	2023	*2024*	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	$	*$*	$	$	$	$	$	$	$	$	$	$
	Actuals	*Forecast Actuals*	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Current Assets												
Cash assets and cash equivalents	55.43M	36.54M	36.78M	37.36M	40.22M	39.07M	40.53M	43.08M	45.01M	47.16M	49.23M	49.29M
Other inventory	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M	0.59M
Contract Assets	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M	6.40M
Receivables	7.34M	4.30M	4.31M	4.49M	4.68M	4.87M	5.05M	5.23M	5.41M	5.59M	5.80M	6.00M
Prepayments	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M
Total Current Assets	**70.39M**	**48.46M**	**48.71M**	**49.48M**	**52.52M**	**51.56M**	**53.21M**	**55.94M**	**58.04M**	**60.37M**	**62.65M**	**62.92M**
Non Current Assets												
Land held for development or sale	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M	1.78M
Joint Ventures & Associates	34.09M	34.72M	35.35M	36.03M	36.75M	37.47M	38.19M	38.91M	39.63M	40.35M	41.07M	41.79M
Property, plant and equipment	702.97M	760.13M	777.47M	795.49M	799.35M	805.10M	824.52M	830.45M	834.61M	888.21M	897.13M	904.88M
Intangible assets	0.08M	0.11M	0.09M	0.07M	0.05M	0.03M	0.01M	-	-	-	-	0.10M
Capital works in progress	31.28M	31.28M	31.28M	31.28M	31.28M	31.28M	31.28M	31.28M	31.28M	-	-	-
Other non-current assets	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M	14.74M
Total Non Current Assets	**784.94M**	**842.76M**	**860.71M**	**879.39M**	**883.95M**	**890.40M**	**910.52M**	**917.16M**	**922.03M**	**945.08M**	**954.72M**	**963.30M**
TOTAL ASSETS	**855.33M**	**891.22M**	**909.42M**	**928.87M**	**936.47M**	**941.96M**	**963.73M**	**973.10M**	**980.08M**	**1005.45M**	**1017.37M**	**1026.22M**
Current Liabilities												
Trade and other payables	4.29M	7.42M	7.73M	7.83M	8.09M	8.37M	8.62M	8.90M	9.19M	9.42M	9.71M	10.04M
Contract Liabililites	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M	6.21M
Borrowings	1.14M	-	-	-	-	-	-	-	-	-	-	-
Employee payables/provisions	8.34M	8.42M	8.51M	8.59M	8.68M	8.77M	8.85M	8.94M	9.03M	9.12M	9.21M	9.30M
Other provisions	2.14M	2.17M	2.19M	2.21M	2.23M	2.25M	2.28M	2.30M	2.32M	2.34M	2.37M	2.39M
Other current liabilities	6.21M	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	**28.34M**	**24.22M**	**24.64M**	**24.85M**	**25.21M**	**25.61M**	**25.96M**	**26.35M**	**26.75M**	**27.10M**	**27.51M**	**27.95M**
Non Current Liabilities												
Trade and other payables	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M	3.26M
Borrowings	11.11M	-	-	-	-	-	-	-	-	-	-	-
Employee payables/provisions	0.32M	0.24M	0.16M	0.17M	0.18M	0.20M	0.21M	0.22M	0.23M	0.24M	0.25M	0.26M
Other provisions	43.69M	43.66M	43.64M	43.62M	43.60M	43.58M	43.55M	43.53M	43.51M	43.48M	43.46M	43.44M
Total Non Current Liabilities	**58.38M**	**47.17M**	**47.06M**	**47.05M**	**47.05M**	**47.04M**	**47.03M**	**47.02M**	**47.00M**	**46.99M**	**46.98M**	**46.96M**
TOTAL LIABILITIES	**86.72M**	**71.39M**	**71.70M**	**71.90M**	**72.26M**	**72.64M**	**72.99M**	**73.37M**	**73.75M**	**74.09M**	**74.48M**	**74.91M**
Net community assets	**768.61M**	**819.83M**	**837.71M**	**856.96M**	**864.21M**	**869.32M**	**890.74M**	**899.73M**	**906.32M**	**931.37M**	**942.89M**	**951.31M**
Community Equity												
Asset revaluation reserve	355.73M	356.23M	356.73M	370.32M	372.97M	372.97M	388.73M	391.80M	392.30M	410.82M	415.34M	416.34M
Retained surplus (deficiency)	412.88M	463.60M	480.98M	486.64M	491.24M	496.35M	502.02M	507.93M	514.03M	520.55M	527.55M	534.97M
TOTAL COMMUNITY EQUITY	**768.61M**	**819.83M**	**837.71M**	**856.96M**	**864.21M**	**869.32M**	**890.74M**	**899.73M**	**906.32M**	**931.37M**	**942.89M**	**951.31M**

5.4 FINANCIAL STATEMENTS – CASH FLOWS

Lockyer Valley Regional Council
2024/2025 Budget and Long Term Financial Forecast
Statement of Cash Flows

	2023	*2024*	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	$	*$*	$	$	$	$	$	$	$	$	$	$
	Actuals	*Forecast Actuals*	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash flows from operating activities:												
Receipts from customers	*74.78M*	*81.66M*	78.59M	81.73M	85.20M	88.86M	91.98M	95.22M	98.56M	102.03M	105.59M	109.33M
Payment to suppliers and employees	*(51.34M)*	*(70.37M)*	(66.99M)	(68.73M)	(71.10M)	(73.99M)	(76.44M)	(79.23M)	(82.16M)	(85.03M)	(87.89M)	(91.17M)
Interest received	*2.62M*	*2.59M*	2.33M	2.20M	2.30M	2.36M	2.42M	2.53M	2.64M	2.76M	2.87M	2.96M
Finance costs	*(1.26M)*	*(0.30M)*	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net cash inflow (outflow) from operating activities	***24.79M***	***13.58M***	**13.93M**	**15.20M**	**16.39M**	**17.24M**	**17.95M**	**18.51M**	**19.04M**	**19.76M**	**20.58M**	**21.12M**
Cash flows from investing activities:												
Payments for property, plant and equipment	*(29.77M)*	*(70.83M)*	(32.64M)	(20.76M)	(18.26M)	(23.66M)	(21.97M)	(21.73M)	(23.40M)	(24.53M)	(25.99M)	(28.93M)
Subsidies, donations and contributions for new capital expenditure	*18.72M*	*49.00M*	17.08M	4.77M	3.57M	3.90M	4.23M	4.60M	5.03M	5.47M	5.97M	6.50M
Proceeds from sale of property, plant and equipment	*0.52M*	*0.42M*	0.42M	0.30M	0.26M	0.48M	0.34M	0.27M	0.34M	0.55M	0.61M	0.46M
Net transfer (to) from cash investments	*1.17M*	*1.17M*	1.44M	1.08M	0.90M	0.90M	0.90M	0.90M	0.90M	0.90M	0.90M	0.90M
Net cash inflow (outflow) from investing activities	***(9.36M)***	***(20.23M)***	**(13.69M)**	**(14.61M)**	**(13.53M)**	**(18.38M)**	**(16.50M)**	**(15.96M)**	**(17.12M)**	**(17.61M)**	**(18.51M)**	**(21.06M)**
Cash flows from financing activities:												
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	*(7.74M)*	*(12.25M)*	-	-	-	-	-	-	-	-	-	-
Net cash inflow (outflow) from financing activities	***(7.74M)***	***(12.25M)***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents held	***7.69M***	***(18.89M)***	**0.24M**	**0.58M**	**2.86M**	**(1.15M)**	**1.46M**	**2.55M**	**1.92M**	**2.16M**	**2.07M**	**0.06M**
Cash at beginning of reporting period	*47.74M*	*55.43M*	36.54M	36.78M	37.36M	40.22M	39.07M	40.53M	43.08M	45.01M	47.16M	49.23M
Cash and cash equivalents at end of the financial year	***55.43M***	***36.54M***	**36.78M**	**37.36M**	**40.22M**	**39.07M**	**40.53M**	**43.08M**	**45.01M**	**47.16M**	**49.23M**	**49.29M**

5.5 FINANCIAL STATEMENT - EQUITY

Lockyer Valley Regional Council
2024/2025 Budget and Long Term Financial Forecast
Statement of Changes in Equity

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	$	$	$	$	$	$	$	$	$	$	$
	Forecast actuals	Current Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Asset revaluation surplus											
Opening balance	-	356.23M	356.73M	370.32M	372.97M	372.97M	388.73M	391.80M	392.30M	410.82M	415.34M
Increase in asset revaluation surplus	-	0.50M	13.59M	2.65M	-	15.76M	3.07M	0.50M	18.52M	4.53M	1.00M
Closing balance	***356.23M***	**356.73M**	**370.32M**	**372.97M**	**372.97M**	**388.73M**	**391.80M**	**392.30M**	**410.82M**	**415.34M**	**416.34M**
Retained surplus											
Opening balance	-	463.60M	480.98M	486.64M	491.24M	496.35M	502.02M	507.93M	514.03M	520.55M	527.55M
Net result	-	17.38M	5.66M	4.60M	5.11M	5.67M	5.92M	6.09M	6.52M	7.00M	7.42M
Closing balance	***463.60M***	**480.98M**	**486.64M**	**491.24M**	**496.35M**	**502.02M**	**507.93M**	**514.03M**	**520.55M**	**527.55M**	**534.97M**
Total											
Opening balance	-	819.83M	837.71M	856.96M	864.21M	869.32M	890.74M	899.73M	906.32M	931.37M	942.89M
Net result	-	17.38M	5.66M	4.60M	5.11M	5.67M	5.92M	6.09M	6.52M	7.00M	7.42M
Increase in asset revaluation surplus	-	0.50M	13.59M	2.65M	-	15.76M	3.07M	0.50M	18.52M	4.53M	1.00M
Closing balance	***819.83M***	**837.71M**	**856.96M**	**864.21M**	**869.32M**	**890.74M**	**899.73M**	**906.32M**	**931.37M**	**942.89M**	**951.31M**

6. SENSITIVITY ANALYSIS

In order to understand the potential impacts of changes to key drivers over the life of the plan, the following sensitivities include:

1. General Rates Revenues +/- 1%.

2. Staff Wages and Salaries +/- 1% on EB increase.

3. Depreciation – tri annual valuation +/- 5% of estimated asset base 2023.

4. CAPEX – renewals -$1.00M.

The Queensland Audit Office (QAO) report *"Forecasting long term sustainability of local government 2016-17"* states that Councils' should undertake sensitivity analysis on the variables that have the biggest impact on the budget and long-term financial forecast.

As part of our budget process, Council model the above sensitivities separately. The difference in the 10-year average by applying each sensitivity can be seen in the following table.

	BASE CASE	GENERAL RATES		WAGES & SALARIES		VALUATIONS		RENEWALS
		+1.00%	-1.00%	+1.00%	-1.00%	+5.00% of Base	- 5.00% of Base	- $1.00M
COUNCIL CONTROLLED REVENUE	69.6%	69.7%	69.5%	69.6%	69.5%	N/A	N/A	N/A
OPERATING SURPLUS	0.5%	1.0%	0.0%	0.1%	0.9%	(0.2)%	1.2%	N/A
ASSET SUSTAINABILITY	104.9%	N/A	N/A	N/A	N/A	101.3%	108.7%	104.3%
ASSET CONSUMPTION	65.8%	N/A	N/A	N/A	N/A	68.6%	63.2%	65.7%
OPERATING CASH	20.0%	20.4%	19.5%	19.6%	20.3%	N/A	N/A	20.0%
UNRESTRICTED CASH EXPENSE	6.5	6.9	6.2	6.2	6.8	N/A	N/A	6.5

Of the sensitivities modelled, changes in valuations have the biggest impact on the operating surplus ratio through the impact on the amount of depreciation expense. The 10 year average for the operating surplus ratio falls slightly below the target of greater than 0% for two scenarios being 0% for a 1% reduction in general rates and -0.2% for a 5% increase in asset valuations. Not all ratios are within the recommended targets and on a year-by-year basis some ratios go above or below the thresholds depending on the scenario.

For more information phone 1300 005 872,
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