Lockyer Valley Regional Council

Long Term Financial Plan 2023-2024 to 2032-2033

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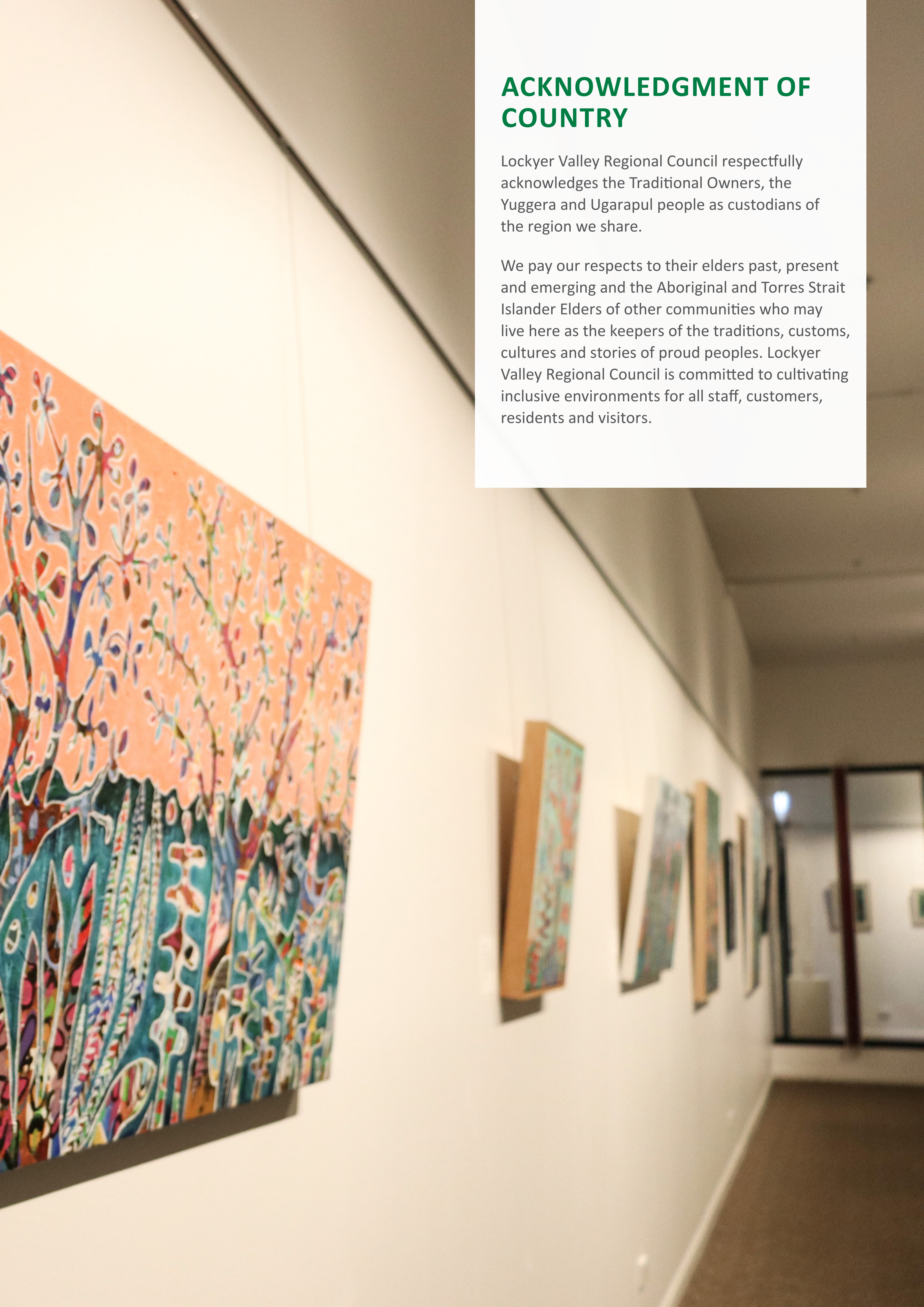


ACKNOWLEDGMENT OF COUNTRY

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 42,000 residents, 3000 businesses and spans in excess of 2200 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.

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

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

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

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

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

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 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:

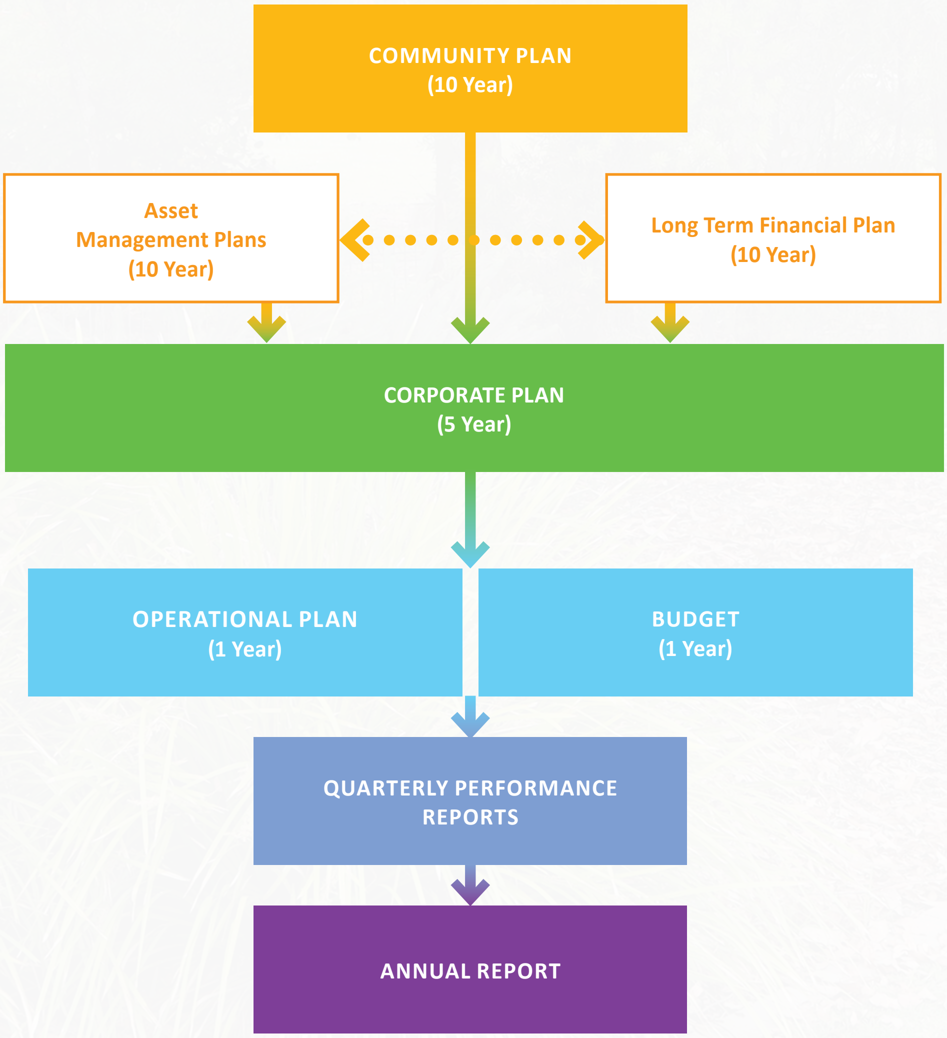
- Community Plan – Lockyer: Our Valley, Our Vision Community Plan 2017-2027
- Corporate Plan 2022-2027
- Operational Plan 2023-2024
- Asset Management Plans 2021

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) the relevant measures of financial sustainability 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:

"(5) The relevant measures of financial sustainability are the following measures as described in the financial management (sustainability) guideline – (a) asset sustainability ratio; (b) net financial liabilities ration; (c) operating surplus 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.

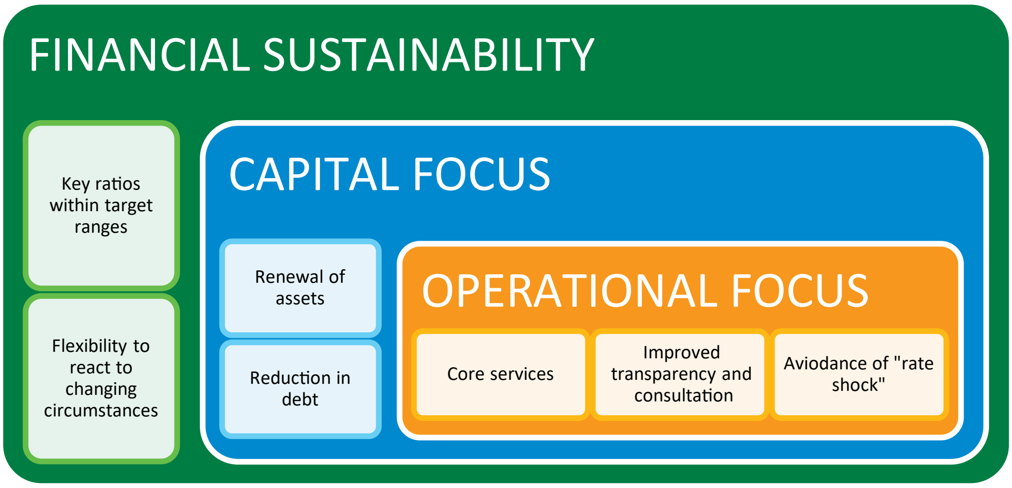
3. OUR VISION OF FINANCIAL SUSTAINABILITY

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. The reduction in Council's debt balance is important to ensure that costs can be kept to a minimum and loan repayments are reduced where possible 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 there is only one loan from the Queensland Treasury Corporation (QTC), most of which was taken up during the 2011 and 2012 financial years and forms a significant portion of our liabilities. The loan is paid on an interest and principal basis and the balances in the plan are forecast on the current loan schedule. The total debt outstanding at 30 June 2023 is $12.22 million. And will continue to be repaid over the term of the loan, with all debt due to be fully paid by 2032.

Council has also expressed a desire to use surplus cash to make additional repayments and therefore reduce the loan costs with additional payments being made in 2016-2017, 2017-2018, 2018-2019 and 2022-2023. A review is conducted annually and taken to Council to determine if sufficient surplus cash exists and there is a net benefit to making an additional loan repayment to reduce the life span of the loan.

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 ten 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 RISK MANAGEMENT AND MITIGATION

CONSEQUENCE	Catastrophic	Major	Moderate	Minor	Insignificant
LIKELIHOOD	Almost Certain	Likely	Possible	Unlikely	Rare
RISK RATING	Extreme	High	Medium	Low	

RISK	RISK COMMENT	CONSEQUENCE	LIKELIHOOD	RISK RATING	REVIEW
Government Grants	Changes in the amount or timing of the payment of the Federal Assistance Grants will result in a reduction in cash flows and Operating Surplus.	Moderate	Possible	Medium	Quarterly
Project Costing and Due Diligence	Failure to undertake accurate costing and due diligence on funded projects (ie Queensland Reconstruction Authority) may result in council needing to financially support grant funded projects.	Moderate	Possible	Medium	Quarterly
Urban Utilities Dividends	An unfavourable change to the Urban Utilities (UU) dividend policy will result in a reduction in cash flows and operating surplus.	Moderate	Possible	Medium	Quarterly
Infrastructure Cash Balances	The timing of the cash outflows for the construction of new infrastructure does not match the timing of the cash inflows from infrastructure charges which may impact adversely on Council's general cash balances.	Moderate	Possible	Medium	Quarterly
Procurement Strategy and Planning	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.	Moderate	Likely	High	Monthly
Capital Works Program	Changes in the mix of Infrastructure Works and Services operational and capital projects from year to year impact on Council's financial sustainability ratios and the types of capital works to be performed.	Moderate	Possible	Medium	Quarterly
Waste Cost Pricing and Modelling	Maintaining a Full Cost Pricing Model for Waste management revenue may result in insufficient cash available in general operating revenue to support Council operations.	Major	Likely	High	Monthly
Rates and Budget Modelling	Ratings methodology/modelling, timing, accuracy and statutory compliance.	Major	Possible	High	Quarterly
Debt Recovery and Collection	Debt write-off not undertaken in accordance with Council's Debt Collection and Recovery Policy and through software programes outside of TechnologyOne may be considered fraudulent result in loss of revenue.	Moderate	Possible	Medium	Monthly

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 is required 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 improved from the 2016 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

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 is reducing our debt balances.

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 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 in December 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 2023-24 budget and long-term financial forecast.

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.

Net Financial Liabilities Ratio: (Total liabilities – current assets) ÷ operating revenues. This indicates that net financial debt can be serviced by operating revenues. A ratio greater than zero implies that liabilities exceed current assets.

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.

	Target	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Average
Operating Surplus Ratio	Between 0% and 10%	0.4%	0.3%	2.1%	1.4%	1.0%	2.1%	3.0%	3.3%	3.8%	6.3%	2.4%
(Net Operating Surplus / Total Operating Revenue) (%)												
Net Financial Asset / Liability Ratio	<= 60%	44.4%	46.0%	43.0%	38.2%	32.2%	29.2%	24.1%	19.0%	13.8%	8.0%	29.8%
((Total Liabilities - Current Assets) / Total Operating Revenue)												
Asset Sustainability Ratio	>90%	300.0%	90.3%	96.8%	95.4%	97.0%	100.8%	111.9%	113.0%	115.0%	125.8%	124.6%
(Capital Expenditure on the Replacement of Assets (renewals) / Depreciation Expense)												

Council also utilises the Cash Expense Cover Ratio when assessing our financial sustainability.

The cash expense cover ratio 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.

	Target	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Average
Cash Expense Cover Ratio	>3	6.6	6.3	6.0	5.9	6.1	5.9	6.0	6.2	6.4	7.0	6.2
Number of months of operations supported by cash												

5. FINANCIAL STATEMENTS

5.1 FINANCIAL STATEMENTS – STATEMENT OF COMPREHENSIVE INCOME

Lockyer Valley Regional Council
2023/2024 Budget and Long Term Financial Forecast
Statement of Income and Expenditure

	2022 $ Actuals	*2023 $ Forecast Actuals*	2024 $ Proposed Budget	2025 $ Forecast	2026 $ Forecast	2027 $ Forecast	2028 $ Forecast	2029 $ Forecast	2030 $ Forecast	2031 $ Forecast	2032 $ Forecast	2033 $ Forecast
Revenue												
Recurrent Revenue												
Rates & Utility Charges	*43.12M*	*44.86M*	47.17M	49.55M	52.06M	54.74M	57.57M	60.58M	63.77M	67.17M	70.37M	73.73M
Less Discounts	*(1.82M)*	*(1.90M)*	(1.93M)	(2.00M)	(2.08M)	(2.17M)	(2.26M)	(2.35M)	(2.44M)	(2.54M)	(2.64M)	(2.75M)
Net rates and utility charges	***41.30M***	***42.96M***	**45.24M**	**47.54M**	**49.98M**	**52.57M**	**55.31M**	**58.23M**	**61.33M**	**64.63M**	**67.73M**	**70.98M**
Fees and charges	*7.26M*	*5.85M*	5.81M	6.04M	6.28M	6.53M	6.79M	7.06M	7.35M	7.64M	7.95M	8.26M
Sales, contract and recoverable works	*1.52M*	*1.05M*	0.76M	0.78M	0.81M	0.84M	0.86M	0.89M	0.92M	0.96M	0.99M	1.02M
Operational Grants & subsidies	*12.64M*	*20.23M*	14.03M	11.39M	12.11M	12.35M	12.59M	12.85M	13.10M	13.37M	13.63M	13.91M
Interest received	*1.07M*	*2.09M*	2.09M	1.89M	1.89M	1.95M	2.05M	2.12M	2.20M	2.30M	2.43M	2.60M
Other recurrent income	*4.74M*	*4.20M*	4.09M	4.14M	4.07M	4.15M	4.24M	4.32M	4.41M	4.51M	4.60M	4.70M
Total Recurrent Revenue	***68.52M***	***76.38M***	**72.02M**	**71.78M**	**75.14M**	**78.38M**	**81.85M**	**85.48M**	**89.32M**	**93.40M**	**97.32M**	**101.48M**
Capital revenue:												
Capital Grants	*5.09M*	*20.09M*	39.84M	3.00M	4.77M	3.57M	3.90M	4.23M	4.60M	5.03M	5.47M	5.97M
Developer Contributions	*4.41M*	-	-	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	*0.25M*	*0.08M*	0.08M	(0.01M)	(0.03M)	0.01M	0.03M	0.08M	0.01M	(0.02M)	0.09M	0.05M
Total capital revenue	***9.74M***	***20.17M***	**39.92M**	**3.49M**	**5.24M**	**4.08M**	**4.43M**	**4.81M**	**5.11M**	**5.51M**	**6.06M**	**6.52M**
Total Revenue	***78.26M***	***96.55M***	**111.94M**	**75.27M**	**80.38M**	**82.46M**	**86.27M**	**90.29M**	**94.43M**	**98.91M**	**103.38M**	**107.99M**
Expenses												
Recurrent Expenses												
Employee costs	*27.12M*	*28.66M*	28.91M	31.01M	32.23M	33.49M	34.81M	36.17M	37.59M	39.06M	40.59M	42.18M
Materials and services	*25.10M*	*27.29M*	28.22M	25.01M	25.17M	27.03M	28.79M	29.33M	30.22M	31.55M	32.79M	33.78M
Depreciation and amortisation	*11.33M*	*12.51M*	13.91M	14.89M	15.58M	16.22M	16.90M	17.77M	18.45M	19.41M	20.04M	18.95M
Finance costs	*1.40M*	*1.05M*	0.71M	0.66M	0.61M	0.55M	0.49M	0.43M	0.37M	0.30M	0.23M	0.19M
Total Recurrent Expenses	***64.94M***	***69.50M***	**71.75M**	**71.57M**	**73.58M**	**77.30M**	**80.99M**	**83.70M**	**86.62M**	**90.32M**	**93.65M**	**95.10M**
Net Result adjusted for Capital Items	***13.32M***	***27.05M***	**40.18M**	**3.70M**	**6.80M**	**5.16M**	**5.28M**	**6.59M**	**7.81M**	**8.59M**	**9.73M**	**12.90M**
Net Recurrent Result/Operating Surplus/(Deficit)	***3.577M***	***6.879M***	**0.263M**	**0.211M**	**1.564M**	**1.087M**	**0.856M**	**1.776M**	**2.694M**	**3.081M**	**3.671M**	**6.379M**

5.2 FINANCIAL STATEMENTS - FINANCIAL POSITION

Lockyer Valley Regional Council
2023/2024 Budget and Long Term Financial Forecast
Statement of Financial Position

	2022 $ *Actuals*	2023 $ *Forecast Actuals*	2024 $ Proposed Budget	2025 $ Forecast	2026 $ Forecast	2027 $ Forecast	2028 $ Forecast	2029 $ Forecast	2030 $ Forecast	2031 $ Forecast	2032 $ Forecast	2033 $ Forecast
Current Assets												
Cash assets and cash equivalents	*47.74M*	*33.97M*	31.64M	29.51M	28.93M	30.06M	32.36M	32.28M	34.23M	36.42M	39.12M	44.39M
Other inventory	*0.63M*	*0.63M*	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M	0.63M
Receivables	*7.22M*	*4.26M*	3.72M	3.73M	3.92M	4.10M	4.27M	4.48M	4.68M	4.90M	5.10M	5.33M
Prepayments	*1.25M*	*1.25M*	1.25M	1.25M	1.25M	1.25M	1.25M	1.25M	1.25M	1.25M	1.25M	1.25M
Total Current Assets	***56.83M***	***40.10M***	**37.23M**	**35.11M**	**34.73M**	**36.03M**	**38.50M**	**38.63M**	**40.79M**	**43.20M**	**46.09M**	**51.59M**
Non Current Assets												
Land held for development or sale	*1.69M*	*1.69M*	1.69M	1.69M	1.69M	1.69M	1.69M	1.69M	1.69M	1.69M	1.69M	1.69M
Joint Ventures & Associates	*33.55M*	*34.18M*	34.82M	35.50M	36.22M	36.94M	37.66M	38.38M	39.10M	39.82M	40.54M	41.26M
Property, plant and equipment	*563.87M*	*592.16M*	634.02M	653.12M	661.16M	663.76M	681.84M	689.40M	693.55M	717.41M	735.37M	742.76M
Intangible assets	*0.10M*	*0.74M*	0.72M	0.70M	0.68M	0.66M	0.64M	0.62M	0.60M	0.58M	0.56M	0.54M
Capital works in progress	*9.76M*	*9.76M*	9.76M	9.76M	9.76M	9.76M	9.76M	9.76M	9.76M	9.76M	-	-
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	***623.72M***	***653.28M***	**695.75M**	**715.51M**	**724.26M**	**727.55M**	**746.34M**	**754.60M**	**759.45M**	**784.00M**	**792.90M**	**800.99M**
TOTAL ASSETS	***680.54M***	***693.38M***	**732.99M**	**750.63M**	**758.98M**	**763.58M**	**784.84M**	**793.23M**	**800.23M**	**827.20M**	**838.98M**	**852.59M**
Current Liabilities												
Trade and other payables	*9.23M*	*2.16M*	2.19M	2.15M	2.20M	2.32M	2.43M	2.51M	2.60M	2.71M	2.81M	2.92M
Borrowings	*1.70M*	*1.11M*	1.17M	1.23M	1.29M	1.35M	1.42M	1.49M	1.56M	1.63M	-	-
Employee payables/provisions	*7.89M*	*7.97M*	8.05M	8.13M	8.21M	8.30M	8.38M	8.46M	8.55M	8.63M	8.72M	8.81M
Other provisions	*0.02M*	*0.02M*	0.02M	0.02M	0.02M	0.02M	0.02M	0.02M	0.02M	0.02M	0.02M	0.02M
Other current liabilities	*3.07M*	*3.07M*	3.07M	3.07M	3.07M	3.07M	3.07M	3.07M	3.07M	3.07M	3.07M	3.07M
Total Current Liabilities	***21.91M***	***14.34M***	**14.50M**	**14.60M**	**14.80M**	**15.06M**	**15.32M**	**15.56M**	**15.80M**	**16.07M**	**14.62M**	**14.82M**
Non Current Liabilities												
Trade and other payables	*3.51M*	*3.51M*	3.51M	3.51M	3.51M	3.51M	3.51M	3.51M	3.51M	3.51M	3.51M	3.51M
Borrowings	*18.29M*	*11.13M*	9.96M	8.74M	7.45M	6.10M	4.68M	3.19M	1.63M	-	-	-
Employee payables/provisions	*0.29M*	*0.31M*	0.23M	0.25M	0.27M	0.29M	0.31M	0.32M	0.34M	0.35M	0.37M	0.38M
Other provisions	*41.01M*	*41.01M*	41.01M	41.01M	41.01M	41.01M	41.01M	41.01M	41.01M	41.01M	41.01M	41.01M
Total Non Current Liabilities	***63.10M***	***55.97M***	**54.72M**	**53.51M**	**52.24M**	**50.91M**	**49.51M**	**48.03M**	**46.49M**	**44.87M**	**44.88M**	**44.90M**
TOTAL LIABILITIES	***85.01M***	***70.30M***	**69.22M**	**68.11M**	**67.03M**	**65.97M**	**64.83M**	**63.59M**	**62.29M**	**60.94M**	**59.51M**	**59.71M**
Net community assets	***595.54M***	***623.08M***	**663.77M**	**682.52M**	**691.95M**	**697.61M**	**720.01M**	**729.64M**	**737.94M**	**766.26M**	**779.48M**	**792.87M**
Community Equity												
Asset revaluation reserve	*211.96M*	*212.46M*	212.96M	228.00M	230.63M	231.13M	248.25M	251.29M	251.79M	271.52M	275.00M	275.50M
Retained surplus (deficiency)	*383.58M*	*410.63M*	450.81M	454.52M	461.32M	466.48M	471.76M	478.35M	486.15M	494.75M	504.47M	517.37M
TOTAL COMMUNITY EQUITY	***595.54M***	***623.08M***	**663.77M**	**682.52M**	**691.95M**	**697.61M**	**720.01M**	**729.64M**	**737.94M**	**766.26M**	**779.48M**	**792.87M**

5.3 FINANCIAL STATEMENTS – CASH FLOWS

Lockyer Valley Regional Council
2023/2024 Budget and Long Term Financial Forecast
Statement of Cash Flows

	2022	*2023*	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	$	*$*	$	$	$	$	$	$	$	$	$	$
	Actuals	*Forecast Actuals*	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash flows from operating activities:												
Receipts from customers	*67.66M*	*75.44M*	68.66M	68.12M	71.43M	74.64M	78.01M	81.53M	85.29M	89.26M	93.08M	97.02M
Payment to suppliers and employees	*(50.95M)*	*(63.34M)*	(57.24M)	(56.11M)	(57.39M)	(60.46M)	(63.54M)	(65.49M)	(67.79M)	(70.58M)	(73.36M)	(75.94M)
Interest received	*1.07M*	*2.09M*	2.09M	1.89M	1.89M	1.95M	2.05M	2.12M	2.20M	2.30M	2.43M	2.60M
Finance costs	*(1.16M)*	*(0.62M)*	(0.57M)	(0.51M)	(0.45M)	(0.39M)	(0.33M)	(0.26M)	(0.20M)	(0.12M)	(0.05M)	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net cash inflow (outflow) from operating activities	***16.62M***	***13.57M***	**12.94M**	**13.38M**	**15.48M**	**15.73M**	**16.18M**	**17.89M**	**19.51M**	**20.86M**	**22.10M**	**23.68M**
Cash flows from investing activities:												
Payments for property, plant and equipment	*(12.30M)*	*(41.16M)*	(55.47M)	(18.73M)	(20.76M)	(18.26M)	(17.66M)	(21.97M)	(21.91M)	(23.60M)	(24.75M)	(25.74M)
Subsidies, donations and contributions for new capital expenditure	*7.98M*	*20.09M*	39.84M	3.00M	4.77M	3.57M	3.90M	4.23M	4.60M	5.03M	5.47M	5.97M
Proceeds from sale of property, plant and equipment	*1.06M*	*0.30M*	0.30M	0.30M	0.26M	0.48M	0.34M	0.27M	0.34M	0.55M	0.61M	0.46M
Net transfer (to) from cash investments	*1.36M*	*1.17M*	1.17M	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	***(1.90M)***	***(19.60M)***	**(14.16M)**	**(14.34M)**	**(14.83M)**	**(13.32M)**	**(12.53M)**	**(16.56M)**	**(16.07M)**	**(17.11M)**	**(17.77M)**	**(18.41M)**
Cash flows from financing activities:												
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	*(1.58M)*	*(7.74M)*	(1.11M)	(1.17M)	(1.23M)	(1.29M)	(1.35M)	(1.42M)	(1.49M)	(1.56M)	(1.63M)	-
Net cash inflow (outflow) from financing activities	***(1.58M)***	***(7.74M)***	**(1.11M)**	**(1.17M)**	**(1.23M)**	**(1.29M)**	**(1.35M)**	**(1.42M)**	**(1.49M)**	**(1.56M)**	**(1.63M)**	**-**
Net increase (decrease) in cash and cash equivalents held	***13.13M***	***(13.77M)***	**(2.33M)**	**(2.13M)**	**(0.58M)**	**1.13M**	**2.30M**	**(0.08M)**	**1.95M**	**2.19M**	**2.69M**	**5.28M**
Cash at beginning of reporting period	*34.60M*	*47.74M*	33.97M	31.64M	29.51M	28.93M	30.06M	32.36M	32.28M	34.23M	36.42M	39.12M
Cash and cash equivalents at end of the financial year	***47.74M***	***33.97M***	**31.64M**	**29.51M**	**28.93M**	**30.06M**	**32.36M**	**32.28M**	**34.23M**	**36.42M**	**39.12M**	**44.39M**

Lockyer Valley Regional Council
2023/2024 Budget and Long Term Financial Forecast
Statement of Changes in Equity

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	$	$	$	$	$	$	$	$	$	$	$
	Forecast actuals	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Asset revaluation surplus											
Opening balance	-	212.46M	212.96M	228.00M	230.63M	231.13M	248.25M	251.29M	251.79M	271.52M	275.00M
Increase in asset revaluation surplus	-	0.50M	15.05M	2.63M	0.50M	17.11M	3.04M	0.50M	19.73M	3.49M	0.50M
Closing balance	***212.46M***	**212.96M**	**228.00M**	**230.63M**	**231.13M**	**248.25M**	**251.29M**	**251.79M**	**271.52M**	**275.00M**	**275.50M**
Retained surplus											
Opening balance	-	410.63M	450.81M	454.52M	461.32M	466.48M	471.76M	478.35M	486.15M	494.75M	504.47M
Net result	-	40.18M	3.70M	6.80M	5.16M	5.28M	6.59M	7.81M	8.59M	9.73M	12.90M
Closing balance	***410.63M***	**450.81M**	**454.52M**	**461.32M**	**466.48M**	**471.76M**	**478.35M**	**486.15M**	**494.75M**	**504.47M**	**517.37M**
Total											
Opening balance	-	623.08M	663.77M	682.52M	691.95M	697.61M	720.01M	729.64M	737.94M	766.26M	779.48M
Net result	-	40.18M	3.70M	6.80M	5.16M	5.28M	6.59M	7.81M	8.59M	9.73M	12.90M
Increase in asset revaluation surplus	-	0.50M	15.05M	2.63M	0.50M	17.11M	3.04M	0.50M	19.73M	3.49M	0.50M
Closing balance	***623.08M***	**663.77M**	**682.52M**	**691.95M**	**697.61M**	**720.01M**	**729.64M**	**737.94M**	**766.26M**	**779.48M**	**792.87M**

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. Employee costs +/- 1% on EB increase.

3. Depreciation – tri annual valuation +/- 5% of estimated asset base 2022.

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	RATES		EMPLOYEE COSTS		VALUATIONS		RENEWALS
		+1.00%	-1.00%	+1.00%	-1.00%	+5.00% of Base	- 5.00% of Base	- $1.00M
OPERATING SURPLUS	2.4%	2.9%	1.8%	2.0%	2.8%	1.7%	3.3%	N/A
NET FINANCIAL ASSET/LIABILITY	29.8%	26.8%	32.8%	31.6%	27.9%	N/A	N/A	N/A
ASSET SUSTAINABILITY	124.6%	N/A	N/A	N/A	N/A	121.4%	130.1%	120.0%
CASH COVERAGE	6.25	6.68	5.82	5.93	6.57	N/A	N/A	6.83

Of the sensitivities modelled, changes in rates have the biggest impact on the operating surplus ratio through the impact on the amount of revenue being raised. Ratios are within the recommended targets and a year-by-year basis some ratios go above or below the thresholds depending on the scenario.

For more information phone 1300 005 872,
email mailbox@lvrc.qld.gov.au or visit www.lockyervalley.qld.gov.au

Lockyer Valley Regional Council, PO Box 82, Gatton Qld 4343