

Document Control		
Policy Title:	2023-24 Financial Sustainability Policy	Policy Type: Council
Responsible Directorate:	Corporate Services	Doc Id No: 2712287
Date Review Due	30/06/2024	

Version ¹	Council/Executive Meeting Date (Date of Adoption/Endorsement)	Minute Number
1.0.0	25/07/2023	M03/07/2023

1. Purpose and Scope

This policy outlines Gympie Regional Council's commitment to the responsible management of council's financial resources now and into the future. The policy relates to the financial operations of council and underpins the annual budget process and the strategic management of council's finances.

2. Related Legislation/Documents

Local Government Act 2009

Local Government Regulation 2012

3. Definitions

To assist in interpretation of this policy the following definitions apply:

- Council means councillors

¹ The Version Number is direct from the Corporate Records Management System

- council means Gympie Regional Council the organisation
- Operating Surplus means an operating surplus is achieved when operating revenues are greater than operating expenses (including depreciation and interest on debt).
- Operating Surplus Ratio means the operating surplus (or deficit) as a percentage of council operating revenue. The target operating surplus ratio set by the state government is between 0% and 10%
- Net Financial Liabilities Ratio means council's net financial liabilities (total liabilities less current assets) expressed as a percentage of total operating revenue. A negative percentage indicates that current assets exceed total liabilities. The target net financial liabilities ratio set by the state government is less than 60%
- Asset Sustainability Ratio means measures the annual expenditure on the renewal and rehabilitation of council's assets against the annual depreciation charge. It is a measure of whether

The council is reinvesting appropriately in existing infrastructure assets. The target asset sustainability ratio set by the state government is less than 90%.

4. Policy Statement

4.1 Responsible Management of Council's Financial Resources

Gympie Regional Council has a responsibility to ensure that it has sufficient resources now and into the future to provide levels of service that are both affordable and at a level considered appropriate by the community. This responsibility encompasses how decisions are made regarding the allocation of ratepayer funds to council's day to day operations as well as towards the replacement of existing assets and the procurement of new assets.

Responsible ongoing financial management by council will achieve the following objectives:

- council operates in an efficient and effective manner, minimising general rate increases
- ongoing operating surpluses to ensure council's equity is not degraded and future financial risk can be adequately mitigated
- appropriate collection of cash funds for ongoing infrastructure and asset replacement and renewal
- informed decisions are made on discretionary new operating and/or capital investment proposals (i.e., business cases including whole of life cost analysis)
- infrastructure and assets are maintained to required service levels

- debt levels are minimised and returns on cash holdings maximised
- achievement of the financial sustainability benchmarks set by legislation.

4.1.1 Long Term Sustainability Ratios

The key measurement criteria for whether council is achieving its financial sustainability objectives over the short and medium term are the three financial sustainability ratios which are required to be published under legislation, namely the:

- Operating surplus ratio
- Net financial liabilities ratio
- Asset sustainability ratio.

In addition to the above statutory ratios, council will use the cash coverage ratio to maintain adequate cash for general operations. The cash coverage ratio measures the number of months of operations supported by the cash balance. The target benchmark is three months.

Other financial ratios may also be used from time to time to measure the performance of other key financial metrics.

Council's current and expected financial sustainability performance will be measured and reported against the benchmarks for these ratios set by the state government and recommended by the Queensland Treasury Corporation (QTC)

Operating surplus ratio

The council acknowledges the impact of a number of extraordinary expenditure items forecast to impact its operational surplus ratio in the 2023-24 and 2024-25 financial years.

The implementation of a cloud-based ERP, preparation of a new planning scheme and connections costs included in the roll out of the Southside Sewerage scheme will contribute to net operational deficits for both the 2023-24 and 2024-25 financial years.

The council has developed financial plans to return operating surplus for the remaining life of the ten-year financial forecast. The operating surplus ratio is one of the three key measures of financial sustainability required under legislation.

The council will ensure that expenditure on goods and services to meet established service levels will be undertaken efficiently and effectively. This will be achieved via the development of the annual

operating expenditure budget within the guiding parameters contained within the Long-Term Financial Forecast and the service delivery objectives outlined by council. Expenditure management outcomes will be measured by how council performs annually against its operating and capital expenditure budget allocations.

Net Financial liabilities ratio and Debt management

New debt will only be incurred as part of council's strategic approach to liquidity management that considers the minimisation where possible of surplus cash holdings and intergenerational equity requirements. The net financial liabilities ratio is one of the three key measures of financial sustainability required under legislation.

The council will adopt a conservative approach to new debt to ensure that the net financial liabilities ratio is below the target over the life of the ten-year financial forecast. New debt that may be required to assist with the funding of infrastructure to cater for population growth will be considered on a case by case basis.

Asset sustainability ratio and Asset management

The council will ensure that it maintains its infrastructure and assets on an ongoing basis to ensure that services are able to be provided effectively to the community. The asset sustainability ratio is one of the three key measures of financial sustainability required under legislation.

The council will target over the life of the ten-year financial forecast to achieve an average minimum asset sustainability ratio of 90% (including plant, fleet and office equipment renewals) consistent with the benchmark although condition-based renewal forecasts may demonstrate a percentage lower than 90% in any given year.

The council will establish asset management plans for its asset and infrastructure classes which will incorporate annual maintenance financial estimates as well as ten-year renewal/replacement forecasts developed from regular asset condition assessments. Asset management plan financial forecasts will be incorporated into council's ten-year financial forecast band annual budget as they are developed to ensure financial sustainability implications are appropriately considered.

Annual depreciation forecasts will be developed on an asset by asset basis utilising methodology endorsed by the Queensland Audit Office, with assets regularly revalued in accordance with legislative requirements.

Financial analysis for all new and replacement capital projects will be used to inform council of whole of life costing implications associated with each project.

4.1.2 Full Cost Pricing

The council will ensure that competitive neutrality and full cost pricing outcomes required under legislation with respect to its business activities are complied with on an annual basis.

4.1.3 Commercial opportunities

New commercial opportunities will only be considered if they provide value for money to the community and have a positive net impact on overall general rate funding requirements of council.

The QTC project decision framework will be utilised for business case analysis for all new identified commercial opportunities. The outcomes from the analysis will be used to inform council of whole of life costing implications associated with each commercial proposal.

5. Review

This policy will be reviewed when any of the following occur:

1. The related legislation/documents are amended or replaced.
2. Other circumstances as determined from time to time by a resolution of Council.
3. As initiated by the CEO or Executive Team.
4. Annual as part of the budget process.

6. Delegations

Delegations in relation to this policy are found in council's delegations register.