Measures of Financial Sustainability

In accordance with section 169(4),(5) and (6) of the Local Government Regulation 2012, the Council is required to disclose in the budget certain measures of financial sustainability. The Queensland Government defines a sustainable local government as being 'able to maintain its financial capital and infrastructure capital over the long term' (Local Government Act 2009 (Act), section 104(2). To ensure the Council continues along the path of financial sustainability into the future, key long term strategic plans are developed and integrated, demonstrating a strategy is in place to manage the financial implications of its long term planning.

The financial sustainability measures cover the period of the annual budget plus the next nine financial years (10 years in total). The ratios disclosed are prepared in accordance with the 'Financial Management (Sustainability) Guideline 2024 version 1' which is available from the website of The Department of Local Government, Water and Volunteers.

Operating Surplus Ratio

Description	Calculation	Target
Is an indicator of the extent to which operating revenues generated cover operational expenses. Any operating surplus would be available for capital funding or other purposes.	Operating result divided by Total operating revenue	Greater than 0%

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Greater than 0%	6.0%	4.6%	4.8%	5.0%	5.2%	5.5%	5.7%	6.0%	6.2%	6.0%

A positive ratio indicates that recurring operating revenue exceeds recurring operating expenses and this can facilitate utilising operating surpluses to assist in funding capital expenditure and reduce the reliance on borrowings. Council is forecasting to have operating surpluses over the ten year forecast period.

Council Controlled Revenue Ratio

Description	Calculation	Target
Is an indicator of a council's financial flexibility, ability to influence its operating income, and capacity to respond to unexpected financial shocks	Net rates, levies, charges, fees and charges divided by Total operating revenue	Is a contextual measure - no target is specified

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
No target specified	74.0%	75.1%	77.0%	78.1%	79.3%	80.3%	81.3%	82.2%	83.0%	83.9%

The higher the percentage the better, as this indicates Council has the financial flexibility to significantly influence its operating income, and the capacity to respond to unexpected financial shocks. It also indicates a strong rate base that can drive operating revenue and place Council in a position to rely less on external sources of financial support, for example Federal or State Government assistance.

Operating Cash Ratio

Description	Calculation	Target
Is a measure of a council's ability to cover its core operational expenses and generate a cash surplus excluding depreciation, amortisation, and finance costs.	Operating result plus depreciation, amortisation and finance costs divided by Total operating revenue	Greater than 0%

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Greater than 0%	29.1%	28.5%	29.3%	30.1%	30.5%	30.7%	30.5%	30.4%	30.1%	29.2%

The operating cash 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. A positive operating cash ratio indicates that Council is generating good surplus cash from its core operations, which suggests that council has the ability to use these funds to assist in funding its capital expenditure requirements.

Unrestricted Cash Expense Cover Ratio

Description	Calculation	Target
Is an indicator of the unconstrained liquidity available to a council to meet ongoing and emergent financial demands. It represents the number of months a council can continue operating based on current monthly expenses.	(Total cash equivalents, plus current investments less externally restricted cash divided by Total operating expenditure less depreciation, amortisation and finance costs) x 12	Greater than 2 months

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Greater than 2 months	7.2	Not applicable for long term sustainability								

The ratio is an indicator of the unconstrained liquidity available to Council to meet ongoing and emergent financial demands. It represents the number of months a council can continue operating based on current monthly expenses. As indicated by the ratio Council has a ratio in excess of the target of 2 months available cash. This places Council in a position of having sufficient free cash available to contribute to the cost of future planned and unplanned expenditures such as infrastructure investment or disaster recovery.

Leverage Ratio

Description	Calculation	Target
Is an indicator of a council's ability to repay its existing debt. It measures the relative size of the council's debt to its operating performance.	Book value of debt divided by Operating result plus depreciation, amortisation and finance costs	0 to 4 times

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
0 to 4 times	1.1	1.4	2.1	2.5	2.7	2.8	2.9	2.9	2.8	2.8

As indicated by the ratio Council sits comfortably below the upper band limit of 4 times throughout the forecast period. Low ratios indicate the Council is performing well operationally, can repay its existing debt and has the capacity to borrow additional funds without placing undue financial pressure on the organisation.

Asset Sustainability Ratio

Description	Calculation	Target
The ratio approximates the extent to which the infrastructure assets managed by council are being replaced as they reach the end of their useful lives	Capital expenditure on replacement of infrastructure assets divided by Depreciation expense on infrastructure assets	Greater than 60%

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Greater than 60%	103.3%	92.8%	81.7%	82.0%	79.4%	79.2%	79.6%	83.9%	88.7%	67.6%

Capital expenditure can broadly be classified as new (building something entirely new) or renewal (replacing an old asset with a new one). This ratio measures how much capital expenditure goes toward replacing existing assets each year when divided by depreciation expense. As the ten year forecast indicates Council's ratio is exceeding the target of 60% or better and highlights that infrastructure assets are being replaced in an appropriate timeframe.

Asset Consumption Ratio

Description	Calculation	Target
The 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.	Written down replacement cost of depreciable infrastructure assets divided by current replacement cost of depreciable infrastructure assets	Greater than 60%

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Greater than 60%	69.9%	70.5%	70.5%	70.2%	68.9%	68.9%	68.8%	68.4%	67.8%	66.9%

Throughout the ten year forecast period Council's ratio remains greater than the target range of 60%. This means that Council is replacing its assets at the earliest possible time whilst ensuring assets are not being run down to an unacceptable level of service.

Asset Renewal Funding Ratio

Description	Calculation	Target
The ratio measures the ability of a council to fund its projected infrastructure asset renewal/replacements in the future.	Total of planned capital expenditure on infrastructure asset renewals over 10 years divided by total of required capital expenditure on infrastructure asset renewals over 10 years	Is a contextual measure - no target is specified

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
No target specified	120.8%	Not applicable for long term sustainability								

This ratio is a contextual measure with the objective to be on or close to 100%. Ratios of 100% indicate that Council is appropriately funding and delivering the entirety of its required renewal capital program as outlined in its asset management plans. Ratios below 100% can indicate the actual renewal capital expenditure occurring is not meeting the targets as set by the asset management plans and infrastructure is not being replaced in a timely manner. As indicated by the ratio Council is marginally over the 100% mark which indicates Council plans to deliver renewal infrastructure fully in accordance with its asset management plans, meaning the required renewal capital expenditure in the asset management plans is fully budgeted across the ten year forecast period.

Population Growth Ratio

Description	Calculation	Target
Is a key driver of a council's operating income, service needs, and infrastructure requirements into the future	Prior year estimated population divided by Previous year estimated population	Is a contextual measure - no target is specified

Target	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
No target specified	3.4%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%

This ratio is provided by the Department of Local Government, Water and Volunteers using the compound annual growth rate which offers a systematic approach to estimating the average population growth rate over a multi year period. As the ratio indicates the City of Moreton Bay can expect to see strong continued population growth over the forecast period.