Measures of Financial Sustainability

In accordance with section 169(5) of the Local Government Regulation 2012, the Council is required to disclose in the budget certain measures of financial sustainability.

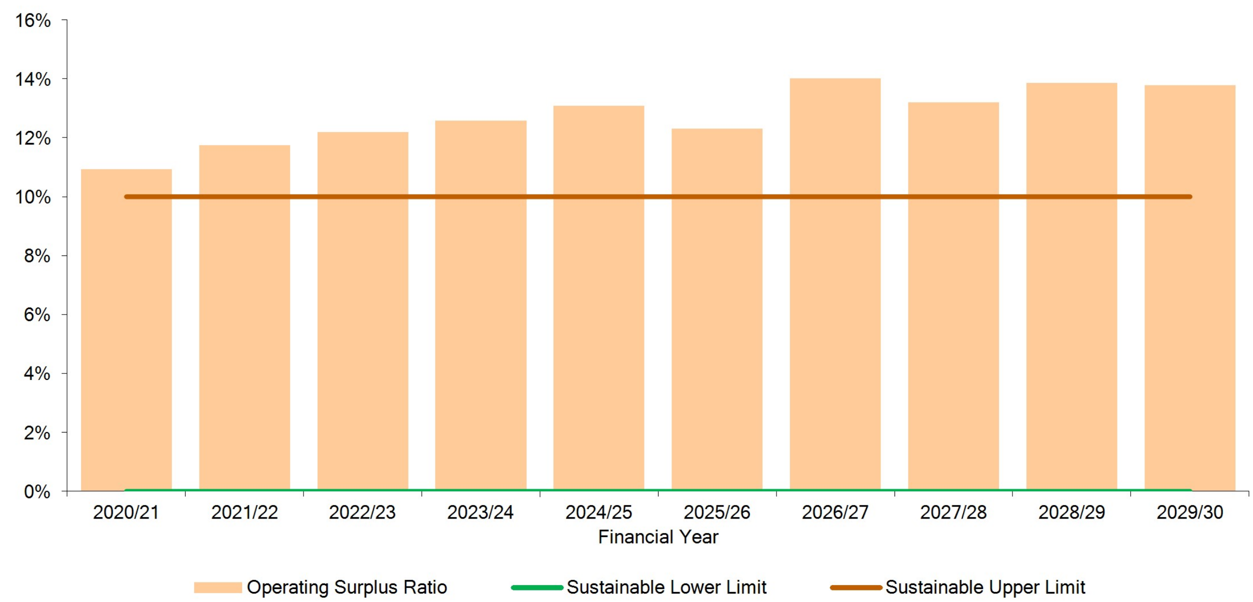
The Queensland Government defines a sustainable local government as being 'able to maintain its financial capital and infrastructure capital over the long term' (Local Government Act 2009 (Act), section 104(2).

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 three financial sustainability measures cover the period of the annual budget plus the next nine financial years (10 years in total).

The targets indicated in each graph are sourced from the 'Financial management (sustainability) guideline 2013' which is available from the website of The Department of Local Government, Racing and Multicultural Affairs.

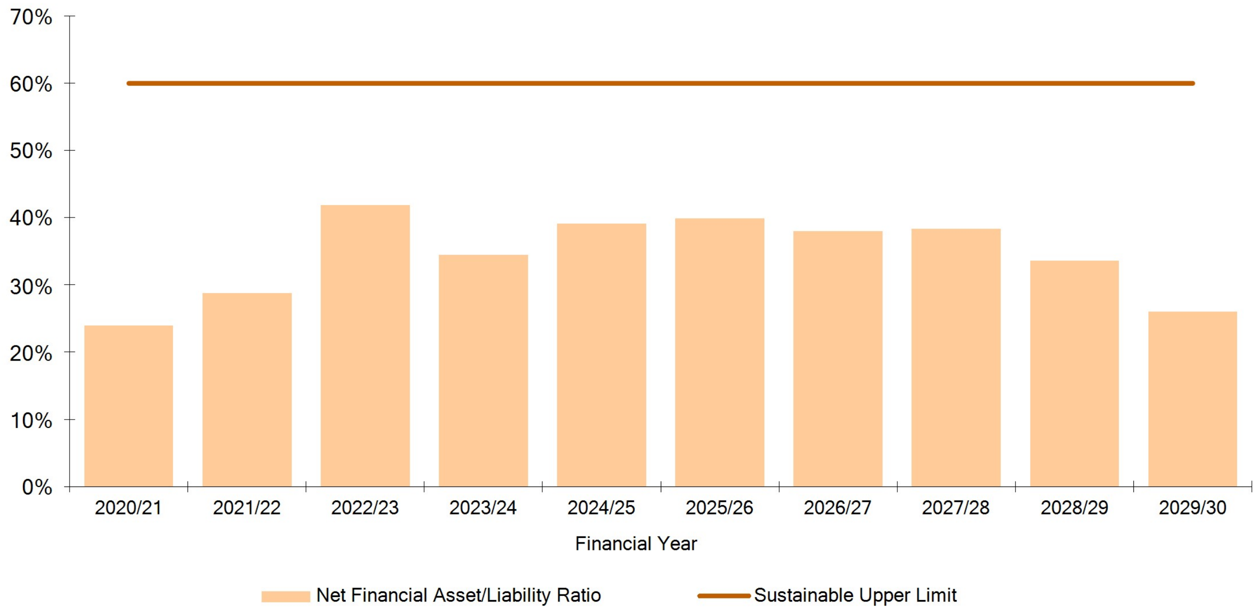
Operating Surplus Ratio



Description	Measure	Target
Demonstrates the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes	$\frac{\text{Net Operating Surplus/(Deficit)}}{\text{Operating Revenue}}$	Between 0% and 10% (on average over the long term)

Commentary
Council is forecasting a positive operating surplus ratio in each of the ten years. A positive ratio indicates that recurring operating revenue exceeds recurring operating expenses and places less reliance on borrowing money to fund capital expenditure and thus reducing Council debt. The positive operating surplus ratio of Council across the ten years is a strong indicator of long term sustainability.

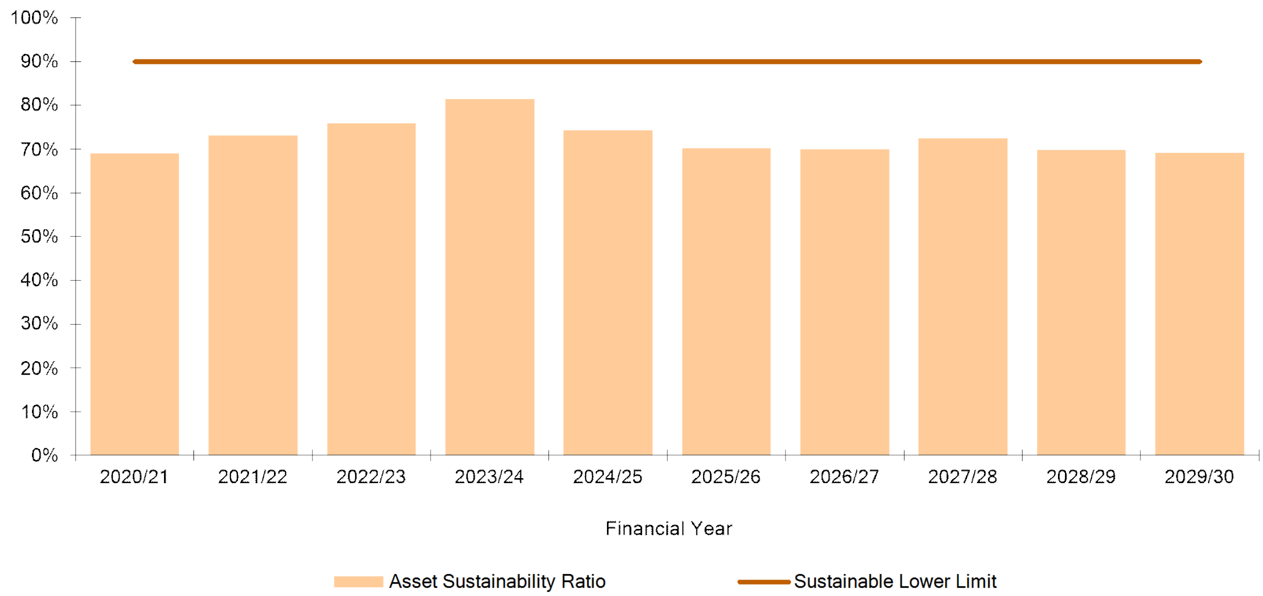
Net Financial Liabilities Ratio



Description	Measure	Target
Demonstrates the extent to which the net financial liabilities of Council can be serviced by its operating revenues	$\frac{\text{Total Liabilities less Current Assets}}{\text{Operating Revenue}}$	Not greater than 60% (on average over the long term)

Commentary
This ratio indicates Council does not exceed the upper limit of 60% over the entire forecast period. This indicates an acceptable level of operating revenues are being used to meet the net financial liabilities of Council.

Asset Sustainability Ratio



Description	Measure	Target
Demonstrates the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives	$\frac{\text{Capital Expenditure on Replacement Assets}}{\text{Depreciation Expense}}$	Greater than 90% (on average over the long term)

Commentary
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 below the target of 90% or better but gradually improves in the short term as expenditure on replacement assets increases before settling at around 70% in later years.