

THE COMMUNITY FINANCIAL REPORT for 2023-24

The purpose of the Community Financial Report is to provide residents and interested parties with a better understanding of Council's financial performance and position over the previous financial year.

The financial information that is presented in the Community Financial Report is identical to Council's financial statements however it is presented in a simplified format so that members of the community are able to gain insights into how the Council's financial performance and position measure up at the end of the financial year.

The Community Financial Report uses plain language and pictorial aids such as graphs and tables to give readers an easy to follow summary of the financial statements for the past financial year. In addition, this report includes key financial statistics and ratios that can also be useful indicators of Council's performance and position.

FINANCIAL STATEMENTS

The financial statements of Council are audited records of financial performance and position for a financial year (12 months). There are four statements that comprise what is termed "the financial statements", the statements are:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows

Statement of Comprehensive Income

A statement detailing the income and expenditure of Council. This statement shows what Council has earned (Revenue) and what costs Council has incurred (Expenses) throughout the year. This is presented on an 'accrual' basis, that is it records revenue when it is earned and expenses when they are incurred, regardless of when cash is received or payments of cash made.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024	\$'000
Operating Revenue	
Rates and utility charges	402,823
Fees and charges	48,979
Grants, subsidies and contributions	7,313
Interest revenue	44,227
Other revenue	53,267
Share of profit of associate	96,564
Total Operating Revenue	653,173

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024	\$'000
Operating Expenses	
Employee benefits	(215,294)
Materials and services	(240,340)
Depreciation and amortisation	(156,507)
Finance costs	(15,068)
Total Operating Expenses	(627,209)
Operating Result	25,964
Capital Revenue and Expenses	
Grants, subsidies and contributions	195,326
Capital Income	797
Capital Expenses	(30,518)
Capital Result	165,605
NET RESULT	191,569
Other Comprehensive Income	(52,744)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	138,825

Sourcing our revenue: What it comprises

(Statement of Comprehensive Income)

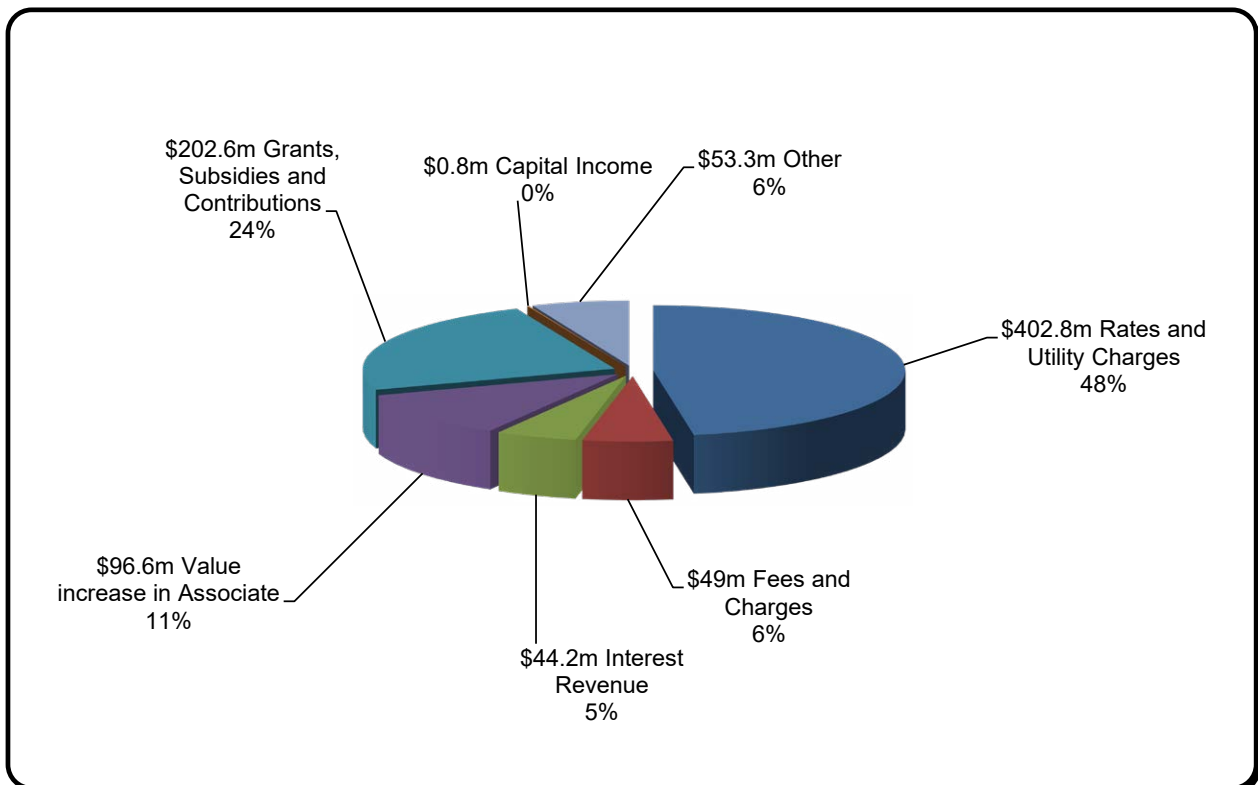
Key Council's revenue sources include:

- **Rates and Utility Charges** - these are the "taxes" levied on property owners within the region. Each year, as part of the budget process, Council decides the rates and utility charges to be levied in the financial year. The level of rates and utility charges that landowners must pay is at the sole discretion of Council.
- **Fees and Charges** - Council generates a level of income through the charging of fees for services and some goods. The fees can vary from admission to an aquatic facility through to the payment of a hall hire fee. A key function of Council is the administration of a range of regulatory functions. These can vary from administering the development application process through to animal registrations.
- **Grants, Subsidies and Contributions** - Council receives capital and operational grants and subsidies from Federal and State Governments which can be for general or specific purposes (grants to fund certain projects). Council also receives monetary and non-monetary contributions, typically from developers, in relation to the development activities occurring within the Council region. Non-monetary contributions are received in the form of gifted assets, such as roads, footpaths, drainage, and other community facilities handed over by developers after construction. Monetary contributions in the form of infrastructure contributions are paid to Council to assist in delivering essential infrastructure required for the future growth of the region.

- **Interest Revenue** - revenue earned by Council on term deposits held with banks and interest payments Unitywater pay to Council.
- **Other Revenue** - is predominately tax payments received from Unitywater and other miscellaneous forms of revenue.
- **Share of Profit of Associate** - is Council's portion of Unitywater's annual net operating profit. This is a non-cash revenue source.
- **Capital Income** - asset revaluations that must be recorded separate to other comprehensive income - This is a non-cash income source.
- **Other Comprehensive Income** - is predominately increases in the value of Council's infrastructure as a result of asset revaluations. This is a non-cash income source.

Sources of Revenue \$849.3 million

Graph shows the breakdown for 2023-24



Identifying our expenses: What it comprises

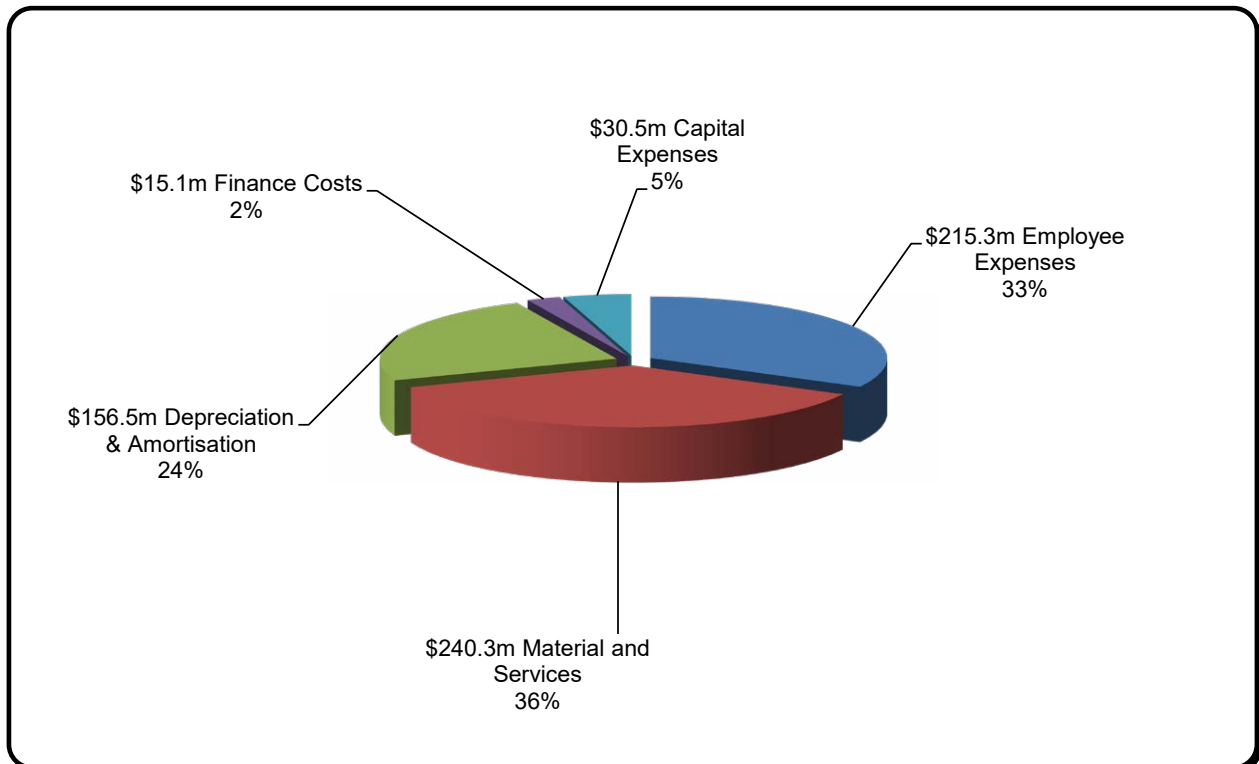
(Statement of Comprehensive Income)

Key Council's expense components are:

- **Employee Expenses** - These represent the total cost of staff employed in the delivery of Council services. The costs are typically inclusive of items such as wages, superannuation, employee leave entitlements, training and other employee related expenses.
- **Materials and Services** - These are the operating costs incurred for the purchase of materials or other services necessary to deliver Council services.
- **Depreciation and Amortisation** - is recognised as a cost to Council and is measured as an estimate in the consumption of Council's asset base. This is a non-cash expense.
- **Finance Costs** - These are costs associated with interest on debt and banking fees.
- **Capital Expenses** - These represent the value of assets replaced or disposed of throughout the year.

Expenditure by Type \$657.7 million

The expenditure by type graph shows the various classifications of Council's expenditure incurred during 2023-24.



Statement of Financial Position

A statement detailing the assets and liabilities of Council. The statement measures what Council owns (Assets) and what Council owes (Liabilities). The difference between these two components is the net wealth (Equity) of Council and our community.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024	\$'000
Assets	
Cash Balance	94,084
Other Current Assets	135,964
Non-Current Assets	9,403,766
Total Assets	9,633,814
Liabilities	
Current Liabilities	158,435
Non-Current Liabilities	284,634
Total Liabilities	443,069
NET COMMUNITY ASSETS	9,190,745
Community Equity	
Retained Surplus	6,930,156
Asset Revaluation Surplus	2,260,589
TOTAL COMMUNITY EQUITY	9,190,745

Assets: What the community owns

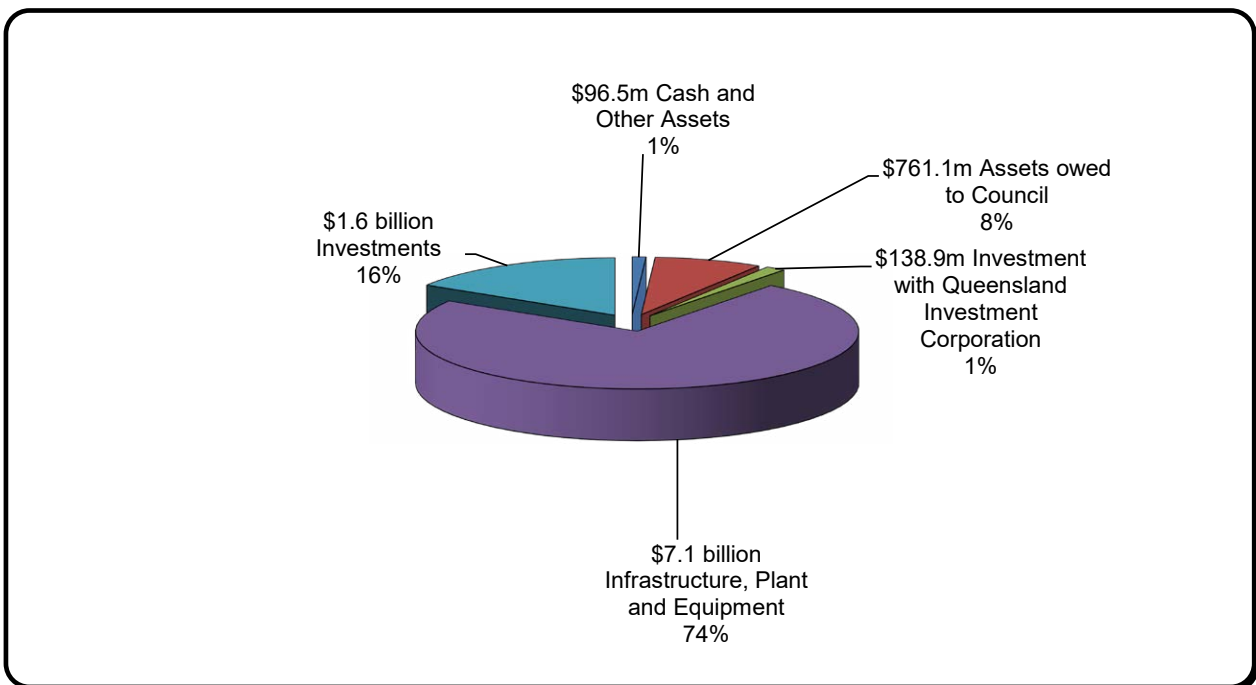
(Statement of Financial Position)

- **Assets** - Can be current or non-current. Current assets are those that are readily available to meet expenses and mainly include cash and amounts owed by customers. Non-current assets include property, plant and equipment, investment in associate (Unitywater) and financial investments.

The value of all assets Council owns totals \$9.6 billion as at 30 June 2024.

The major classes of assets are shown in the graph below

What the community owns \$9.6 billion



Liabilities: What the community owes

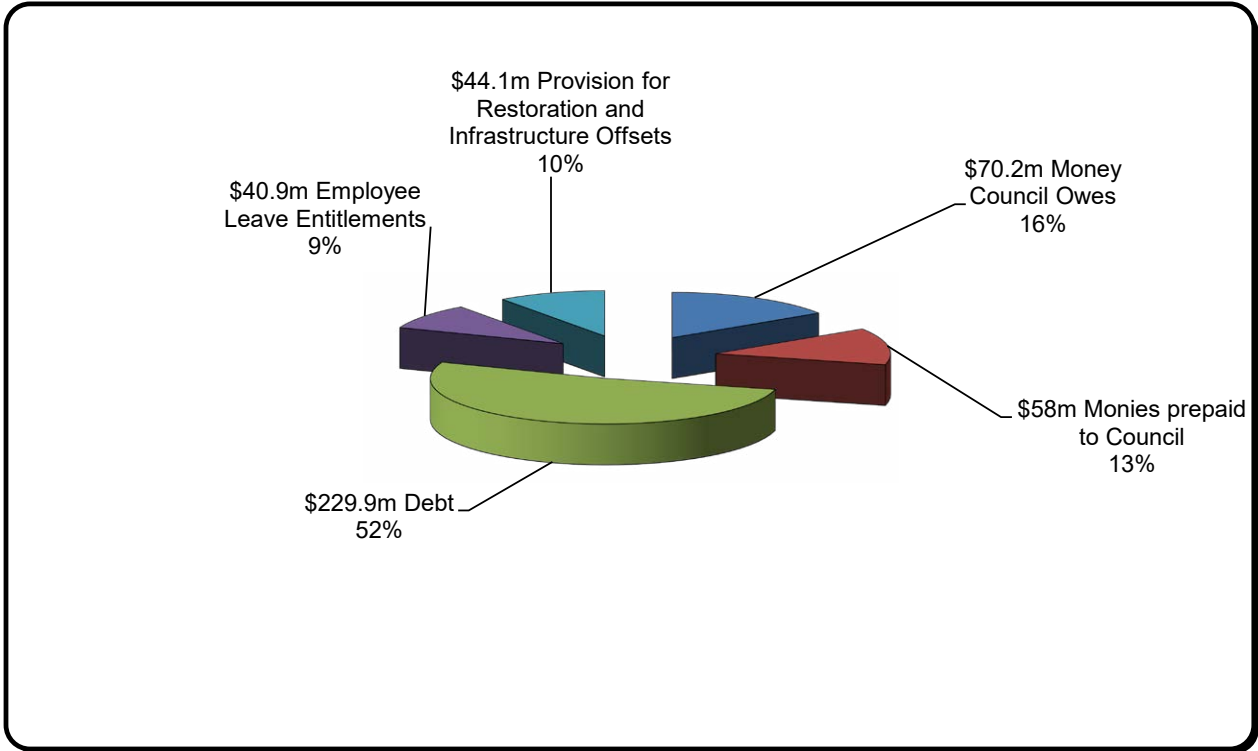
(Statement of Financial Position)

- **Liabilities** - Can be current or non-current. Liabilities mainly consist of loans, amounts owing to suppliers, amounts owing to employees for leave entitlement and future estimates to rehabilitate landfill sites administered by Council. Current liabilities are those amounts that are payable by Council within the next twelve months, and non-current liabilities are payable beyond the twelve month horizon.

Council's liabilities totalled \$443.1 million as at 30 June 2024.

What the community owes \$443.1 million

Graph shows the major classes of liabilities



Statement of Changes in Equity

A statement detailing the changes in equity of Council. This statement details the movement in the net assets (Equity) of Council and shows the overall change in Council's net wealth over the year.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024	\$'000
Balance as at 1 July 2023	9,047,728
Add: Net Result	191,569
Add: Other Comprehensive Income	(52,744)
Add: Increase to equity on the recognition of assets	4,192
BALANCE AT 30 JUNE 2024	9,190,745

Community equity

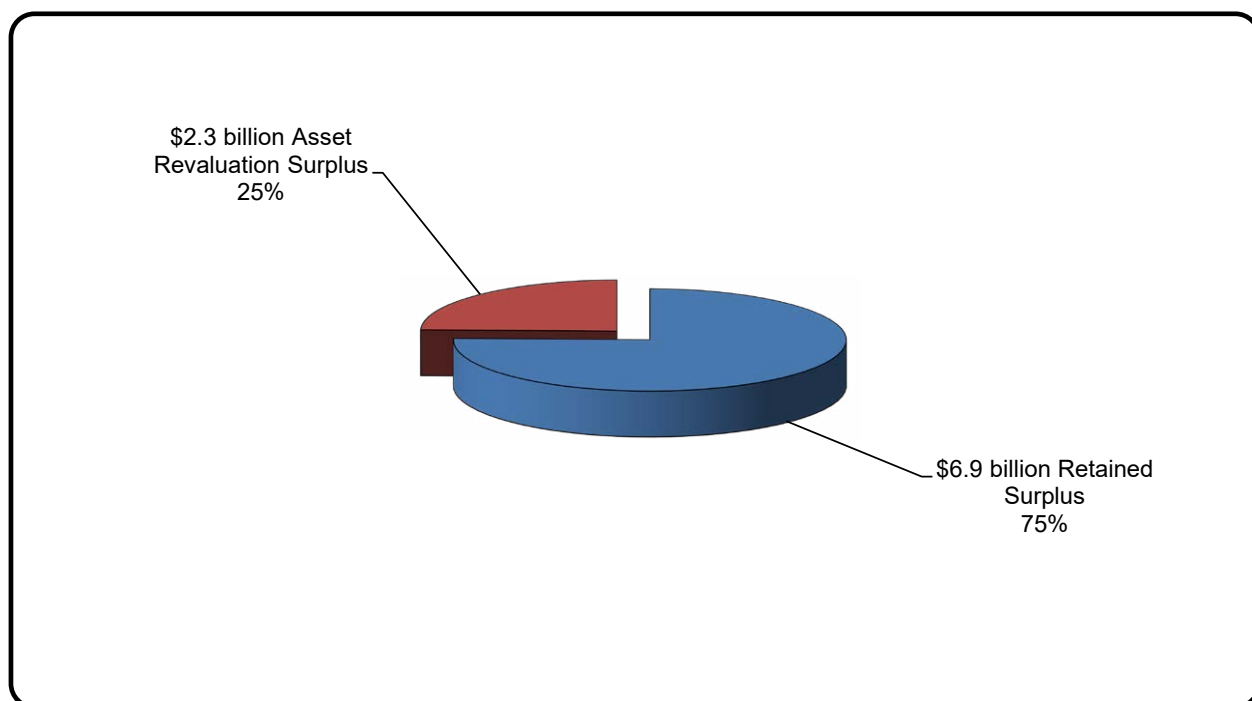
(Statement of Financial Position)

- **Community Equity** - Community equity (what the Council is worth) is measured as the net of Council's assets less liabilities.

Council's total community equity as at 30 June 2024 is \$9.2 billion. Community equity consists of an asset revaluation surplus and retained surplus.

Breakdown of community equity \$9.2 billion

The graph shows the breakdown of community equity:



Statement of Cash Flows

The statement of cash flows provides information on the cash inflows and outflows of Council, classified by different types of cash flow activities.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2024	\$'000
Opening Cash Balance	104,975
Net cash flows from Operating Activities	144,701
Net cash flows from Investing Activities	(115,131)
Net cash flows from Financing Activities	(40,461)
Net decrease in cash held	(10,891)
Cash at the end of the financial year	94,084

Cash: what were the major inflows and outflows of cash?

(Statement of Cash Flows)

There are three types of activities that have an impact on cash balances:

- **Cash flows from operating activities** includes cash coming into Council (inflows) and cash going out of Council (outflows) from the day-to-day operations of Council.
- **Cash flows from investing activities** include outflows of cash when investing in term deposits and inflows of cash when term deposits mature and return to Council as well as payments for infrastructure works and the purchase of assets such as land, buildings, vehicles and equipment. Cash inflows can occur from Council selling assets (for example, land, plant and equipment).
- **Cash flows from financing activities** cash inflows of money Council borrows (loans) and cash outflows when Council repays the loans.

Council ended the year with \$94.1m in cash. This is a stable cash position. Council holds a large portion of cash with various banks where it earns income through interest on term deposits.

The table below outlines the main sources of cash coming into Council and what cash is going out.

CASH HOLDINGS FOR THE YEAR ENDED 30 JUNE 2023	\$'000
Cash at beginning of the financial year	104,975
Cash Flows from Operating Activities	
Cash received from rates and utility charges	402,761
Cash received from fees and charges	84,495
Cash received from other revenue	13,893
Cash received from interest earned	43,381
Cash received from rent	4,800
Cash received from operational grants and contributions	7,312
Cash received from capital grants, subsidies, contributions	111,790
Cash received from tax equivalents	12,420
Cash used to pay employees and material and services	(524,102)
Cash used to pay interest on debt	(12,049)
Net Cash Provided by Operating Activities	144,701
Cash Flows from Investing Activities	
Cash used to pay for property, plant and equipment	(259,366)
Cash from the sale of assets	3,286
Cash received from dividends	35,898
Cash net movement in investments	105,055
Cash net movement in loans to community organisations	(4)
Net Cash Provided by Investing Activities	(115,131)
Cash Flows from Financing Activities	
Cash spent on the repayment of loans	(40,104)
Cash spent on the repayment of leases	(357)
Net Cash Provided by Financing Activities	(40,461)
Cash at end of the financial year	94,084

RESPONSIBLE FINANCIAL MANAGEMENT

In a period of continued growth and expansion, responsible financial management is crucial for Council to provide key services and strike the balance between meeting the needs of the community today and providing a solid financial future for Moreton Bay.

Measures of Financial Sustainability

This Community Financial Report includes certain contextual measures and financial sustainability ratios used to demonstrate that the Council is operating in a prudent financial manner and ensuring the Council's long-term financial sustainability and viability.

	2023-24 Actual	Target	Analysis
<p>Council controlled revenue ratio</p> <p>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.</p>	69.2%	N/A	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.
<p>Population growth ratio</p> <p>Population growth is a key driver of a council's operating income, service needs, and infrastructure requirements into the future.</p>	2.6%	N/A	This ratio is provided by the Department of Housing, Local Government Planning and Public Works using the compound annual growth rate which offers a systematic approach to estimating the average population growth rate. As the ratio indicates the Moreton Bay region can expect to see strong continued population growth.
<p>Operating surplus ratio</p> <p>The operating surplus ratio 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.</p>	4.0%	Greater than 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.
<p>Operating cash ratio</p> <p>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.</p>	29.8%	Greater than 0%	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.

	2023-24 Actual	Target	Analysis
<p>Unrestricted cash expense cover ratio</p> <p>The unrestricted cash expense cover ratio is an indicator of the unconstrained liquidity available to a council to meet ongoing and emergent financial demands, which is a key component to solvency. It represents the number of months a council can continue operating based on current monthly expenses.</p>	1.95 months	Greater than 2 months	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 just below the target of 2 months available cash. Whilst under the target this does not place any undue financial pressure on Council.
<p>Asset sustainability ratio</p> <p>The asset sustainability ratio approximates the extent to which the infrastructure assets managed by a council are being replaced as they reach the end of their useful lives.</p>	71.0%	Greater than 60%	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. Council's ratio is exceeding the target of 60% or better and highlights that infrastructure assets are being replaced in an appropriate timeframe.
<p>Asset consumption ratio</p> <p>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.</p>	69.7%	Greater than 60%	Council's ratio remains greater than the target of 60%. This means Council is replacing its assets at the earliest possible time whilst ensuring assets are not being run down to an unacceptable level of service.
<p>Asset renewal funding ration</p> <p>The asset renewal funding ratio measures the ability of a council to fund its projected infrastructure asset renewal/ replacements in the future.</p>	81.4%	N/A	This ratio is a contextual measure with the objective to be close to 100% (but not exceeding it). Ratios of 100% indicate that Council is appropriately funding and delivering the entirety of its required capital program as outlined in its asset management plans. Ratios below 100% can indicate the actual 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 currently at 81% which indicates work is required to ensure the delivery of infrastructure is in accordance with Council's asset management plans.
<p>Leverage ratio</p> <p>The leverage ratio 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.</p>	1.2 times	0-4 times	As indicated by the ratio Council sits comfortably below the upper band limit of 4 times. 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.

The targets indicated are recommended by the Department of Housing, Local Government, Planning and Public Works in accordance with the "Financial management (sustainability) guideline 2024'. The guideline is available from the Department's website.

FINANCIAL SNAPSHOT

The financial snapshot table below compares key financial information at the end of the current reporting period with the previous reporting period.

	2023-24 \$	2022-23 \$
Net rate revenue	402.8m	374.7m
Fees and charges revenue	49m	40.4m
Total operating revenue	653.2m	610.1m
Operating expenses	627.2m	568.3m
Operating result	26m	41.8m
Net Result	191.6m	211.4m
Total Assets	9.6b	9.6b
Total Liabilities	443.1m	506.9m
Total Equity	9.2b	9b
Capital expenditure on assets	264.1m	265.6m
Cash on hand	94.1m	105m
Council controlled revenue ratio	69.2%	68.0%
Population growth ratio	2.6%	1.6%
Operating surplus ratio	4.0%	6.9%
Operating cash ratio	29.8%	31.4%
Unrestricted cash expense cover ratio	1.95 months	5.31 months
Asset sustainability ratio	71.0%	61.5%
Asset consumption ratio	69.7%	70.7%
Asset renewal funding ratio	81.4%	81.4%
Leverage ratio	1.2 times	1.4 times

Further detailed information on Council's financial performance and position can be obtained from the financial statements.

FEEDBACK

If you have any feedback or wish to contact us in relation to any of the information contained in this report, please send an email to council@moretonbay.qld.gov.au