

Community Financial Report 2022/23

This report provides a representation of Sunshine Coast Council's recent financial performance.

Financial Statements

The financial statements consist of four reports, with accompanying notes. The notes disclose Council's accounting policies and provide additional information and greater detail on the values contained in the statements. When read in conjunction with each other, the documents provide an overall understanding of Council's financial position.

Statement of Comprehensive Income

The statement of comprehensive income provides information about revenues and expenses and shows if a surplus or deficit has been achieved in delivering Council services.

Statement of Financial Position

The statement of financial position provides information about assets and liabilities. Together they provide the net worth of Council, which has been built up over many years. This net worth is also called the Community Equity.

Statement of Changes in Equity

The statement of changes in equity summarises the increase (or decrease) in Council's net worth for the year.

Statement of Cash Flows

The statement of cash flows shows changes to cash balances and how they occurred. It differs from the statement of comprehensive income in that it excludes non-cash expenses such as depreciation, accruals and revaluation of assets such as land and buildings.

Measures of Financial Sustainability (Ratios)

Financial sustainability ratios examine the relationships between different financial categories. These ratios are also used for comparison purposes when benchmarking with other organisations.

There are various financial sustainability measures available however Council is required to calculate its ratios in accordance with the Financial Management (Sustainability) Guideline issued by the Department of State Development, Infrastructure, Local Government and Planning. The Current Year Financial Sustainability ratios are also audited by the Auditor-General of Queensland.

Business Activities – Full Cost Recovery Performance

Council conducts a number of business activities. The full cost recovery performance reports on the value of Council's investment in these activities.

Statement of Comprehensive Income

The following figures relate to Council only for the year ended 30 June 2023, and the numbers have been rounded.

The figures do not include Council's controlled entities as per the Consolidated columns in the financial statements.

Revenue

Where did the money come from?

Council received \$554 million in recurrent operating revenue during the 2022/23 year with the major source of this revenue generated from the rates and utility charges. Total recurrent revenue increased by \$40 million (8%) on the previous year.

Revenue	%	\$'000
Rates & utilities	67.1	371,513
Fees & charges	12.6	69,710
Interest received	6.3	34,913
Grants & other	7.7	42,420
Unitywater	6.3	35,056
Total		553,612

Expenses

Where was the money spent?

Council returns the majority of revenues to the community in the form of services and community projects. Total recurrent expenses during the 2022/23 year were \$560 million which was an increase of \$52 million (10%) on the previous year.

Expenses	%	\$'000
Employee benefits	29.8	166,522
Materials & services	45.9	257,042
Finance costs	2.3	12,835
Depreciation & amortisation	21.2	118,922
Contributions to controlled entities	0.8	4,414
Total		559,735

Operating Result

The Operating Result is derived from the Statement of Comprehensive Income by deducting Total Recurrent Expenses from Total Recurrent Revenue, with Council's result for 2022/23 being a deficit of \$6 million.

Statement of Financial Position

Assets - Liabilities = Community Equity

Assets

What do we own?

The value of all assets we controlled as at 30 June 2023 totalled \$7.4 billion. This figure is further broken down into current assets \$324 million (4%) and non-current assets \$7.1 billion (96%). 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 and investment in associate (Unitywater).

Assets	%	\$'000
Cash & cash equivalents	3.5	260,120
Receivables	6.2	460,895
Inventories & other	1.2	85,348
Property, plant & equipment and intangibles	81.8	6,038,887
Investments in associates	7.3	538,213
Total		7,383,462

Liabilities

What do we owe?

The value of all liabilities as at 30 June 2023 was \$674 million. This figure consists of current liabilities \$174 million (26%) and non-current liabilities of \$500 million (74%). The largest single debt owed by Council is to the Queensland Treasury Corporation (QTC) which is the state government-owned lending agency. This money is borrowed for infrastructure and large-scale region shaping projects.

Liabilities	%	\$'000
Payables	7.1	48,150
Borrowings	65.4	440,719
Provisions	14.2	95,929
Other liabilities	13.2	88,884
Total		673,682

Community Equity Result

The community equity result for 2022/23 as at 30 June 2023, is \$6.7 billion.

Capital Expenditure (Property, plant & equipment assets)

Additions to assets for the financial year

Category	\$'000
Aerodromes	893
Buildings and Facilities	17,466
Coast and Canals	4,212
Environmental Assets	1,939
Fleet	3,817
Holiday Parks	2,181
Information Technology	872
Minor capital works	4,281
Parks and Gardens	10,121
Quarries	131
Sports Facilities	8,156
Stormwater	6,042
Transportation	68,469
Waste	48,193
Total SCC Core Capital Program	176,773
Corporate Major Projects	29,186
Strategic Land and Commercial Properties	13,109
Total Other Capital Program	42,295
Total	219,068

Capital Expenditure sits outside the normal operating costs of Council and is included in the **Property, plant and equipment** balance on the **Statement of Financial Position**.

Capital expenditure includes infrastructure costs such as construction of the new City Hall and Multi-Deck Car Park in Maroochydore City Centre, the Caloundra Centre Indoor Sports Stadium and the Kawana Waters Regional Aquatic Centre. It also includes work on core Council assets such as buildings, roads, landfill and waste facilities, stormwater etc. Capital costs appear in the operating statement as a **depreciation expense** over the life of the asset.

The amounts in the table include capital expenditure only and exclude project costs of an operating nature.

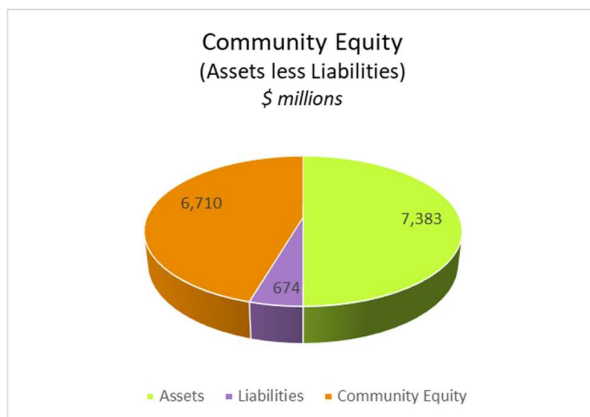
Community Equity

What is our net worth?

Assets (what we own) less liabilities (what we owe) equal Council's net worth (Community Equity). **As at 30 June 2023, the Community Equity for Council was \$6.7 billion, an increase of \$426 million compared to the prior year.**

Statement of Changes in Equity

The increase in Community Equity is due to an increase to Council's Retained Surplus of \$265 million, along with an increase in the value of Council's assets of \$160 million.



Council's total Community Equity (\$6.7 billion) is made up of:

- **Retained Surplus** being the initial and ongoing investment of the Community along with the profit or loss results of all financial years (\$5.2 billion).
- **Asset Revaluation Surplus** which is the accumulated value of the assets in excess of what we have paid for them (\$1.5 billion).

Statement of Cash Flows

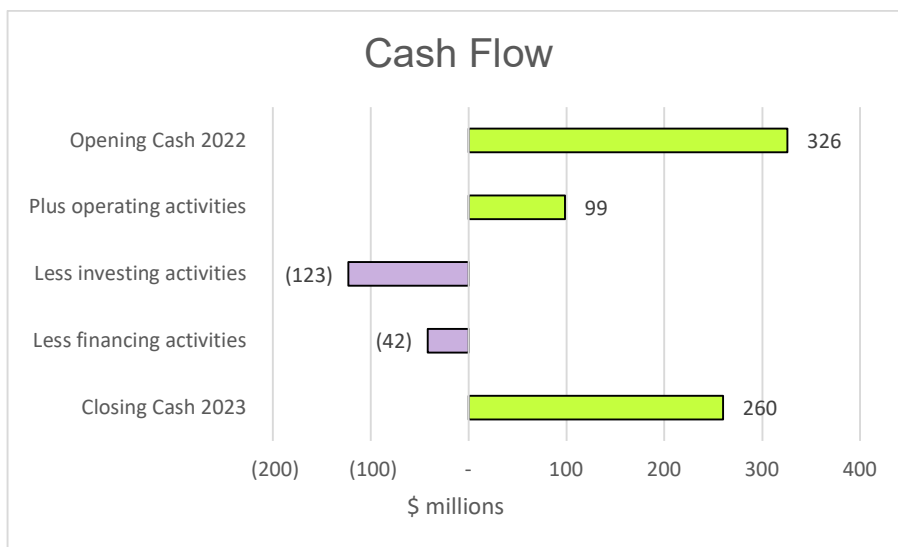
Cash Flow

Cash in, cash out.

Council's total cash as at 30 June 2023 was \$260 million.

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

1. **Operating activities** including receipts from customers and payments to suppliers, interest and dividends, grants, and the cost of borrowings.
2. **Investing activities** include investments made in property, plant and equipment, proceeds from sale of assets, and contributions.
3. **Financing activities** include the cash movement from borrowings proceeds received, less repayment commitments.



Overall cash balances for Council decreased by \$66 million (20%) for the financial year.

Business Activities – Full Cost Recovery Performance

Council's Financial Sustainability Plan requires the performance of Council's business activities be published annually in the Community Financial Report.

2022/23 Financial Data	Waste and Resource Management	Sunshine Coast Holiday Parks	Quarries Business Unit
	\$'000	\$'000	\$'000
Operating revenue	96,117	23,079	1,480
Community service obligations	1,650	-	231
Total operating revenue	97,767	23,079	1,712
Operating expenditure excluding interest	65,060	11,066	*(4,368)
Depreciation	7,082	1,157	255
Competitive neutrality costs excluding income tax equivalent	423	676	48
Total operating expenditure	72,565	12,899	(4,066)
Earnings before interest and tax (EBIT)	25,202	10,180	5,777
Return (pre-tax nominal)%	18.7%	11.6%	115.3%
Target return	9,916	4,859	427
Weighted average cost of capital %	7.0%	10.0%	8.8%
Income tax expense	6,544	2,559	1,684
Surplus/(Shortfall) EBIT to target return	15,286	5,321	5,350
Value of Council's investment in the Business Activity	90,108	54,852	4,883

Note: Weighted average cost of capital and return on capital are calculated on a pre-tax nominal basis.

Value of Council's investment in the Business Activity is made up of property, plant and equipment assets excluding strategic land holdings.

*Quarry's Business Unit operating expenditure includes an adjustment for the quarry rehabilitation provision associated with anticipated future rehabilitation of the site. The adjustment is due to the reassessment of long-term inflationary expectations as per the Reserve Bank of Australia (RBA) together with an increase in the interest rate movements.

Measures of Financial Sustainability (Ratios)

Ratios – Long-Term Sustainability Statement (Council)

Ratio	Target	Actuals		Forward Estimates								
		30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030	30 June 2031	30 June 2032	
Operating surplus ratio*	Between 0% and 10%	-1.1%	4.2%	4.7%	6.2%	6.1%	6.4%	6.7%	7.4%	7.6%	7.2%	
Asset sustainability ratio	Greater than 90%	70.4%	88.0%	78.7%	69.6%	72.3%	70.2%	67.2%	66.2%	61.2%	60.2%	
Net financial liabilities ratio	Not greater than 60%	63.1%	78.6%	91.7%	89.6%	87.9%	79.1%	70.6%	60.0%	49.8%	43.3%	

Operating Surplus Ratio - Measures the extent to which operating revenues raised cover operational expenses.

Asset Sustainability Ratio - Measures the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.

Net Financial Liabilities Ratio - Measures the extent to which the net financial liabilities of Council can be repaid from operating revenue.

Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

The above forward estimates are aligned with Council's Long-Term Financial Forecast, Financial Plan, Corporate Plan, Operational Plan and the Department of State Development, Infrastructure, Local Government and Planning financial sustainability measures.

The Operating Surplus Ratio, indicating the extent to which revenues cover operational expenses only, remains within the target range in Council's forward estimates.

The Asset Sustainability Ratio (reflecting the ongoing development of Council's asset management plans) is a strong result considering Council's relatively young asset base and reflects Council's ongoing commitment to the renewal of its assets.

The Sunshine Coast region has experienced exponential growth in recent periods, leading to an increase in new and contributed assets. The influx of new assets is reducing the collective age of Council's assets, lowering the requirement of renewals expenditure and the Asset Sustainability Ratio forecast. Sunshine Coast Council's renewal program is based on asset management plans and is completed in conjunction with a stringent scheduled maintenance program.

Although the Asset Sustainability Ratio does not meet the 2022/23 target of > 90%, the 2023 Financial Management (Sustainability) Guideline effective from the 2023/24 financial year, includes a target of > 60% for Sunshine Coast Council. This new target is based on remoteness and population and is more achievable for growth councils.

The Net Financial Liabilities Ratio (reflecting the extent to which the net financial liabilities of Council can be repaid from operating revenue) exceeds the target range up to year 2029. The ratio reflects Council's refinanced debt portfolio, which provides inter-generational equity for the funding of long term infrastructure projects.