



2022-23
COMMUNITY
BUDGET REPORT



Livingstone
SHIRE COUNCIL

INTRODUCTION

The purpose of this document is to provide residents and ratepayers with an overview of the 2022-23 Budget. Community members had the opportunity to help improve budget policies for future years by informing us of what is important, what ideas, suggestions, or concerns there may be on how the budget is allocated.

The 2022-23 budget is based on these four financial guiding principles that were adopted 15 February 2022:

1. The community's finances will be managed responsibly to enhance the wellbeing of residents;
2. Council will maintain community wealth to ensure that the wealth enjoyed by today's generation may also be enjoyed by tomorrow's generation;
3. Council's financial position will be robust enough to recover from unanticipated events, absorb the volatility inherent in revenues and expenses; and
4. Resources will be allocated to those activities that generate community benefit.

Livingstone Shire Council is committed to responsible long-term financial sustainability while striving to deliver the best possible levels of service to the Livingstone community, now and into the future by:

- delivery of a series of service level reviews and cost efficiencies that match the goals and strategies contained in the Livingstone Community Plan: Towards 2050;
- undertaking multiple community engagement exercises on budget priorities;
- considering community feedback in final development of the budget; and
- councillors working with officers through a series of eleven (11) budget workshops on every facet of the budget.



BUDGET AT A GLANCE

The 2022-23 budget demonstrates Council's commitment to working with the community for a thriving Livingstone.

Despite the challenges of the past several years, the local economy has seen strong stable growth over the last three (3) years. The 2022-23 budget leverages strong local economic growth, however, is also mindful of the rising cost of living and doing business.

Like family households and businesses, the 2022-23 budget has been impacted by rising cost of living pressures, including fuel and electricity, challenging economic conditions to address cost pressures associated with capital projects, supply chain issues delaying the delivery of key materials and labour shortages of both skilled and unskilled workers.

Through a series of service level reviews and cost efficiencies, Council will deliver a small surplus, whilst continuing to reduce the overall level of debt. The **\$144.0 million** 2022-23 budget has been developed with these challenges in mind to ensure that there is adequate revenue to fund the expenditure that meets the needs of the community today and into the future by ensuring Council remains sustainable.

Council has worked hard to keep increases at or below CPI. Whilst last year's budget saw a zero percent rates increase (which is not common in local government circles), the inflationary pressures experienced over the past twelve months, and forecast for the next few years are at a level that would be unsustainable for Council to continue to absorb.

The capital works program of **\$44.0** million is on track to deliver important major community and economic infrastructure in addition to ongoing significant investment in infrastructure such as roads, bridges, water, sewerage and footpaths. Council has been successful in obtaining external grant funding of **\$30.5** million to deliver the infrastructure that is important for the functioning of our region and infrastructure reflective of our community's future needs.

The operating budget is under increasing pressure, as are household budgets, and the 2022-23 been developed acknowledging the importance of a responsible approach to rating movements and the importance of equity. Council is proposing a **4.9% overall increase** for general rates for all properties (which is below Brisbane CPI at 6.0%). This is offset by a one-third reduction of **\$222** to the road network, environmental and disaster response levy charge for all ratepayers in the 2022-23 budget.

This ensures that the net minimum rate increases by only \$10 (0.79%) more than the reduction in these separate charges to further reduce the rating burden on those less able to pay and create a fairer way of how rates are calculated.



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- Economic growth - Positive year on year growth in GRP since 2011 and has been strong over the last 3 years, overtook QLD average in 2018;
- Job growth - LSC has “bucked the trend” in job growth - Employed residents strong growth since 2017 (over 1,300 jobs), over 300 jobs added between 2020 and 2021;
- Business growth - Strong growth in new businesses in last year with over 160 net new GST registered businesses (where GST turnover exceeds \$75,000 per year);
- Operating Surplus - \$94,000;
 - » Average residential rate increase of 4.1% below inflation of 6%
 - » 2% efficiency savings target to yield \$1.7 million in savings per annum (allowing Council to minimise rates);
- Debt - \$54.4 million (down \$5.6 million);
- Capital - \$44.0 million; and
- \$0.9 million in rate rebates for pensioners, sporting, not-for-profit organisations and nature refuge assessments.

HOW WAS THE BUDGET DECIDED?

Council’s budget is highly complex and is the combination of eleven (11) months’ work by all Councillors, with the support of the organisation. It is informed, in part, by various Council decisions over the course of the year, as well as previously adopted strategies.

Work on the 2022-23 Livingstone Shire Council budget commenced in 2021, with a series of councillor budget workshops commencing in March 2022. Further community consultation, including through members of Council’s Community Voice Panels, through online survey and establishing Council’s online budgeting tool, were also part of the development of the budget.

The feedback provided by the community was considered by Councillors prior to the adoption of the budget at the Special Meeting to be held on 25 July 2022.

FINANCIAL STATEMENTS

The budgeted financial statements have been prepared in accordance with legislative requirements and reflect the budget for the 2022-23 financial year and the next nine (9) financial years. The following report also contains information on the Long-Term Financial Forecast and demonstrates Council’s ability to manage its challenges over the long term by maintaining liquidity, adequate servicing capacity and a reasonable level of financial flexibility. Financial Statements contained within this report include:

- **Statement of Income and Expenses** - presents Council’s revenues (where the money comes from) and expenses (where the money is spent)
- **Statement of Financial Position** – identifies the predicted financial position of Council including assets (what we own), liabilities (what we owe) and equity (our net worth)
- **Statement of Cash Flows** – reports how revenue received and expenses paid impact Council’s cash balances
- **Statement of Changes in Equity** - reports changes to equity (Council’s assets net of liabilities)
- **Measures of Financial Sustainability** – key financial indicators that measure Council’s financial performance

STATEMENT OF INCOME AND EXPENSES

OPERATING RESULT

Figure 1 - Operating Result, demonstrates that Council is on track to deliver an operational surplus of \$94,000, the long- term outlook is for small to moderate operating surpluses in all future years. This is primarily a result of increasing revenue by maximising growth opportunities and optimising operating expenses. Any operating surpluses achieved are used to fund capital expenditure. Rates increases for the forecast period beyond 2022-23 are predicted to remain in line with CPI and will be reviewed annually against forecasted expenditure and economic conditions.

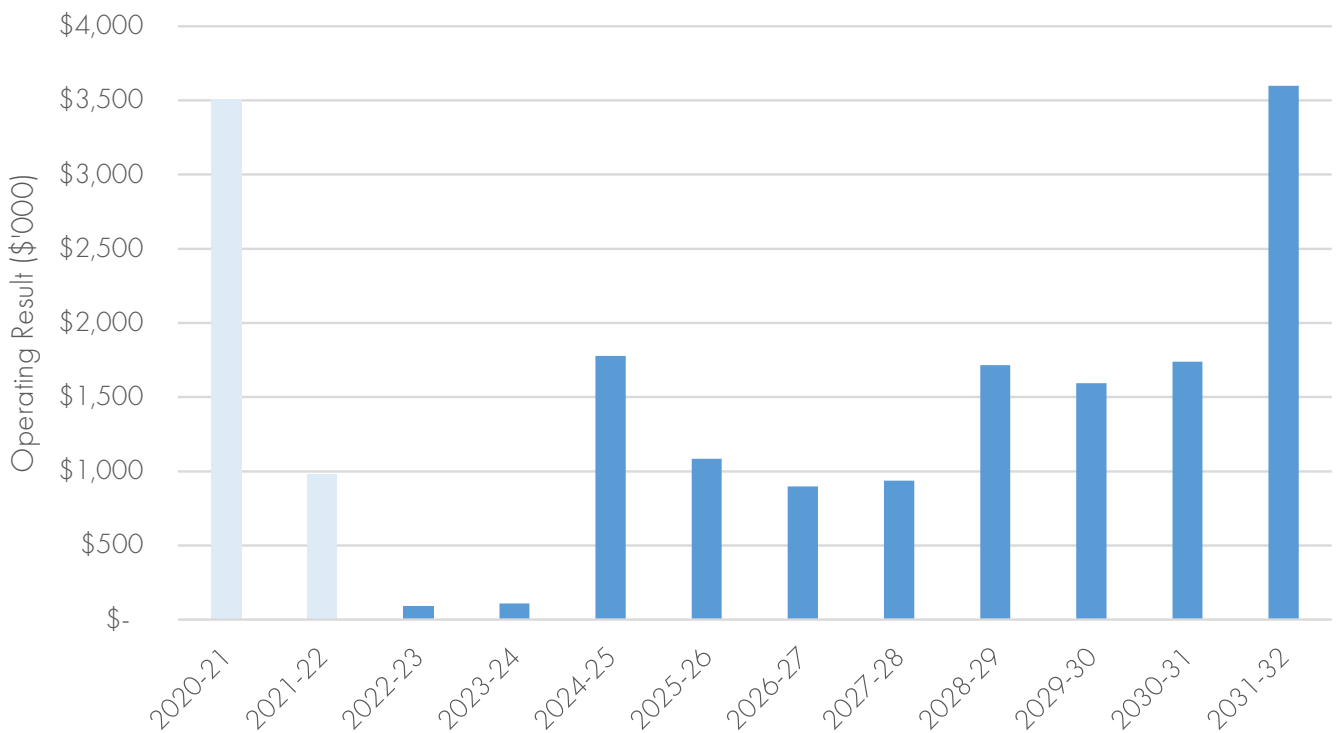


Figure 1 - Operating Result (\$000)

OPERATING REVENUE - WHERE OUR MONEY COMES FROM?

Figure 2 - Operating Revenue 2022-23 indicates that 84% of Council’s operating revenue is generated from rates and charges and around 8% is received from user fees and charges. It is important to note that Livingstone Shire Council does not rely heavily on funds from other tiers of government and actively seeks alternate revenue sources. Livingstone Shire Council also maximises investment earnings to supplement its core sources of revenue.

Livingstone receives income from several streams, with the majority collected from rates twice a year in February and August. The total operating revenue of \$99.9 million is forecast to be received in 2022- 23 and the following is a breakdown of Council’s budget income streams.

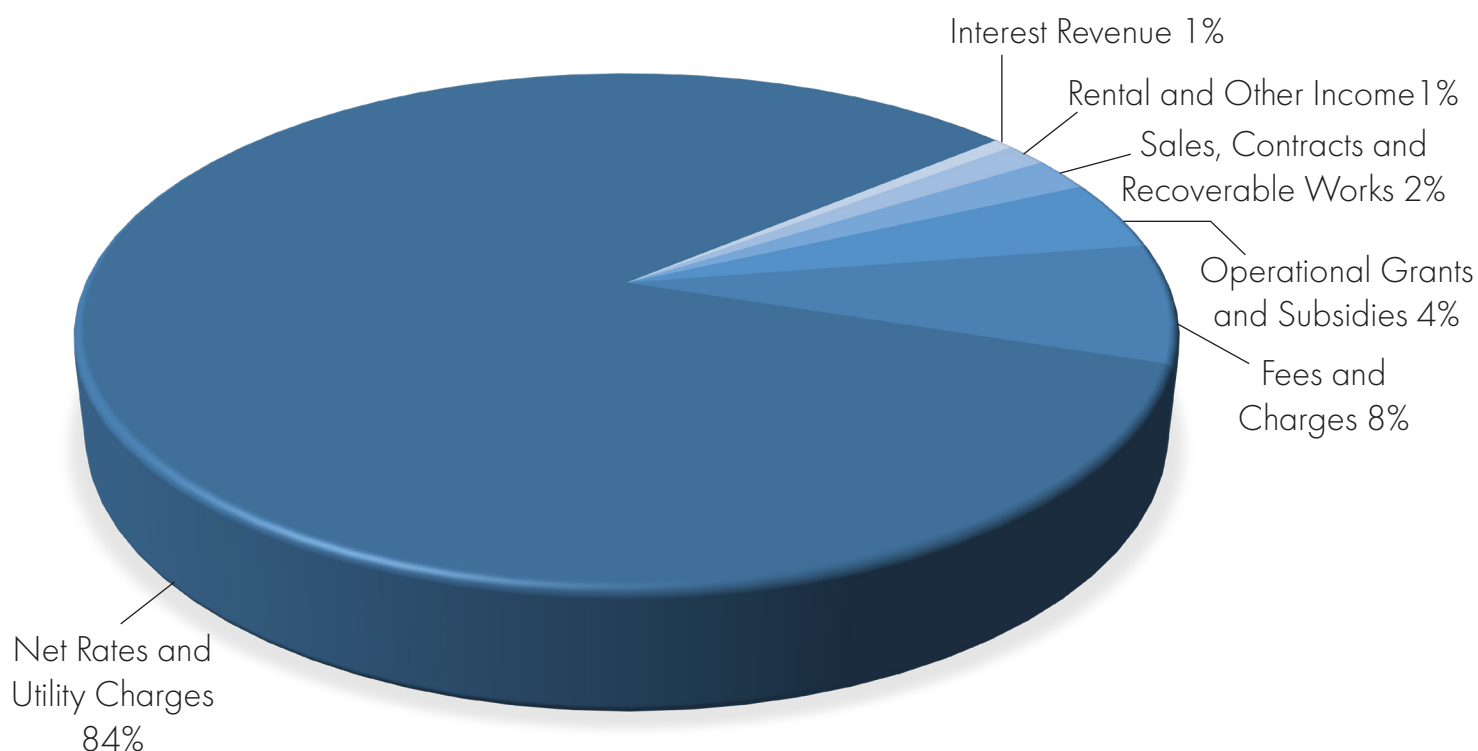


Figure 2 - Operating Revenue (\$'000)

NET RATES AND UTILITY CHARGES - \$84.0 MILLION

Total budgeted rates and utility charges for the 2022-23 year is \$91.3 million with estimated discounts and remissions of \$7.6 million.

Land valuations are based on site value determined by the Valuer-General. The statutory land valuations are only used to provide rating relativities between differently valued parcels of land and **do not determine the amount of rates** to be paid by the owner. The Valuer-General undertook a shire wide statutory land valuation in 2022 for the Livingstone Shire local government area.

This revaluation, aimed to reflect market value, and how the market has performed since the last revaluation in 2019. The overall impact across the shire was an increase in the land value of 30.9%. The land valuations resulted in inconsistent increases both across rating categories and within rating categories.

The largest increases in land valuations have generally occurred for higher valued properties. Commercial/industrial and large retail valuations have generally experienced softer increases in land valuations, with major shopping centres experiencing no or minimal increases. Rural properties have generally experienced very high increases in land valuations averaging between 58.4% for the other rural category and 59.4% for beet cattle production >\$1,000,000 category.

An average residential property will see a combined increase of all Council rates and charges of 4.11% which equates to approximately \$3.37 per week.

Average Residential Property	2021-22	2022-23	Difference \$	Difference %
Average Valuation	\$139,211	\$179,326	\$40,115	28.82%
General Rate	\$1,654.09	\$1,977.93	\$323.84	19.58%
Water Access	\$663.00	\$672.00	\$9.00	1.36%
Water Consumption (300kL)	\$295.80	\$330.60	\$34.80	11.76%
Sewerage	\$838.00	\$879.00	\$41.00	4.89%
Waste/Rec.	\$519.00	\$548.00	\$29.00	5.59%
Road Levy	\$571.00	\$380.00	-\$191.00	-33.45%
Env. Levy	\$66.00	\$44.00	-\$22.00	-33.33%
Disaster Levy	\$26.00	\$17.00	-\$9.00	-34.62%
Gross	\$4,632.89	\$4,848.53	\$215.64	4.65%
Discount	-\$367.41	-\$407.69	-\$40.28	10.96%
Nett	\$4,265.48	\$4,440.84	\$175.36	4.11%
Weekly Increase			\$3.37	

Table 1 - Average Residential Property Rates & Charges

GENERAL RATES - \$41.0 MILLION

General rates are calculated based on land valuations and differential rating categories. Council sets general rates after determining the total revenue required to be raised by rates. The 'differential rate' adopted by Council is multiplied by the annual statutory valuation for the land to determine the amount of rates that will be levied on each parcel of rateable land.

Council acknowledges it has a higher rating effort than comparable Councils and is taking action to reduce the rating burden on ratepayers. This, coupled with significant movements in land valuations resulted in Council reviewing its rating structure, in conjunction with an overall increase in rates revenue being 4.9% (less than the national inflation rate from the March Quarter of 5.1% and Brisbane inflation rate from the March Quarter of 6.0%). The following structural changes were made to the rating methodology:

- Adjust valuation bands, minimum rates and rate-in-dollar to smooth revaluation impacts;
- Reduce the road network, natural environment, and disaster response separate charge by one third to \$380, \$44 and \$17 respectively;
- Increase the minimum rate net of discount by \$232 to partially offset the \$222 reduction in separate charges - the net minimum rate increases by \$10 (0.79%) more than the reduction in separate charges to further reduce the rating burden on those less able to pay;
- Initial progress to bring together the minimum rate and the rate-in-dollar setting for the residential and large residential rating categories;
- Introduce new categories for non-strata multi-residential units/flats with 10 or more flats (10 – 14 flats, 15 – 19 flats and 20+ flats); and
- Incorporate large retail warehouses into the large shopping centre categories (to become large retail 3,000 – 10,000 sqm and >10,000sqm).

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Overall, Council gross general rate revenue will increase by \$7.3 million, which is predominately driven by the structural changes to separate charges and by adjusting valuation bands, minimum rates and rate-in-dollar to smooth revaluation impacts. This increase is offset by the \$3.9 million reduction in separate charges.

While residential properties on the base minimum will experience a minimal increase, higher valued properties will experience large increases. This structural change improves alignment with the equity principle by placing a greater burden on higher valued properties (with assumed higher capacity to pay).

There are also costs on rates, which are Queensland Government levies, and Queensland Government issued valuations which impact the way your rates are calculated. These include the Emergency Management Levy and the Rural Fire Levy.

Council will also provide \$0.9 million in rate rebates for pensioners, sporting, not-for-profit organisations and nature refuge assessments.

WATER UTILITY CHARGES - \$41.3 MILLION

In 2021-22, Council reviewed the pricing structure for its water business and commenced phasing in a user pays charging regime over the next five (5) years. This pricing structure includes a transition to a two (2) tier water consumption model for residential properties, retaining the single tier consumption charge for non-residential and targeting this to be set at the ultimate 2nd tier residential water consumption charge.

Pricing structures are reviewed annually against forecasted expenditure and economic conditions.

Discounts will continue to apply on all access charges; however, it does not apply on consumption charges, and has not previously done so.

CAPRICORN COAST

- » Increase in 2022-23 base access charge from \$663 to \$672
- » Target \$671 for base access charge in 2025-26

Water Access	Council - Capricorn Coast (On-demand potable water schemes [base service]) - CPI Adjusted Price Path						
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2019/20	2020/21 Unit Rates	2021/22 Unit Rates	2022/23	2023/24	2024/25	2025/26
20mm	666.00	679.00	663.00	672.00	681.00	690.00	698.00
25mm	1,039.00	1,061.00	1,034.00	1,049.00	1,063.00	1,077.00	1,090.00
32mm	1,703.00	1,738.00	1,697.00	1,720.00	1,743.00	1,766.00	1,787.00
40mm	2,661.00	2,719.00	2,652.00	2,688.00	2,724.00	2,760.00	2,792.00
50mm	4,158.00	4,244.00	4,144.00	4,199.00	4,255.00	4,313.00	4,364.00
65mm	7,027.00	7,170.00	7,001.00	7,095.00	7,190.00	7,286.00	7,372.00
75mm	9,595.00	9,548.00	9,322.00	9,447.00	9,572.00	9,700.00	9,814.00
80mm	10,918.00	10,864.00	10,608.00	10,750.00	10,894.00	11,039.00	11,169.00
100mm	16,632.00	16,975.00	16,575.00	16,797.00	17,022.00	17,249.00	17,452.00
150mm	37,442.00	38,194.00	37,294.00	37,793.00	41,407.00	38,810.00	39,267.00
200mm	66,526.00	67,900.00	66,300.00	67,188.00	68,086.00	68,995.00	69,807.00
Vacant	666.00	679.00	663.00	672.00	681.00	690.00	698.00

Table 2 - Capricorn Coast five-year price path water access charges

THE CAVES/MARLBOROUGH

- » Current level of cost recovery is well below what the scheme costs.
- » Increase in 2022-23 base access charge from \$492 to \$537
- » Target \$671 for base access charge in 2025-26 to achieve 100% relativity with Capricorn Coast scheme.

Water Access	Council - The Caves/Marlborough (On-demand potable water schemes [base service])						
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2019/20	2020/21 Unit Rates	2021/22 Unit Rates	2022/23	2023/24	2024/25	2025/26
20mm	459.00	468.00	492.00	537.00	586.00	640.00	698.00
25mm	718.00	731.00	767.00	838.00	914.00	998.00	1,089.00
32mm	1,175.00	1,198.00	1,259.00	1,375.00	1,500.00	1,638.00	1,787.00
40mm	1,837.00	1,872.00	1,968.00	2,149.00	2,345.00	2,559.00	2,792.00
50mm	2,870.00	2,925.00	3,075.00	3,357.00	3,663.00	3,999.00	4,363.00
65mm	-	4,497.00	5,195.00	5,672.00	6,191.00	6,758.00	7,372.00
75mm	-	6,586.00	6,917.00	7,553.00	8,242.00	8,998.00	9,815.00
80mm	-	7,493.00	7,871.00	8,595.00	9,380.00	10,239.00	11,170.00
100mm	10,946.00	11,700.00	12,299.00	13,429.00	14,655.00	15,998.00	17,451.00
150mm	25,827.00	26,325.00	27,672.00	30,215.00	32,975.00	35,996.00	39,268.00
200mm	45,914.00	46,800.00	49,195.00	53,717.00	58,623.00	63,994.00	69,808.00
Vacant	459.00	468.00	492.00	537.00	586.00	640.00	698.00

Table 3 - The Caves/Marlborough five-year price path water access charges

NERIMBERA

- » Increase in 2022-23 base access charge from \$454 to \$479
- » Target \$538 for base access charge in 2025-26 to achieve 80% relativity with Capricorn Coast scheme

Water Access	Council - Nerimbera (Constant flow potable water schemes - 80% of base service)						
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2019/20	2020/21 Unit Rates	2021/22 Unit Rates	2022/23	2023/24	2024/25	2025/26
20mm	438.00	447.00	454.00	479.00	505.00	532.00	560.00
25mm	684.00	698.00	707.00	746.00	785.00	828.00	871.00
32mm	-	-	1,161.00	1,224.00	1,291.00	1,359.00	1,431.00
40mm	1,751.00	1,788.00	1,814.00	1,912.00	2,016.00	2,123.00	2,234.00
50mm	-	-	2,834.00	2,988.00	3,150.00	3,316.00	3,491.00
65mm	-	-	4,789.00	5,048.00	5,320.00	5,602.00	5,896.00
75mm	-	-	6,376.00	6,721.00	7,084.00	7,459.00	7,851.00
80mm	-	-	7,256.00	7,648.00	8,061.00	8,489.00	8,935.00
100mm	10,946.00	11,175.00	11,337.00	11,951.00	12,596.00	13,264.00	13,961.00
150mm	-	-	25,509.00	26,889.00	38,704.00	29,845.00	31,413.00
200mm	-	-	45,349.00	57,984.00	50,384.00	53,058.00	55,846.00
Vacant	438.00	447.00	454.00	479.00	505.00	532.00	560.00

Table 4 - Nerimbera five-year price path water access charges

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OGMORE

- » Increase in 2022-23 base access charge from \$386 to \$394
- » Target \$403 for base access charge in 2025-26 to achieve 60% relativity with Capricorn Coast scheme

Water Access	Council - Ogmores (Non-potable water - 60% of base service)						
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2019/20	2020/21 Unit Rates	2021/22 Unit Rates	2022/23	2023/24	2024/25	2025/26
20mm	385.00	393.00	386.00	394.00	402.00	410.00	418.00
25mm	-	-	602.00	615.00	627.00	640.00	653.00
32mm	-	-	988.00	1,009.00	1,029.00	1,051.00	1,072.00
40mm	-	-	1,544.00	1,576.00	1,577.00	1,641.00	1,675.00
50mm	-	-	2,413.00	2,463.00	2,514.00	2,566.00	2,620.00
65mm	-	-	4,076.00	4,161.00	4,246.00	4,334.00	4,423.00
75mm	-	-	5,427.00	5,557.00	5,653.00	5,770.00	5,889.00
80mm	-	-	6,176.00	6,303.00	6,433.00	6,566.00	6,701.00
100mm	-	-	9,650.00	9,849.00	10,211.00	10,260.00	10,472.00
150mm	-	-	21,173.00	22,161.00	22,618.00	23,084.00	23,561.00
200mm	-	-	38,600.00	39,397.00	40,210.00	41,039.00	41,885.00
Vacant	385.00	393.00	386.00	394.00	402.00	410.00	418.00

Table 5 - Ogmores five-year price path water access charges

WATER CONSUMPTION

Water use by residential properties in the region is relatively high. To help encourage the responsible use of water, Council will utilise consumption charges to further promote demand management. Effective demand management provides a signal that the above average (or excess) water consumption comes at a much higher price, which places an incentive on the individual household to use water responsibly.

Council will progress towards a two-tier consumption charge to bring it more in line with industry peers by 2025-26. The water consumption for the first and second-tier consumption charge will be reduced to provide greater incentive to conserve water, but the cost per kilolitre will also be reduced.

Given the significance of the adjustment to the consumption charge structure, it is proposed that a five (5) year phase-in strategy is implemented. Council proposes to implement this by reducing the consumption tiers over time and setting the ultimate alignment of the non-residential consumption charge with the residential 2-tier consumption charge.

	2021/22		2022/23		2023/24		2024/25		2025/26	
Residential	0-60kL/qtr	\$0.89	0-45kL/qtr	\$0.91	0-30kL/qtr	\$0.91	0-15kL/qtr	\$0.91	0-75kL/qtr	\$1.31
	61-135kL/qtr	\$1.37	46-120kL/qtr	\$1.39	31-105kL/qtr	\$1.40	16-90kL/qtr	\$1.41	>75kL/qtr	\$2.61
	>135kL/qtr	\$2.74	>120kL/qtr	\$2.79	>105kL/qtr	\$2.80	>90kL/qtr	\$2.81		
Non-Residential	\$2.14		\$2.29		\$2.41		\$2.54		\$2.61	

Table 6 - Water consumption five year tier and consumption charges

SEWERAGE UTILITY CHARGES - \$12.6 MILLION

Council has implemented a five (5) year price path for the sewerage charge structure in 2021-22. There are no proposed amendments to the charging structure. The 10% discount continues to apply on sewerage utility charges if rates are paid in full prior to due date.

Pricing structures are reviewed annually against forecasted expenditure and economic conditions.

The 2022-23 access charge will increase from \$838 to \$879.

	Council - Capricorn Coast declared sewer area				
Charge	2021/22	2022/23	2023/24	2024/25	2025/26
Private Dwelling/Residential Unit	838.00	879.00	909.00	932.00	955.00
Sewerage Charge	838.00	879.00	909.00	932.00	955.00
Vacant	796.00	835.00	864.00	885.00	907.00

Table 7 - Capricorn Coast five-year price path sewerage access charges

WASTE UTILITY CHARGES - \$8.0 MILLION

The Waste Management Utility Charges incorporates the general waste and recycling charges, based on the number of bins at the property. Commercial charges are levied per bin per collection relative to the type of service outlined within the schedule of waste collection and recycling charges.

As part of the budget process, the pricing structure for the waste business was reviewed to ensure that adequate revenue is generated to fund the expenditure that meets the needs of the waste activities today and into the future.

The proposed per collection service charge for 2022-23 for residential properties is set to increase by \$29 from \$519 to \$548 per annum. The 10% discount continues to apply on waste utility charges if rates are paid in full prior to due date.

Council receives quarterly amounts (in advance) from the Department of Environment and Science to mitigate any direct impacts of the State Government Waste Levy (implemented 2019-20) upon households, for the disposal of eligible municipal solid waste generated in Livingstone Shire Council areas that is delivered to a waste disposal site/landfill for the 2022-23 financial year. The Queensland Government budget for 2022-23 brought forward the next four (4) annual payments to enable Council greater flexibility in making waste investment decisions to help reduce waste generation and increase resource recovery.

Council is strongly committed to delivering on the community plan goal to enhance reuse and recycling of resources by working with the community to divert and minimise waste through reuse and recycling practices. Council provides **\$1.2 million** in community service obligations to cover the cost of providing **free waste services** to approved charities and organisations and will continue to provide ten (10) waste disposal vouchers for eligible properties.

LEVIES - \$8.4 MILLION

Separate charges are levied equally on all rateable properties and are used to offset the costs of providing services or maintaining infrastructure. Separate charges are based on the equality principle in that regardless of capacity to pay, everyone pays the same. Council is proposing to phase out separate charges over the next three (3) years, ensuring the minimum rate increases further reduce the rating burden on those less able to pay.

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In 2022-23 separate charges are proposed to decrease by one-third (\$222).

- Road network separate charge reduce from \$571 down to \$380 per assessment;
- Natural environment separate charge reduce from \$66 down to \$44 per assessment;
- Disaster response levy reduce from \$25 down to \$17 per assessment.

There are no new special rates or charges proposed for 2022-23 and discount does not apply to separate charges.

OPERATING GRANTS AND SUBSIDIES - \$4.4 MILLION

Council receives grant funding relating to the Commonwealth Government's financial assistance grant at \$2.7 million and other minor grants and subsidies received for community support and development programs, libraries, youth programs, Regional Arts Development Fund and fuel tax credits.

The Queensland Government has advised that Council should expect to receive a 7% reduction per annum for three years which equates to a \$900,000 shortfall in revenue which needs to be covered up by other revenue streams or a reduction in expenditure.

FEES, CHARGES AND SALES - \$9.6 MILLION

This revenue includes monies received from customers for the direct payment or contribution towards a particular fee or service provided by council. For 2022-23 the budgeted fees and charges are \$7.5 million, which is \$485,000 more than the estimated position for the previous financial year. A conservative approach has been taken in estimating the higher level of activity within the region, and this will be monitored throughout the year and updated as part of the regular budget review process.

General recoverable works have been adjusted based on known contracting opportunities and level of Council's infrastructure workloads. This line item also includes accounting adjustments required for the sale of land at the Gateway Business and Industry Park.

OTHER INCOME - \$1.4 MILLION

Council receives other minor income streams such as commissions and recoveries of costs incurred. Council leases a variety of facilities and buildings to community groups and businesses and \$610,000 is forecast to be received as lease or rental income.

INTEREST REVENUE - \$688,000

Interest from investments will be approximately \$90,000 more than the estimated 2021-22 financial position due to changes in the timing of capital works cash flows and a reduction in overall operating cash flows. Council's target investment return is 0.5% above the current cash rate.

OPERATING EXPENDITURE - WHERE OUR MONEY IS SPENT?

Operating expenses are split into four (4) categories as shown below. Materials and Services, together with Employee Costs constitute 71% of Livingstone’s forecasted operational expenditure for 2022-23. Another significant operating expense is depreciation, which makes up 26% of Council expenses.

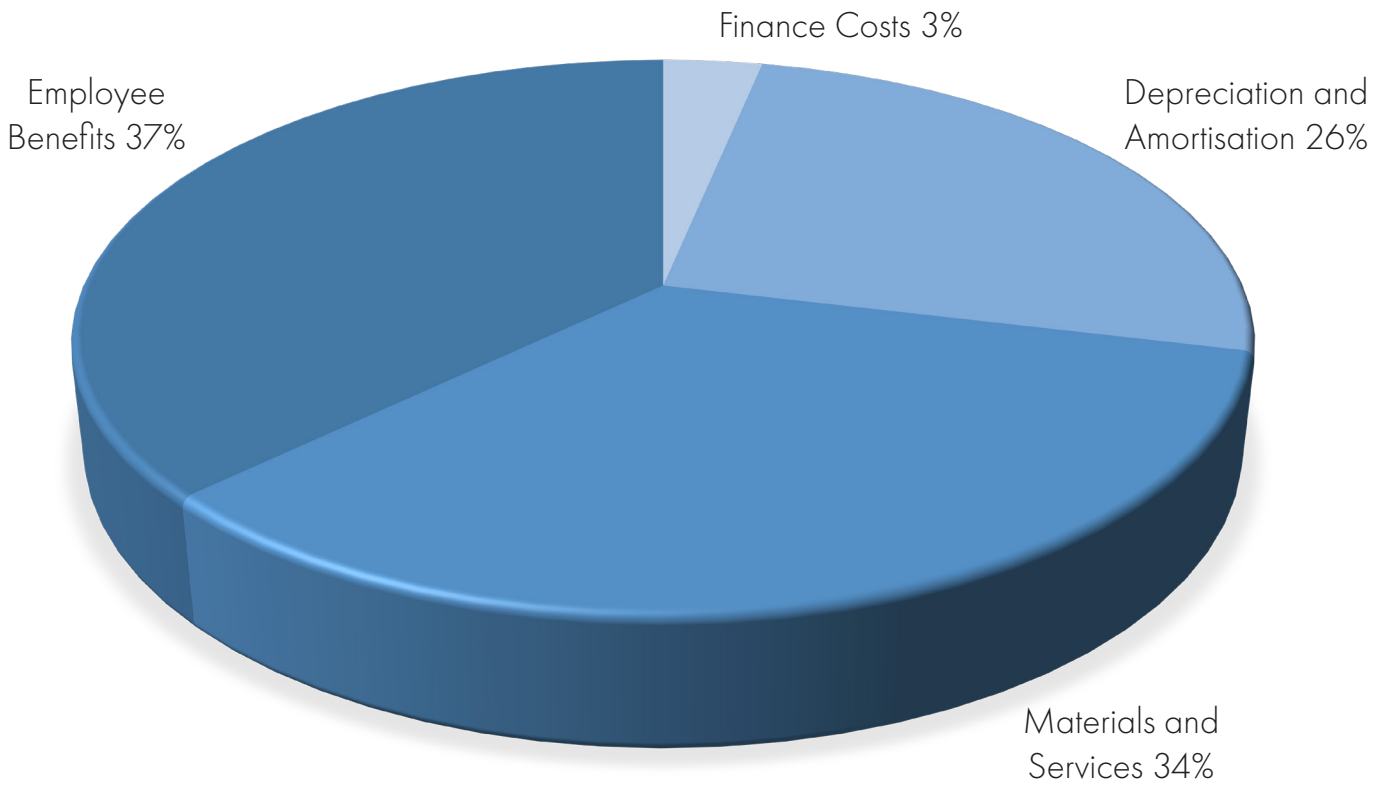
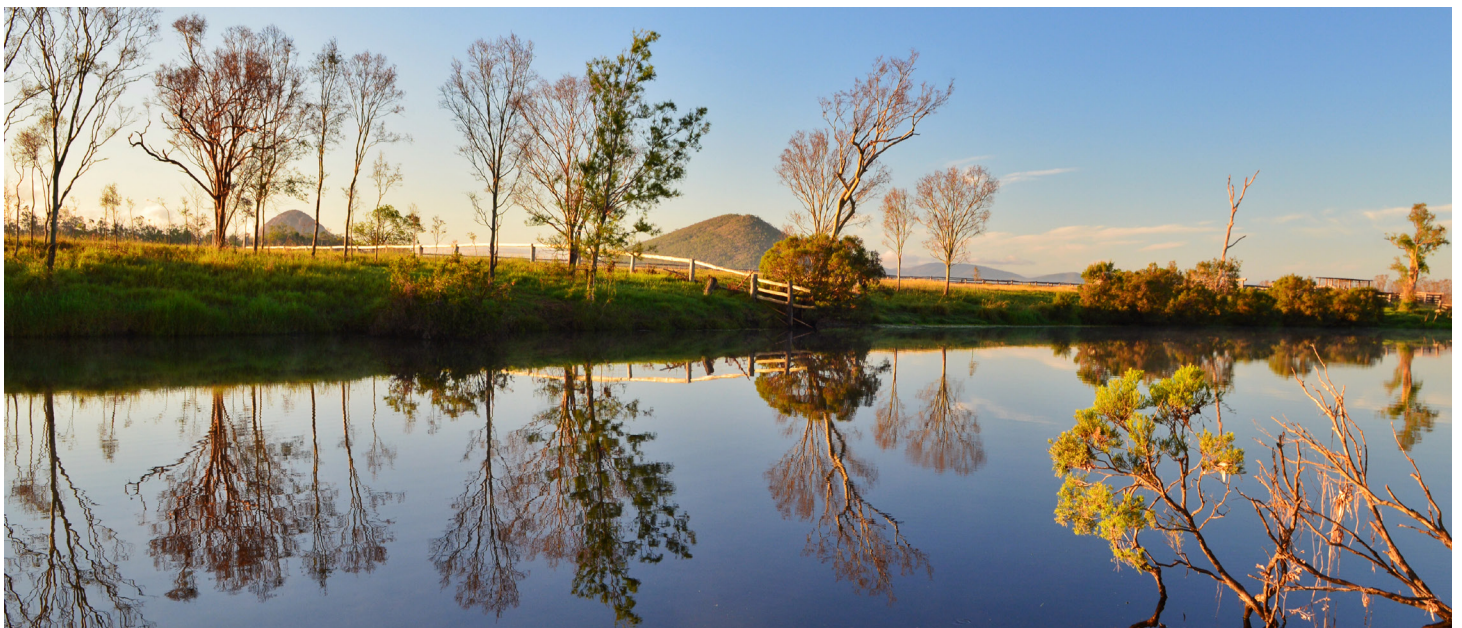


Figure 4 - Operating Expenses 2022-23

Total operating expenses are forecast to be \$99.8 million are made up of the following:



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EMPLOYEE BENEFITS - \$36.9 MILLION

Employee benefits represent the operational employee costs, including Councillor's remuneration, and includes all employee related expenditure including items such as superannuation, leave entitlements, fringe benefits tax, training and development, and worker's compensation insurance.

Employee costs have been increased by \$1.7 million to \$36.9 million in the 2022-23 Budget. The increase is related to a temporary increase in employee numbers to support the implementation of an upgrade to new corporate systems, increase in externally funded program positions, recruitment for vacant positions, accounting adjustments to leave provisions and certified agreement increases paid to all award employees.

As with previous years, the Capital Works Program has a significant day labour component. The operating budget assumes the capital program will be completed as planned.

MATERIALS AND SERVICES - \$34.2 MILLION

The major expense categories for materials and services relate to:

- contract costs for waste disposal and collection of approximately \$6.0 million;
- bulk water purchases of \$4.3 million;
- external contractors for maintenance of Council roads, water and sewerage networks, parks and buildings \$4.6 million;
- consultant costs are budgeted at approximately \$3.3 million; and
- electricity, fuel and insurance amount to a total of \$4.9 million.

Council strongly supports locally owned and operated businesses, including those with an office or brand in our region. Livingstone Shire Council's Procurement Policy is underpinned by the principle of supporting local business therefore, leading to significant investment in the regional economy.

Council spends on average 29% of its expenditure with businesses located within the shire boundary (excluding salaries & wages). For 2022-23 this is estimated to be \$22.0 million invested directly with local businesses.

EXTERNAL LOAN INTEREST EXPENSE - \$2.9 MILLION

These finance costs pertain to the interest on Council's loans from Queensland Treasury Corporation. Finance costs have decreased by \$0.3 million as Council continues to pay down existing debt.

Council's debt is forecast to reduce from \$59.9 million to \$19.2 million at the end of 2031-32. Council is proposing to borrow \$21.3 million within the next ten (10) years to fund the expansion of sewerage and waste infrastructure required to service the growing community.

DEPRECIATION - \$25.3 MILLION

Depreciation and amortisation represent the decline in value of assets. This is impacted by age, condition, and disposal of existing assets, as well as the purchase and construction of new assets. There may be some change in this line item during the year as the ongoing reviews of Council Asset Management Plans, asset replacement values and useful lives are completed.

MAJOR PROJECTS AND SPECIAL INITIATIVES

Livingstone manages a \$1.0 billion in a diverse range of infrastructure assets. These assets cover categories such as land, buildings and facilities, plant and equipment, roads and drainage, bridge, water, sewerage, waste.

Council is responsible for the construction, upgrade and renewal of these assets through its capital works program. Livingstone forecasts to spend \$44.0 million on capital projects (excluding donated assets and infrastructure) during the year.

Figure 5 - Capital Expenditure by Asset Class provides a breakdown of forecast capital works for the 2022-23 financial year.

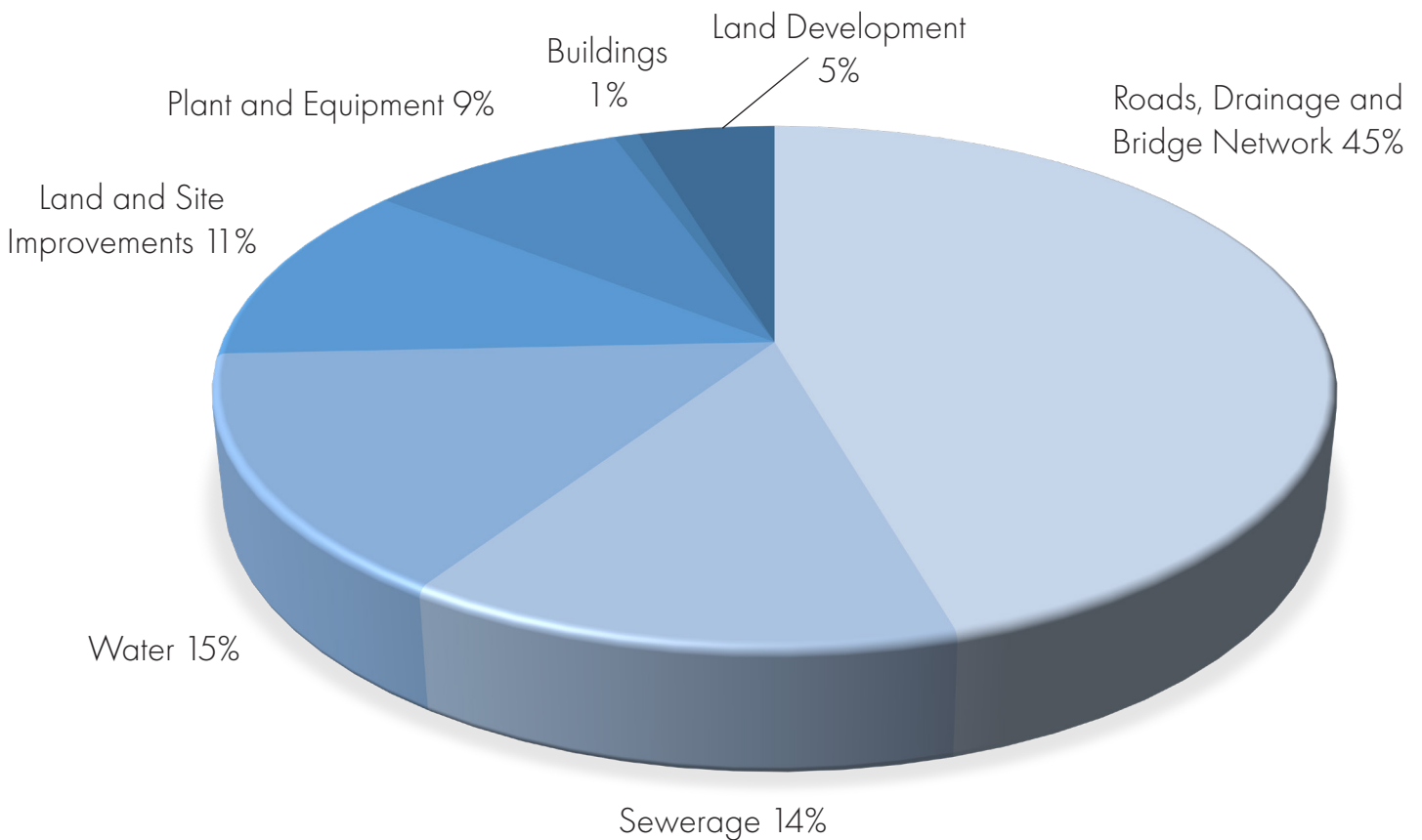


Figure 5 - Capital Expenditure by Asset Class

The main sources of capital funding are grants and subsidies of \$18.8 million, internal sources (general rate and utility charges) of \$22.8 million and application of infrastructure charges from developers of \$2.4 million.

Along with our day-to-day operations, Livingstone Shire Council will be delivering a range of major projects and special initiatives.

The 2022-23 budget includes the adoption of a ten (10) year forecast capital works program. This represents an investment of almost \$341.9 million in community infrastructure assets, establishing a platform for regional growth and providing a substantial boost to the local economic activity.

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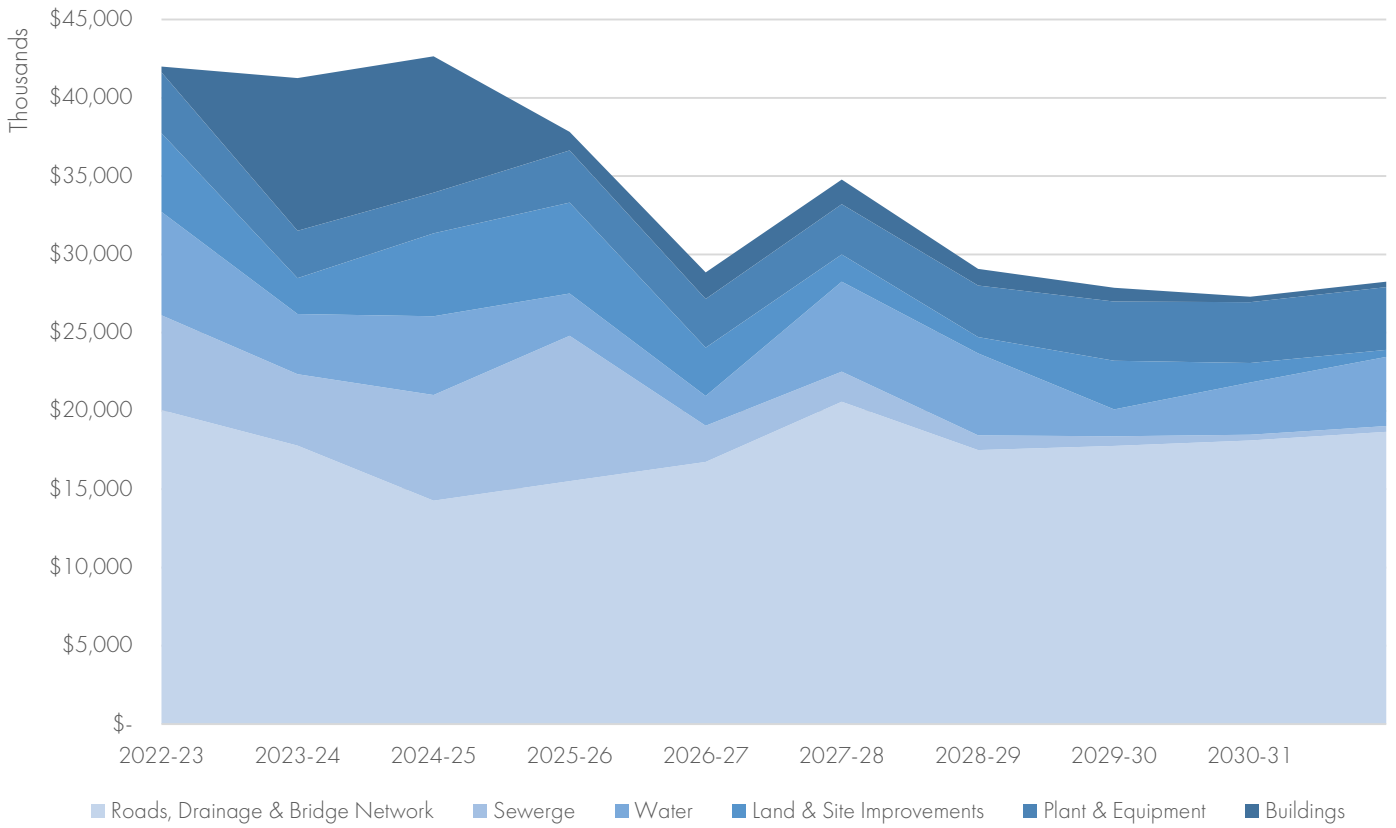


Figure 6 - 10 year indicative capital works program by asset class

The ten-year capital program takes into account project regional growth, better utilisation of assets as well as the ageing of the assets and the need to renew.

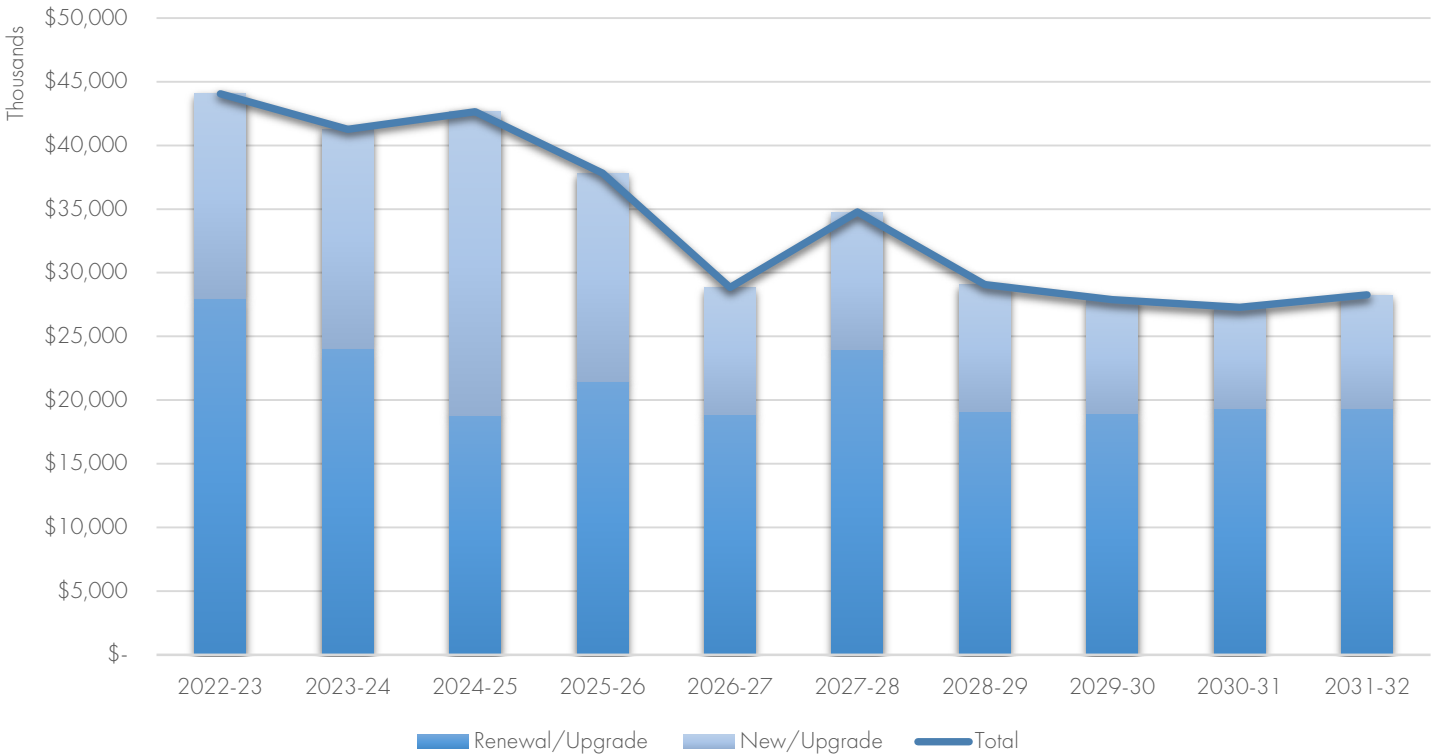


Figure 7 - 10 year indicative capital works program (new & renewal)

Below are the capital initiatives scheduled for the 2022-23 financial year:

BUILDING FACILITIES - \$0.4 MILLION

- Yeppoon Aquatic Centre upgrade (design) - \$100,000*
- Station Quarter Community Recovery Hub (design & planning) - \$100,000*
- Amenities Renewal Program - \$180,000

PLANT AND EQUIPMENT - \$3.9 MILLION

- Annual fleet replacement program - \$2,320,000
- Corporate business system upgrades - \$603,000
- Local Disaster Coordination Centre ICT renewal program - \$260,000*
- Disaster Recovery Server Replacement program - \$260,000
- Bushfire mitigation and suppression equipment - \$200,000*
- Annual ICT hardware replacement programs - \$180,500

WATER NETWORK INFRASTRUCTURE - \$6.6 MILLION

- Construction of new 4ML reservoir West Emu Park – \$2,438,000*
- Filter media replacement at Woodbury Water Treatment Plant - \$1,400,000*
- Mt Charlton water storage repairs - \$1,211,000*
- Relocation of water infrastructure along Rockhampton-Yeppoon Road - \$489,000*
- Annual water asset renewal programs - \$742,000
- Kelly's Dam remedial works - \$174,000*
- Inverness Booster Pump Station and water supply high zone - \$74,300
- Farnborough Road Water Main Renewal (design) - \$50,000
- Pacific Heights HZ Booster Pump Station upgrade (design) \$25,000

SEWERAGE - \$6.1 MILLION

- Emu Park Sewage Treatment Plant dewatering system upgrade - \$2,594,000
- Scenic Highway sewer upgrade - \$986,000
- Yeppoon Sewage Treatment Plant additional membrane filters - \$600,000
- Tanby Road South Sewerage PFTI - \$500,000
- Annual sewerage asset renewal program - \$467,000
- Sewer relining program - \$450,000
- Arthur Street Sewer upgrade - \$380,000
- Shaw Avenue sewer pump station (design) - \$50,000
- Hill Street pump station upgrade (design) - \$32,000

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ROADS, DRAINAGE AND BRIDGES - \$20.1 MILLION

- Stange Bay Road upgrade - \$11,000,000*
- Annual unsealed road pavement renewal program - \$1,400,000*
- Queen Street road upgrade - \$1,320,000*
- Stage 2 Matthew Flinders Drive reconstruction - \$1,190,000*
- Pavement rehabilitation program - \$873,980*
- Annual urban road reseal program - \$770,000
- Cooee Bay Transport Strategy - \$745,000
- Fig Tree Creek bank protection works - \$640,000
- Taranganba Road Upgrade of Carige Boulevard intersection - \$600,000*
- Annual rural road reseal program - \$600,000
- Gravel floodway upgrade program - \$150,000*
- Bushfire mitigation access to Rural Fire Brigade sheds - \$109,000*
- Normanby Street upgrade (design) - \$100,000
- Artillery Road realign and install new culverts (design) - \$100,000*
- Coowonga Road flood mitigation - \$95,700
- Causeway Lake Sailability Capricornia boat ramp - \$87,000
- Annual street lighting renewal program - \$75,000
- Normanby Street pedestrian crossing - \$55,000
- Keppel View drive stormwater drainage improvement - \$50,000
- Jabiru Drive extension (design) - \$30,000
- Matthew Flinders Drive cyclist and pedestrian refuge - \$30,000
- Queen Street disability parking bay - \$13,100
- Annual pre-project planning and design program - \$10,000
- Drain Street drainage upgrade - \$10,000



LAND AND SITE IMPROVEMENTS - \$5.4 MILLION

- Land development Stage 2B and 3 The Gateway Business and Industry Park - \$2,041,000
- Completion of Stage 2 of Yeppoon Landfill Resource Recovery Centre - \$2,020,000*
- Replace Yeppoon Town centre carpark façade - \$900,000
- Barmaryee Sports facility carpark upgrade - \$449,000*
- Completion of Stage 2 of the Capricorn Coast Memorial Gardens - \$667,000*
- Yeppoon landfill cell expansion (design) - \$250,000
- Fig Tree Gallery Plaza - \$220,000*
- Lagoon Pebble Crete & Softfall rectification - \$100,000
- Annual beach access upgrades - \$80,000
- Community Centre security improvements - \$65,000
- Easement acquisitions - \$50,000
- Placemaking public space enhancements - \$50,000
- Cordingley Street Depot fence replacement - \$40,000
- Annual playground equipment renewal program - \$40,000
- Yeppoon Lagoon building air-conditioning unit replacement - \$35,000
- Bell Park footpath disability access - \$20,000
- Emu Park Waste Transfer Station upgrade - \$20,000
- BBQ Installation and renewal program - \$15,000

*Subject to external funding



STATEMENT OF FINANCIAL POSITION

The statement of financial position measures what Livingstone Shire Council owns and owes to relevant stakeholders. The result of these two (2) components determines the net wealth of the community.

The community’s net worth (what we own less what we owe) is forecast to be approximately \$1.15 billion at the end of 2022-23.

CASH

Council invests surplus funds throughout the year in low risk, short-term investments in accordance with Council’s Investment Policy and regulatory guidelines. Livingstone’s short and long-term cash flows indicate that sufficient cash is available to meet recurring activities and capital expenditure. The cash position at the end of the ten-year period is sufficient to operate and allow for \$341.9 million spend of capital in that period. The capital projects in the latter half of the forecast period require more detailed analysis and scoping prior to delivery.

Council maintains and operates cash reserves that are either classified as internally allocated or externally imposed. These are essentially cash funds that are reserved for a specific purpose. The Department of State Development, Infrastructure, Local Government and Planning is proposing new sustainability ratios. A new ratio will be the “Unrestricted Cash Expense Cover Ratio” which is a financial indicator of the unconstrained liquidity is available to a Council to meet ongoing and emergent financial demands. For Livingstone, this suggests that at least \$20 million in unrestricted cash is required.

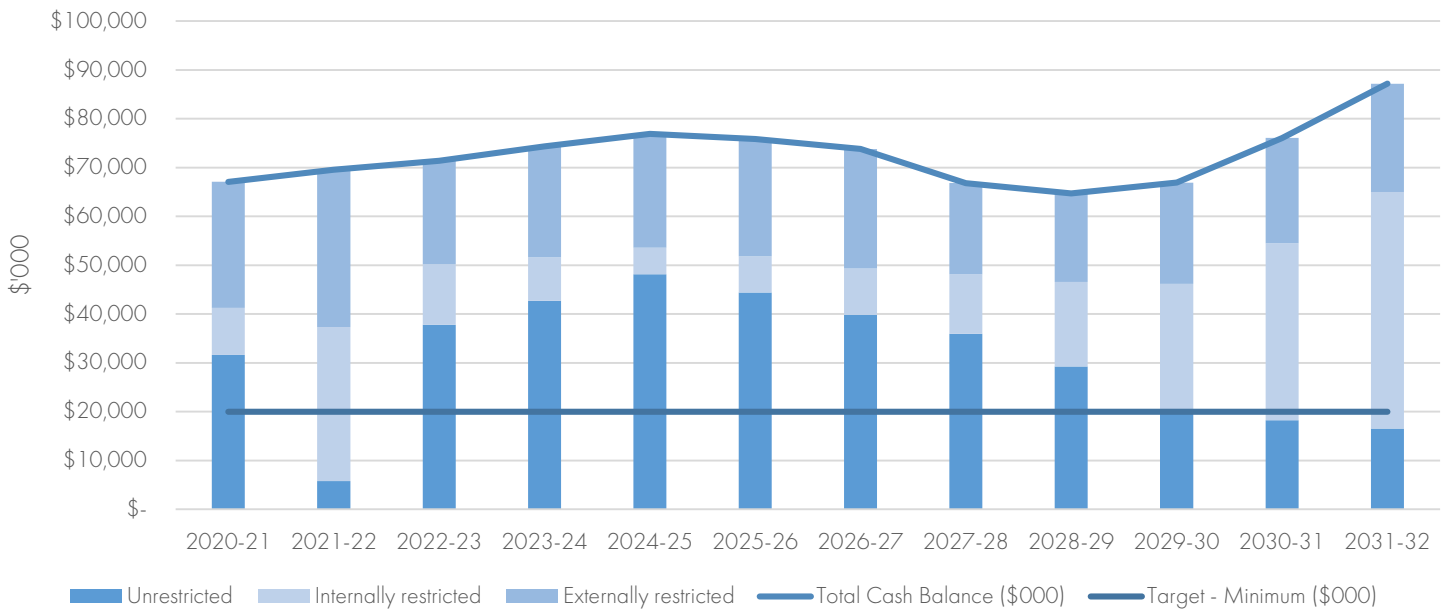


Figure 8 - Forecast Restricted and Unrestricted Cash Balances

DEBT

Borrowing for long-term assets is an effective way of spreading the cost of community infrastructure over the life of the assets in such a way that those deriving a benefit from the investment pay for it as it is being used.

With no new borrowings forecast in the 2022-23 financial year, Council’s debt continues to reduce by \$5.5m. Since de-amalgamation, Council’s debt has reduced by \$26.8 million. Council is forecasting to borrow \$21.3 million in the medium term to fund capital expansion of sewerage and waste infrastructure for a growing community.

Figure 9 - Forecast Debt Balance, illustrates debt balances since 1 January 2014 and out over the ten-year forecast period. Whilst new borrowings are required, the total level of borrowings will remain at a total value lower than previous years.

In summary, over the life of the forecast period, Livingstone Shire Council maintains strong liquidity and adequate debt servicing capacity resulting in adequate levels of financial flexibility.

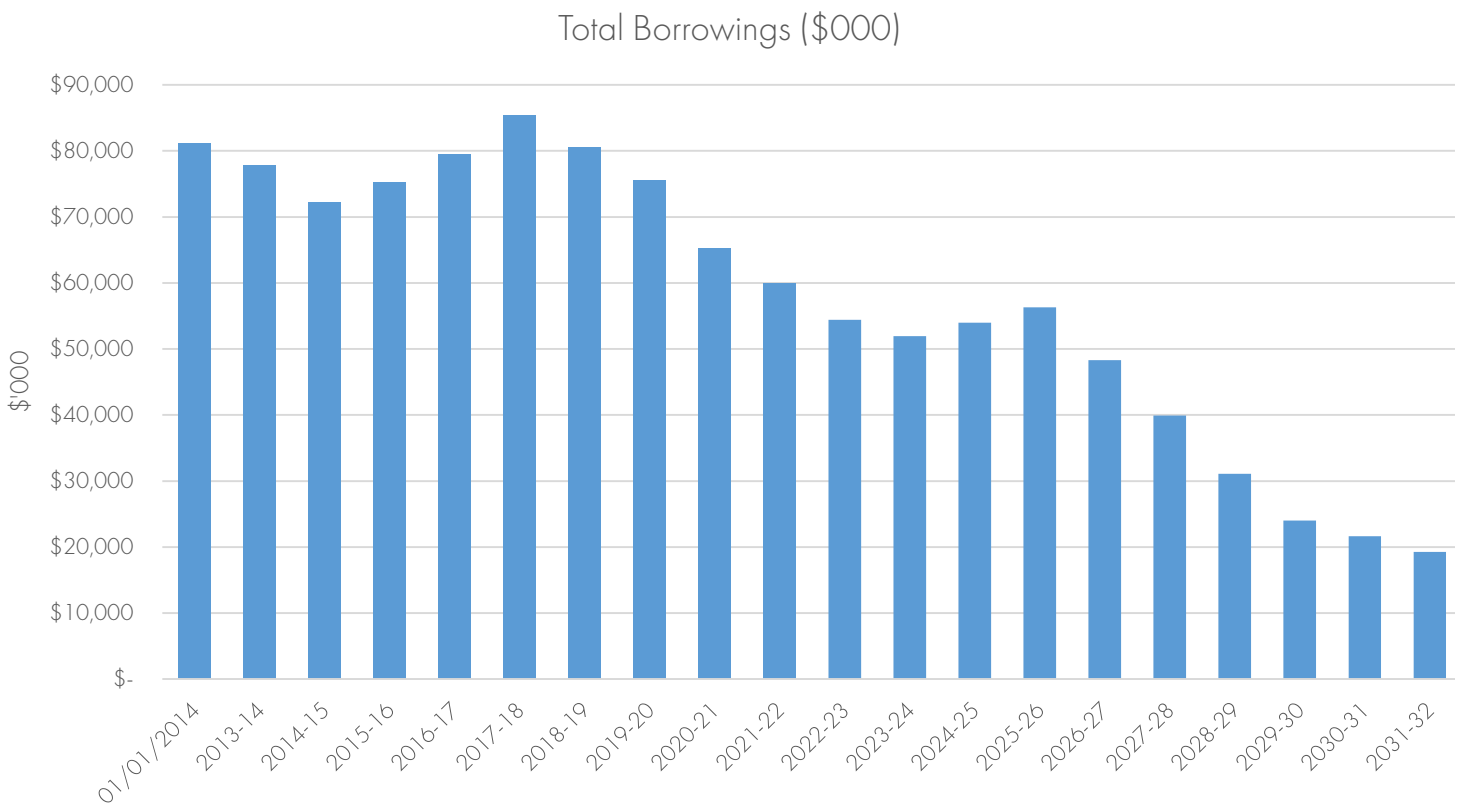


Figure 9 - Total Borrowings

KEY 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, 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 following financial sustainability ratios are currently prescribed under the Local Government Regulation 2012:

- Operating Surplus Ratio (net operating result divided by total operating revenue)
- Net Financial Liabilities Ratio (total liabilities less current assets divided by total operating revenue)
- Asset Sustainability Ratio (capital expenditure on renewal of assets divided by depreciation expense)

In October 2021, The Department of State Development, Infrastructure, Local Government and Planning, released a discussion paper on the 'Local government sustainability framework' which proposed to increase the number of rates from three to eight. The new ratios are likely to include a liquidity ratio as well as more meaningful operational, asset and debt servicing ratios to provide greater context about Council performance.

MANAGEMENT OF OPERATING POSITION

TARGET														
Management of operating position	Min	Max	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Operating Surplus Ratio (unchanged)	-2%	10%	3.7%	1.0%	0.1%	0.1%	1.6%	1.0%	0.8%	0.8%	1.3%	1.2%	1.2%	2.4%
<i>Calculation: Operating Result divided by Total Operating Revenue</i>														
Operating Cash (EBIDA) Ratio (new)	0%		31.4%	28.9%	28.4%	28.8%	29.7%	28.8%	28.5%	28.1%	27.7%	25.8%	25.6%	26.5%
<i>Calculation: Operating Result add Depreciation and Amortisation add Finance Costs charged by QTC divided by Operating Revenue</i>														
Unrestricted cash expense cover ratio (new)	3	12	5.2	4.5	5.6	5.5	5.4	4.9	4.5	4.2	4.0	3.8	4.2	4.7
<i>Calculation: Total Cash and Cash Equivalents add Current Investments add Available Ongoing QTC Working Capital Facility Limit less Externally Restricted Cash divided by Total Operating Expenses less Depreciation and Amortisation less Finance Costs charged by QTC x 12 (represented as months of cover)</i>														

Table 8 - Operating Ratios

The forecast Operating Surplus Ratio remains positive, indicating Council is raising sufficient operating revenue to cover operating expenses.

The proposed new ratio of Operating Cash (EBIDA) Ratio remains positive, indicating Council is able to cover its core operational expenses (not including depreciation, amortization and financing costs) which may or may not cover capital funding requirements.

The proposed new ratio of Unrestricted Cash Expense Cover Ratio is within the target rate. This indicates that Council has sufficient cash and access to a working capital facility to meet ongoing and emergent financial demands. This is a key solvency indicator.

MANAGEMENT OF DEBT

TARGET														
Management of Debt	Min	Max	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Net Financial Liabilities Ratio		60%	22.8%	10.2%	-8.3%	-15.2%	-16.5%	-12.2%	-16.1%	-16.0%	-21.4%	-26.9%	-33.4%	-40.6%
<i>Calculation: Total Liabilities less Current Asset divided by Operating Revenue - Note: This ratio is not proposed to continue as a prescribed sustainability ratio.</i>														
Leverage Ratio (times)(new)		3	2.2	2.1	1.9	1.8	1.7	1.7	1.4	1.1	0.9	0.7	0.6	0.5
<i>Calculation: Book value of Debt divided by Operating Cash (EBIDA)</i>														
Debt per Capita (new)	Less than \$4,000 per capita		\$1,667	\$1,532	\$1,357	\$1,276	\$1,305	\$1,340	\$1,126	\$911	\$699	\$531	\$465	\$405
<i>Calculation: Book value of Debt divided by Estimated Population</i>														

Table 9 - Debt Ratios

The three ratios above provide an indication as to whether debt is being responsibly managed. Council sits comfortably within the required and proposed benchmarks for the forecast period.

Council has prudently managed its debt, and this has resulted in the flexibility to utilise debt funding within the forecast period.

MANAGEMENT OF INFRASTRUCTURE ASSETS

TARGET														
Management of Infrastructure Assets	Min	Max	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Asset Sustainability Ratio (unchanged)	Greater than 90%		60.8%	55.1%	108.2%	89.2%	66.7%	73.3%	61.5%	75.0%	68.6%	58.8%	57.4%	55.8%
<i>Calculation: Capital Expenditure on Replacement of Assets (Renewals) divided by Depreciation Expenditure. Note: Will be reported by asset class as per reported general purpose financial statements.</i>														
ASR - Roads & Drainage	Greater than 90%	48.7%		87.3%	138.7%	112.8%	81.3%	80.1%	75.4%	90.2%	52.1%	53.2%	51.0%	43.6%
ASR - Bridges	Greater than 90%	38.4%												
ASR - Buildings	Greater than 90%	2.3%	7.1%	6.9%	20.9%	36.8%	38.6%	44.5%	49.4%	30.4%	26.8%	10.0%	9.8%	
ASR - Water	Greater than 90%	13.2%	21.9%	77.5%	70.7%	67.5%	32.4%	33.5%	49.7%	34.5%	28.7%	35.7%	36.3%	
ASR - Sewerage	Greater than 90%	10.0%	49.6%	123.9%	103.3%	40.3%	138.4%	34.3%	28.0%	19.8%	14.4%	8.7%	9.0%	
ASR - Site Improvements	Greater than 90%	9.5%	18.5%	81.5%	48.2%	26.4%	24.1%	12.6%	29.6%	12.1%	12.4%	12.5%	12.0%	
<i>Calculation: Per asset class (excluding WIP) Capital Expenditure on Replacement of Assets (Renewals) divided by Depreciation Expenditure</i>														
Asset Renewal Funding	Greater than 90%						TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
<i>Calculation: Net Present Value of Planned Capital Expenditure on Asset Renewals over 10-years divided by the Net Present Value of Required Capital Expenditure on asset renewals over 10 years. Note: As a medium council, Livingstone is proposed to commence reporting on this ratio commencing in 2024-25.</i>														
Asset Consumption Ratio	Greater than 60%	72%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
<i>Calculation: Written down Replacement Costs of Depreciable assets divided by the Current Replacement Cost of Depreciable Assets. Note: These results are as at 30 June 2021 - the last audited results available.</i>														

Table 10 - Asset Sustainability Ratios

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The current prescribed Asset Sustainability Ratio uses accounting depreciation as a substitute measure for required capital expenditure on infrastructure renewals (as opposed to using renewal funding requirements determined through asset management planning) with the results of this ratio indicating that infrastructure renewal funding is on average over the forecast period 71% of the depreciation cost annually.

The calculation method of this ratio does not provide an effective measure of whether the investment in capital renewal is sufficient. Limitations to this ratio is where significant investment is required for growth or expansion it is expected that capital expenditure on infrastructure renewal is substantially lower than accounting depreciation.

Another limitation of this ratio is that large expenditure on a particular asset class can skew the results. Therefore, a proposed change for the reporting on the Asset Sustainability Ratio is for it to be broken down by infrastructure asset type, which are the infrastructure asset classes based on Council's Property, Plant and Equipment note included in the audited annual financial statements (excluding assets under construction).

The above table indicates that there is some risk that Council is not replacing or renewing existing infrastructure assets as they are depreciated, potentially resulting in a renewals backlog. However, Livingstone is an expanding community with significant investment in expansion of new infrastructure to meet the needs of a growing community and lower ratios may not be considered a concern.

In comparison, the Asset Renewal Funding Ratio uses infrastructure renewal funding requirements (as per Asset Management Plans). Livingstone is currently reviewing all infrastructure asset management plans and aligning capital programming accordingly. As this work is in progress, the results for this ratio are unavailable. It is proposed that Council commence reporting on this ratio in 2024-25

The Asset Consumption Ratio gives an indication of the 'as new condition' left in the assets. The results of this ratio (as at 30 June 2021 – the last audited results available) reinforces the sustainability of Council's infrastructure assets with the result of 72% being above the target of 60%. This aligns with the information provided previously on the lower asset sustainability ratio results stemming from investment in newly constructed infrastructure to cater for a growing community.



BUDGET AND LONG TERM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION 2022-23 BUDGET AND LONG TERM FINANCIAL FORECAST

	Budget 2022-23 \$'000	Budget 2023-24 \$'000	Budget 2024-25 \$'000	Forecast 2025-26 \$'000	Forecast 2026-27 \$'000	Forecast 2027-28 \$'000	Forecast 2028-29 \$'000	Forecast 2029-30 \$'000	Forecast 2030-31 \$'000	Forecast 2031-32 \$'000
ASSETS										
Current Assets										
Internally Restricted Cash	12,418	8,929	5,442	7,403	9,479	12,212	17,344	25,863	36,254	48,501
Externally Restricted Cash	21,154	22,689	23,284	24,080	24,473	18,646	18,105	20,722	21,537	22,175
Unrestricted Component	37,282	41,581	46,424	42,041	36,838	32,278	26,766	17,305	14,517	11,997
Cash and Cash Equivalents	70,854	73,199	75,150	73,523	70,790	63,135	62,215	63,890	72,307	82,674
Trade and Other Receivables	9,473	9,766	10,420	10,835	11,314	11,781	12,331	12,868	13,445	13,993
Inventories	2,678	2,162	1,209	989	989	989	989	989	989	989
Other Current Assets	3,887	3,887	3,887	3,887	3,887	3,887	3,887	3,887	3,887	6,887
Total Current Assets	86,892	89,014	90,666	89,234	86,980	79,793	79,423	81,634	90,628	101,543
Non-Current Assets										
Land Held for Development or Sale	2,763	2,763	2,763	2,763	2,763	2,763	2,763	2,763	2,763	2,763
Property, Plant & Equipment	1,134,758	1,180,522	1,201,164	1,229,770	1,261,801	1,272,042	1,289,771	1,321,967	1,323,439	1,338,826
Other Non-Current Assets	1,134	1,111	945	865	784	703	622	541	460	379
Total Non-Current Assets	1,138,656	1,184,396	1,204,872	1,233,398	1,265,347	1,275,508	1,293,155	1,325,270	1,326,662	1,341,968
TOTAL ASSETS	1,225,548	1,273,410	1,295,538	1,322,632	1,352,327	1,355,301	1,372,578	1,406,905	1,417,290	1,443,511
LIABILITIES										
Current Liabilities										
Trade and Other Payables	4,840	4,960	5,243	5,560	5,842	6,144	6,480	6,985	7,340	7,563
Borrowings	5,853	6,286	7,092	7,981	8,383	8,819	7,107	2,373	2,376	2,466
Provisions	6,411	6,745	3,150	3,152	3,155	3,158	3,161	3,164	3,167	3,168
Total Current Liabilities	17,104	17,992	15,485	16,693	17,380	18,121	16,747	12,521	12,883	13,197
Non-Current Liabilities										
Borrowings	48,542	45,656	46,906	48,306	39,923	31,104	23,997	21,624	19,248	16,781
Provisions	12,929	9,678	10,150	10,327	10,508	10,693	10,881	11,071	11,265	11,463
Total Non-Current Liabilities	61,471	55,334	57,056	58,633	50,431	41,797	34,877	32,695	30,513	28,245
TOTAL LIABILITIES	78,575	73,325	72,541	75,326	67,811	59,917	51,625	45,216	43,395	41,442
NET COMMUNITY ASSETS	1,146,973	1,200,085	1,222,997	1,247,305	1,284,516	1,295,383	1,320,953	1,361,689	1,373,894	1,402,069
Community Equity										
Borrowings	1,008,175	1,029,837	1,046,547	1,050,739	1,054,134	1,057,604	1,061,889	1,066,089	1,070,474	1,076,753
Provisions	138,798	170,248	176,450	196,566	230,382	237,779	259,064	295,599	303,421	325,316
TOTAL COMMUNITY EQUITY	1,146,973	1,200,085	1,222,997	1,247,305	1,284,516	1,295,383	1,320,953	1,361,689	1,373,894	1,402,069

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STATEMENT OF CASH FLOWS

2022-23 BUDGET AND LONG TERM FINANCIAL FORECAST

	Budget 2022-23 \$'000	Budget 2023-24 \$'000	Budget 2024-25 \$'000	Forecast 2025-26 \$'000	Forecast 2026-27 \$'000	Forecast 2027-28 \$'000	Forecast 2028-29 \$'000	Forecast 2029-30 \$'000	Forecast 2030-31 \$'000	Forecast 2031-32 \$'000
Cash Flows from Operating Activities										
Receipts from Customers	94,077	96,540	102,370	106,750	111,505	116,548	121,683	127,108	132,881	138,827
Payments to Suppliers and Employees	(71,078)	(72,750)	(76,146)	(80,388)	(84,289)	(88,592)	(92,900)	(99,354)	(104,322)	(107,932)
Payments for Land Held as Inventory	(2,041)	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Land Held as Inventory	1,834	675	899	318	-	-	-	-	-	-
Interest Received	689	769	900	1,030	1,106	1,168	1,160	1,238	1,410	1,683
Borrowing Costs	(2,858)	(2,569)	(2,385)	(2,365)	(2,348)	(1,944)	(1,508)	(1,083)	(863)	(780)
Payment of Landfill Provision	(421)	(3,552)	(3,771)	(481)	(490)	(500)	(509)	(519)	(529)	(540)
Non-Capital Grants and Contributions	4,396	5,241	5,590	5,771	5,942	6,120	6,298	6,487	6,680	6,880
Cash Inflow from Operating Activities	24,598	24,353	27,457	30,634	31,425	32,800	34,224	33,875	35,256	38,138
Cash Flows from Investing Activities										
Payments for Property, Plant and Equipment	(42,002)	(41,262)	(42,654)	(37,817)	(28,837)	(34,772)	(29,065)	(27,874)	(27,286)	(28,256)
Grants and Contributions Received	24,250	21,706	15,092	3,268	2,660	2,700	2,740	2,780	2,820	2,860
Proceeds from the Sale of Assets	-	-	-	-	-	-	-	-	-	-
Cash Outflow from Investing Activities	(17,753)	(19,555)	(27,562)	(34,549)	(26,177)	(32,072)	(26,325)	(25,094)	(24,466)	(25,396)
Cash Flows from Financing Activities										
Proceeds from Borrowings	-	3,400	8,341	9,380	-	-	-	-	-	-
Repayment of Borrowings	(5,564)	(5,853)	(6,285)	(7,091)	(7,981)	(8,383)	(8,819)	(7,107)	(2,373)	(2,376)
Cash Outflow from Financing Activities	(5,564)	(2,453)	2,056	2,289	(7,981)	(8,383)	(8,819)	(7,107)	(2,373)	(2,376)
Net Increase/(Decrease) in Cash Held	1,281	2,345	1,950	(1,626)	(2,733)	(7,655)	(920)	1,674	8,418	10,366
Cash at the Beginning of the Financial Year	69,573	70,854	73,199	75,150	73,523	70,790	63,135	62,215	63,890	72,307
Cash at the End of the Financial Year	70,854	73,199	75,150	73,523	70,790	63,135	62,215	63,890	72,307	82,674

STATEMENT OF INCOME AND EXPENDITURE
2022-23 BUDGET AND LONG TERM FINANCIAL FORECAST

	Budget 2022-23 \$'000	Budget 2023-24 \$'000	Budget 2024-25 \$'000	Forecast 2025-26 \$'000	Forecast 2026-27 \$'000	Forecast 2027-28 \$'000	Forecast 2028-29 \$'000	Forecast 2029-30 \$'000	Forecast 2030-31 \$'000	Forecast 2031-32 \$'000
OPERATING INCOME										
Gross Rates and Utility Charges	91,343	94,100	101,125	105,218	109,944	114,882	120,043	125,403	131,026	136,821
Less: Discounts & Remissions	(7,558)	(8,367)	(9,601)	(10,016)	(10,469)	(10,941)	(11,434)	(11,950)	(12,489)	(13,053)
Net Rates and Utility Charges	83,755	85,733	91,524	95,201	99,475	103,941	108,608	113,452	118,537	123,769
Fees and Charges	7,508	7,851	8,215	8,595	9,041	9,505	9,946	10,406	11,021	11,593
Rental Income	610	628	647	666	686	706	728	749	772	795
Interest Revenue	689	769	900	1,030	1,106	1,168	1,160	1,238	1,410	1,683
Sales Revenue	2,099	1,873	1,712	1,917	1,873	1,929	1,987	2,047	2,108	2,172
Operational Grants & Subsidies	4,409	5,328	5,620	5,787	5,958	6,135	6,317	6,505	6,698	6,897
Other Income	848	873	899	926	953	982	1,012	1,042	1,073	1,105
Total Operating Income	99,917	103,053	109,517	114,121	119,093	124,368	129,758	135,439	141,620	148,014
Capital Income										
Contributions from Developers	4,200	2,540	2,580	2,620	2,660	2,700	2,740	2,780	2,820	2,860
Capital Grants and Subsidies	30,429	19,166	12,512	648	-	-	-	-	-	-
Total Capital Income	34,629	21,706	15,092	3,268	2,660	2,700	2,740	2,780	2,820	2,860
TOTAL INCOME	134,546	124,760	124,609	117,389	121,753	127,068	132,498	138,219	144,440	150,874
OPERATING EXPENSES										
Employee Benefits	36,963	37,261	38,098	39,378	40,686	42,038	43,436	44,880	46,373	47,916
Materials and Services	34,986	36,380	39,067	42,025	44,546	47,477	50,380	53,465	56,743	58,629
Depreciation and Amortisation	25,382	26,971	28,380	29,408	30,703	32,009	32,703	32,294	33,717	34,845
Finance Costs	374	442	442	442	442	442	442	442	442	442
External Loan Interest Expense	2,858	2,569	2,385	2,365	2,348	1,944	1,508	1,083	863	780
Other Operating Expenses	(739)	(681)	(632)	(582)	(532)	(480)	(425)	1,682	1,742	1,805
Total Operating Expenses	99,823	102,943	107,741	113,036	118,194	123,430	128,043	133,846	139,880	144,416
Capital Expenses										
Restoration and Rehabilitation Provision	152	155	158	161	164	167	170	173	176	179
Total Capital Expenses	152	155	158	161	164	167	170	173	176	179
Total Comprehensive Income	34,571	21,661	16,710	4,192	3,395	3,470	4,285	4,200	4,384	6,279
Operating Result	94	110	1,776	1,085	899	937	1,715	1,593	1,740	3,598

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STATEMENT OF CHANGES IN EQUITY 2022-23 BUDGET AND LONG TERM FINANCIAL FORECAST

	Budget 2022-23 \$'000	Budget 2023-24 \$'000	Budget 2024-25 \$'000	Forecast 2025-26 \$'000	Forecast 2026-27 \$'000	Forecast 2027-28 \$'000	Forecast 2028-29 \$'000	Forecast 2029-30 \$'000	Forecast 2030-31 \$'000	Forecast 2031-32 \$'000
Retained Surplus										
Opening Balance	973,115	1,008,175	1,039,625	1,045,827	1,065,943	1,099,759	1,107,156	1,128,441	1,164,976	1,172,798
Net Result	35,060	31,450	6,202	20,116	33,816	7,397	21,285	36,535	7,822	21,895
Closing Balance	1,008,175	1,039,625	1,045,827	1,065,943	1,099,759	1,107,156	1,128,441	1,164,976	1,172,798	1,194,693
Asset Revaluation Surplus										
Opening Balance	120,498	138,798	160,460	177,170	181,362	184,757	188,227	192,512	196,713	201,097
Change in Asset Revaluation Surplus	18,300	21,661	16,710	4,192	3,395	3,470	4,285	4,200	4,384	6,279
Closing Balance	138,798	160,460	177,170	181,362	184,757	188,227	192,512	196,713	201,097	207,376
Total Community Equity	1,146,973	1,200,085	1,222,997	1,247,305	1,284,516	1,295,383	1,320,953	1,361,689	1,373,894	1,402,069



MEASURES OF FINANCIAL SUSTAINABILITY
2022-23 BUDGET AND LONG TERM FINANCIAL FORECAST

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

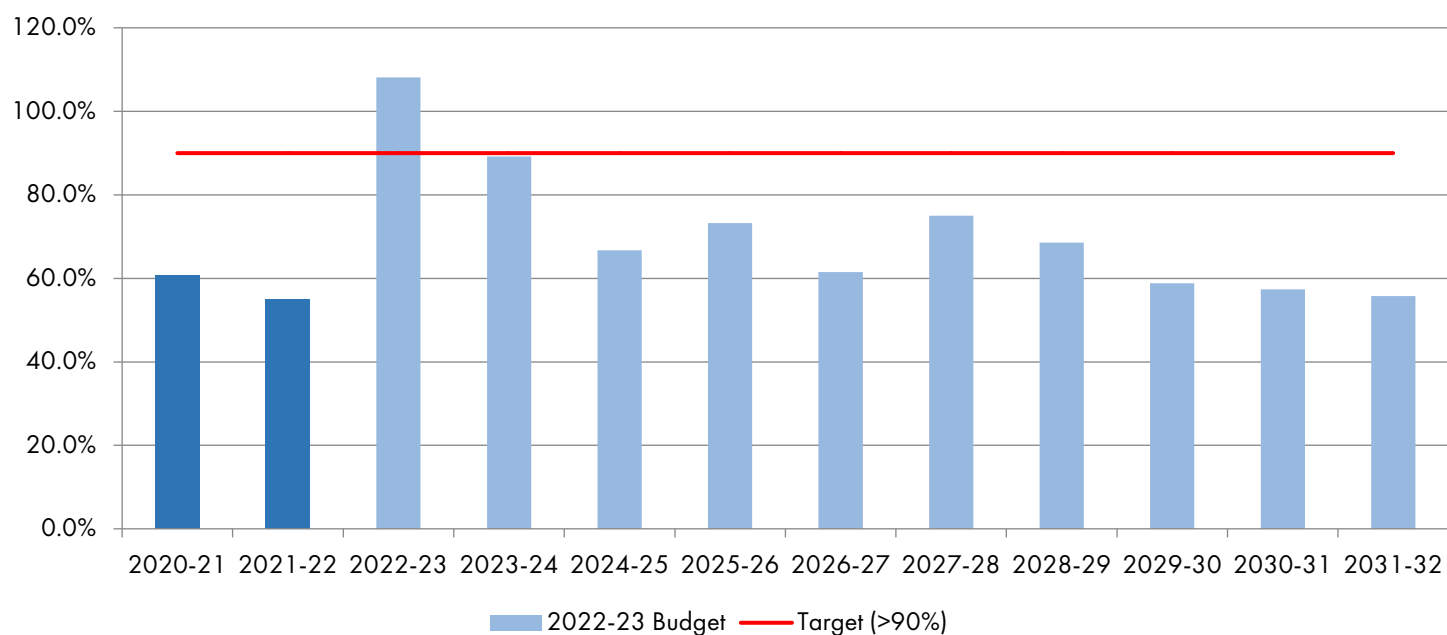
The Queensland Government defines a sustainable local government as being 'able to maintain its financial capital and infrastructure capital over the long term' (*Local Government Act 2009, section 104(2)*).

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).

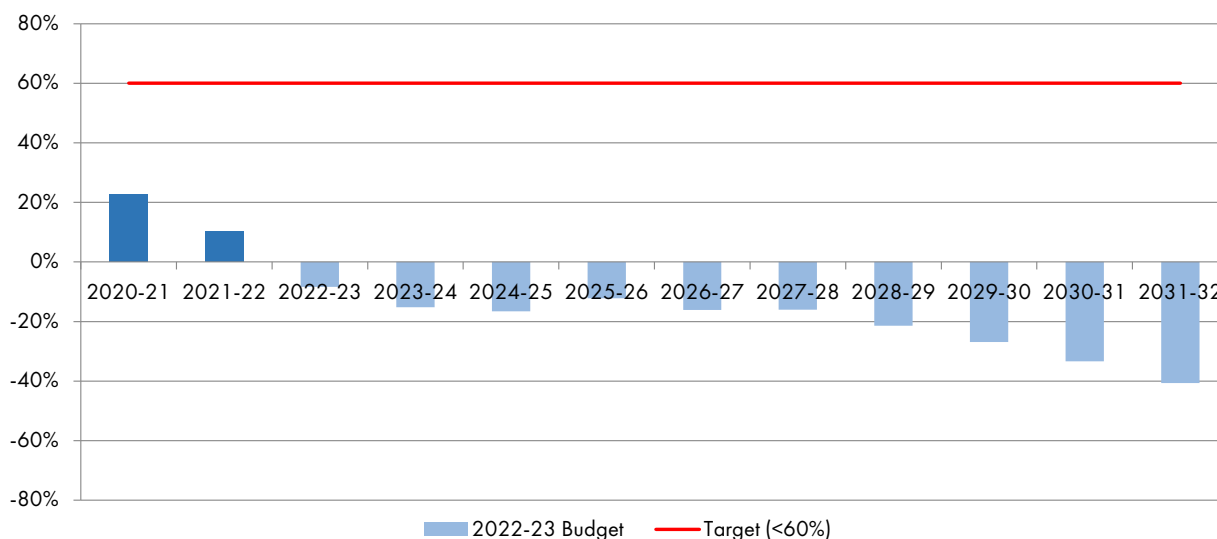
The target indicated in each graph are sourced from the '*Financial Management (Sustainability) Guideline 2013*' which is available from the website of The Department of State Development, Infrastructure, Local Government and Planning.

Asset Sustainability Ratio



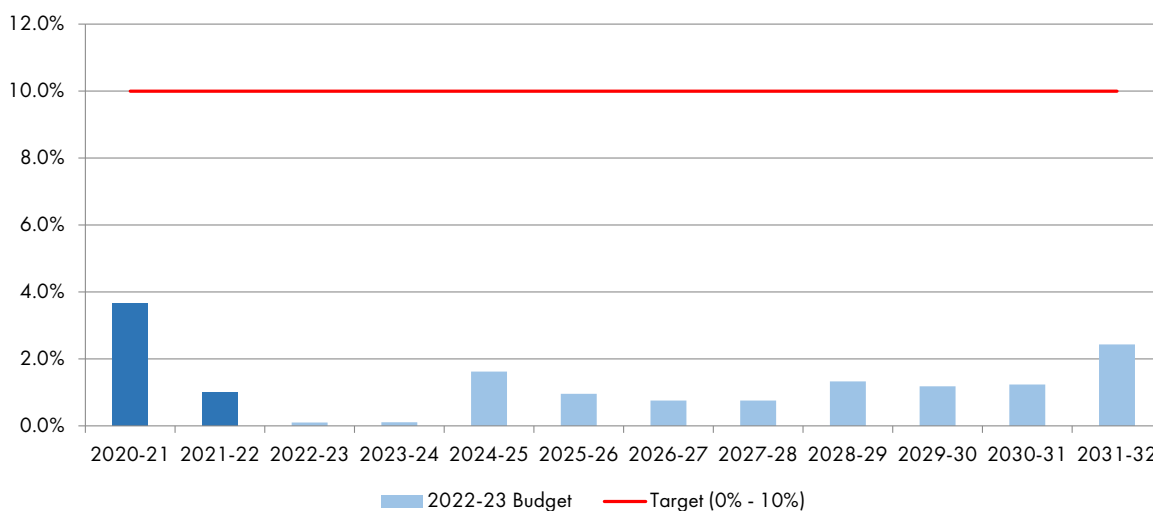
Description	Measure	Target
Demonstrates the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	$\frac{\text{Capital expenditure on replacement assets}}{\text{Depreciation expense}}$	Greater than 90% (on average over the long term)
Budget		
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. Whilst nine of the ten years in the long term plan are below the target benchmark of 90%, this is mainly due to the value of new infrastructure required to be constructed for growth as existing assets have reached capacity, or new development occurs outside currently serviced areas.		

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.	$\frac{\text{Total Liabilities less Current Asset}}{\text{Operating Revenue}}$	Not greater than 60% (on average over the long term)
Budget		
Council is forecast to remain within the target range all financial years in the ten year forecast period. Debt (borrowings) continue to reduce, with \$21.1m in borrowings required to fund projects within waste and sewerage within the proposed ten-year capital program.		

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 & 10% (on average over the long term)
Budget		
Council is forecasting a positive (greater than 0%) operating surplus ratio in nine of the ten years in the forecast period. A positive ratio indicates that recurring operating revenue exceeds recurring operating expenses and this assists in funding capital expenditure. This can result in less reliance on borrowing money to fund capital expenditure and thus reduces Council debt. Whilst the positive operating surplus ratio of Council for the ten year period is a good indicator of sustainability, the long term results at the lower end of the range reflects the limited capacity of Council to absorb reduced revenue streams to fund current operations, expand services or increase levels of services.		

TOTAL VALUE OF CHANGE IN RATES AND CHARGES LEVIED FROM 202-21
2022-23 BUDGET AND LONG TERM FINANCIAL FORECAST

In accordance with section 169 of the *Local Government Regulation 2012*, the Council is required to report the total value of the change, expressed as a percentage in the rates and utility charges levied for the financial year (2022-23) compared with the rates and utility charges levied in the previous original adopted budget (2021-22). Council has also included the total value of change based on the estimated results for 2021-22 (22Q3). The calculation of this percentage for a financial year excludes rebates and discounts applicable on rates and utility charges, and includes growth in the number of property assessments.

	2021-22 Original Budget	2021-22 Revised Budget (22Q3)	2022-23 Budget	2021-22 Original Budget vs 2022-23 Budget		2021-22 Q3 vs 2022-23 Budget	
	\$000	\$000	\$000	Variance \$000	Variance %	Variance \$000	Variance %
General Rates	34,954	33,786	41,052	6,098	17.4%	7,266	21.5%
Separate Charges	11,895	11,941	8,033	(3,862)	(32.5%)	(3,907)	(32.7%)
Special Charges	374	374	380	6	1.7%	6	1.7%
Water Utility and Consumption Charges	19,601	19,639	21,298	1,697	8.7%	1,659	8.4%
Waste Charges	7,422	7,475	7,979	557	7.5%	504	6.7%
Sewerage Charges	11,773	11,885	12,601	828	7.0%	716	6.0%
Total Rates and Charges Levied	86,020	85,100	91,343	5,323	6.2%	6,243	7.3%



APPENDIX A - FINANCIAL GUIDING BUDGET PRINCIPLES

On 15 February 2022 Council adopted the 'Livingstone Shire Council Financial Guiding Principles'. These principles direct Council in maintaining a strong and consistent legacy of financial management and investment over the long term. The principles provide an agreed framework to support Council in forecasting budgets and developing financial plans that, in turn, will achieve the vision of Council's overarching strategic vision.

PRINCIPLE 1

The community's finances will be managed responsibly to enhance the wellbeing of residents.

PRINCIPLE 2

Council will maintain community wealth to ensure that the wealth enjoyed by today's generation may also be enjoyed by tomorrow's generation.

PRINCIPLE 3

Council's financial position will be robust enough to recover from unanticipated events and absorb the volatility inherent in revenues and expenses.

PRINCIPLE 4

Resources will be allocated to those activities that generate community benefit.

STABILITY



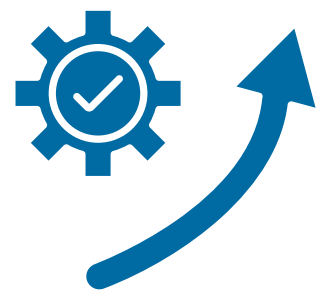
Financial Sustainability
Debt
Long Term Liabilities
Asset Management

AFFORDABILITY



Available Funds
Capital Expenditure
Project Prioritisation and Governance
Rates, Fees & Charges
Cash Management
Grants Funding & Capital Contributions
Avoid Cost Shifting

EFFICIENCY



Utilisation of Council's Assets
Service Reviews
Workforce Planning

APPENDIX B - ASSUMPTIONS

The Budget and Long-Term Financial Forecast takes into account the 2022-23 Budget as a base and adjusts the forward years through a combination of specific organisation changes forecast, as well as various assumptions throughout the life of the forecast period.

While a number of detailed assumptions are made throughout the modelling of the long-term financial forecast, the below table provides a guide to some of the key assumptions used throughout the life of the forecast period.

REVENUE	COMMENT
GENERAL RATES	Overall 4.9% increase and growth from 2021-22 rating strategy, including the transfer of the gross revenue by phasing out separate charges over the next three years. Nominal CPI increases ranging from 2.9% to 3.0% (as per the RBA Statement of Monetary Policy - May 2022) over the life of the forecast.
UTILITY CHARGES	Water and Sewerage utility charges in accordance with a five-year price path for each scheme. Waste utility charges in accordance with pricing review. Nominal CPI increases ranging from 2.9% to 3.0% (as per the RBA Statement of Monetary Policy - May 2022) over the life of the forecast.
SEPARATE CHARGES	Phasing out over a three year period – one-third reduction commencing in 2022-23.
FEES AND CHARGES	Forecast increase in line with nominal CPI increases ranging 2.9% to 3.0% (as per the RBA Statement of Monetary Policy - May 2022) over the life of the forecast.
EXPENSE ITEMS	COMMENT
STAFF WAGES AND SALARIES	Forecast as per certified agreements, and then nominal CPI increases at 3.0% over the life of the forecast.
COUNCILLOR REMUNERATION	Maximum remuneration as set by Queensland Remuneration Tribunal. Nominal CPI increases ranging from 2.9% to 3.0% over the life of the forecast.
MATERIALS AND SERVICES	Projected at 1% (growth) above CCI (2.74%) over the life of the forecast.
OTHER ITEMS	COMMENT
CPI RATE APPLIED (CPI)	Ranging from 4.3% to 3.0% over the life of the forecast in line with the RBA Statement of Monetary Policy - May 2022). March 2022 - Brisbane CPI 6.0%; Australia 5.1%
COUNCIL COST INDEX (CCI)	LGAQ Council Cost Index 2022 is a composite index collated to represent the average cost increases experienced by councils over the previous 12 months (Dec to Dec quarters). The LGAQ CCI 2022 was 2.74%.
REVALUATION OF ASSETS	Asset values increased by 5% every 5 years.
PROPERTY GROWTH	Base property growth estimated at 1% increase in rateable properties, adjusted for 300 new residential and commercial in subsequent financial years for the next five years (<i>Livingstone's 5 Year Housing Demand Analysis 2021</i>)