

ISAAC REGIONAL COUNCIL

Financial Ratios of the Budget

For the year ended 30 June -

		Target (Tier 4)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
			%	%	%	%	%	%	%	%	%	%

Sustainability measures

Financial capacity

(a) Council controlled revenue ratio ⁽ⁱ⁾

This ratio is an indicator of the council's financial flexibility, ability to influence its operating income, and capacity to respond to unexpected financial shocks. A higher council-controlled revenue ratio indicates a stronger ability to generate operating revenue without relying on external sources. A lower council-controlled revenue ratio indicates that the council has limited capacity to influence its operating revenue and that it is more reliant on external sources of income such as operating grants, sales and recoverable works contracts and rental income.

Net rates, levies, fees and charges	Current year	Contextual measure	85.03%	85.71%	86.14%	86.45%	86.53%	86.65%	86.76%	86.88%	87.00%	87.08%
Total operating revenue	Five year average	Contextual measure	77.98%	79.36%	81.49%	84.96%	85.97%	86.30%	86.51%	86.65%	86.76%	86.87%

(b) Population Growth ⁽ⁱ⁾⁽ⁱⁱ⁾

Population growth is a key driver of a council's operating income, service needs, and infrastructure requirements into the future. A growing council population indicates a greater capacity to generate its own source revenue through rates as well as statutory charges. Population growth also puts additional pressure on councils to invest in new community infrastructure to support service needs. Conversely, a council with a shrinking population base will have increasingly limited opportunities to generate operating revenue through its rateable property base, and over time will need to adjust its capital and operating spending decisions to reflect the reducing utilisation of its infrastructure and community assets.

Prior year estimated population	-1	Current year	Contextual measure	0.06%	0.06%	0.05%	0.58%	0.58%	0.58%	0.58%	0.54%	0.64%	0.64%
Previous year estimated population		Five year average	Contextual measure	1.14%	0.81%	0.57%	0.39%	0.26%	0.37%	0.47%	0.57%	0.58%	0.59%

Operating Performance

(a) Operating Surplus Ratio

An operating surplus ratio above 0% indicate the council is managing its finances within its existing funding envelope and maintaining its capital capacity to deliver services. A ratio below 0% indicates council's operating expenses exceed the revenue. Sustained deficits over the long term will effect council's ability to maintain the current service levels from internal sources.

Operating result	Current year	Greater than 0%	0.92%	1.33%	1.57%	2.72%	2.49%	2.35%	2.27%	2.18%	1.71%	1.24%
Total operating revenue	Five year average	Greater than 0%	1.94%	1.97%	1.53%	1.22%	1.83%	2.11%	2.28%	2.39%	2.19%	1.93%

(b) Operating Cash Ratio

A positive ratio indicates that the council is generating surplus cash from its core operations in that reporting period. A surplus can cover past period deficits and or contribute to capital expenditure. A negative ratio is a significant indicator of financial sustainability challengers and potential future liquidity issues.

Operating result add depreciation and interest costs	Current year	Greater than 0%	24.13%	24.09%	23.92%	24.92%	24.48%	24.09%	23.77%	23.44%	22.72%	22.09%
Total operating revenue	Five year average	Greater than 0%	26.12%	25.31%	24.32%	23.87%	24.31%	24.30%	24.23%	24.12%	23.68%	23.19%

Liquidity

(a) Unrestricted cash expense cover ratio

A higher ratio indicates that the council has sufficient free cash available to contribute to the cost of future planned and unplanned expenditures. A low ratio indicates limited free cash to use for capital investment or cover emergencies. A negative operating cash ratio coupled with a low or negative free cash ratio is an indicator of potential solvency concerns.

Total cash and cash investments less externally restricted cash	Average monthly cover	Greater than 4 months	4.31	Not applicable ⁽ⁱⁱⁱ⁾								
Average monthly operating expenditure less depreciation and interest												

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			%	%	%	%	%	%	%	%	%	%

Asset Management

(a) Asset sustainability ratio

This ratio approximates the extent to which the infrastructure assets are being replaced as they reach the end of their useful lives. A ratio close to 100% indicates the council is spending sufficient on asset renewals to offset the deterioration in its asset base measured by the amount of depreciation.

		Target (Tier 4)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<u>Expenditure on replacement assets</u>	Current year	Greater than 80%	91.78%	72.20%	98.65%	104.47%	103.70%	103.58%	103.46%	103.35%	103.23%	103.12%
Depreciation expense	Five year average	Greater than 80%	84.25%	77.91%	85.12%	89.57%	92.55%	95.47%	102.68%	103.77%	103.51%	103.39%

(b) Asset consumption ratio

This ratio approximates the extent to which the council's infrastructure assets have been consumed

		Target (Tier 4)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<u>Written down replacement cost of infrastructure assets</u>	Current year	Greater than 60%	66.48%	65.81%	64.86%	63.92%	62.97%	62.04%	61.12%	60.21%	59.30%	58.41%
Current replacement cost of these infrastructure assets	Five year average	Greater than 60%	67.57%	67.12%	66.37%	65.60%	64.77%	63.89%	62.95%	62.02%	61.10%	60.19%

Leverage Ratio

(a) Debt servicing capacity

An indicator of the council's ability to repay existing debt. A higher leverage ratio indicates an increasingly limited capacity to support additional borrowings due to already high debt levels or decreasing operating performance.

		Target (Tier 4)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<u>Book value of debt</u>	Current year	0 - 3 times	0.74	0.66	0.58	0.48	0.42	0.35	0.28	0.22	0.17	0.16
Operating result add depreciation	Five year average	0 - 3 times	0.73	0.70	0.69	0.66	0.57	0.49	0.42	0.35	0.29	0.23

Note

(i) The Council-Controlled Revenue and Population Growth Ratio measures are reported for contextual purposes only

(ii) Council has used the Queensland Government Statistician's Office population projections to calculate the Compound Annual Growth Rate

(iii) The Financial Management (Sustainability) Guideline 2024 requires a single year ratio only