

Financial Management (Sustainability) Guideline

Guideline 2023 version 1

The Department of State Development, Infrastructure, Local Government and Planning connects industries, businesses, communities, and government (at all levels) to leverage regions' strengths to generate sustainable and enduring economic growth that supports well-planned, inclusive and resilient communities.

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Copies of this publication are available on our website at www.statedevelopment.qld.gov.au and further copies are available upon request.

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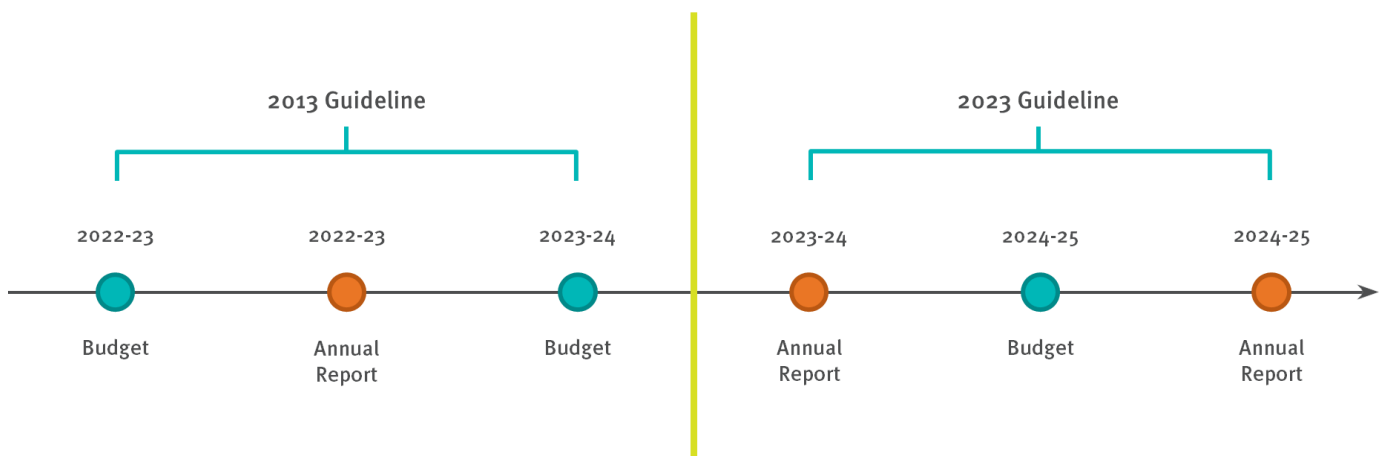
The Guideline

This Financial Management (Sustainability) Guideline (the Guideline) has been developed following consultation with local governments and other stakeholders on the *Local Government Sustainability Framework discussion paper*.

The Guideline supersedes the Financial Management (Sustainability) Guideline 2013 and is to be used in the calculation of the relevant financial sustainability measures specified in the Local Government Regulation 2012 and the City of Brisbane Regulation 2012.

Local governments are required to calculate and publish the relevant financial sustainability measures on both a council and consolidated basis (where applicable).

This Guideline takes effect from the 2023-24 annual statutory financial reporting period and the 2024-25 financial year budget process as illustrated below and will continue until superseded.



Updates from 2013 Guideline

As it has been ten years since the previous Guideline was released, the Department has undertaken a significant review of its sustainability monitoring and reporting framework, including consultation with key stakeholders and the local government sector. The Department has considered this feedback in conjunction with analysis undertaken by key stakeholders in the development of the new Guideline.

Key changes in the 2023 Guideline include:

- » Grouping of similar councils for sustainability monitoring and reporting purposes to better reflect the varied drivers and circumstances of the sector.
- » Removal of the Net Financial Liabilities Ratio due to consistent feedback about its limited usefulness to stakeholders, especially for councils with no debt.
- » Expanding the number of relevant financial sustainability measures from three to nine to include additional measures of financial capacity, operating performance, liquidity, asset management, and debt servicing capacity. Three ratios will be for contextual purposes only.
- » Revision of targets for each measure based on each council's allocated grouping, including a small number of contextual measures with no targets that are not required to be audited each year.

This Guideline has been developed in consultation with councils and key stakeholders.

Sustainability Groupings

Queensland has one of the most diverse local government sectors in Australia, covering a large geographic area. Across the State, individual councils face a unique set of financial, service delivery and community need circumstances and are impacted by a wide range of social and economic drivers.

In recognition of this diversity, the Department has allocated each council to a category for sustainability reporting and monitoring purposes. These categories are based on the remoteness of the local government area as reported by the Australian Bureau of Statistics, and population, with a separate category for Indigenous councils in recognition of their unique legislative and financial circumstances. Grouping councils allows for the establishment of fit-for-purpose targets for each monitoring measure.

The Department recognises that council populations fluctuate from year to year and change over time which may result in a movement across Tiers. For this reason, the allocation of councils to Tiers will be reviewed as part of updates to the Guideline every three years, with councils remaining in their assigned tier between Guideline updates. The Department will advise councils and publish on its website any changes to Tiers at that time of the next Guideline update in 2026.

The summary of sustainability reporting groups is set out in **Table 1**, and a more detailed list of which local governments are contained within each Tier is in **Appendix A**.

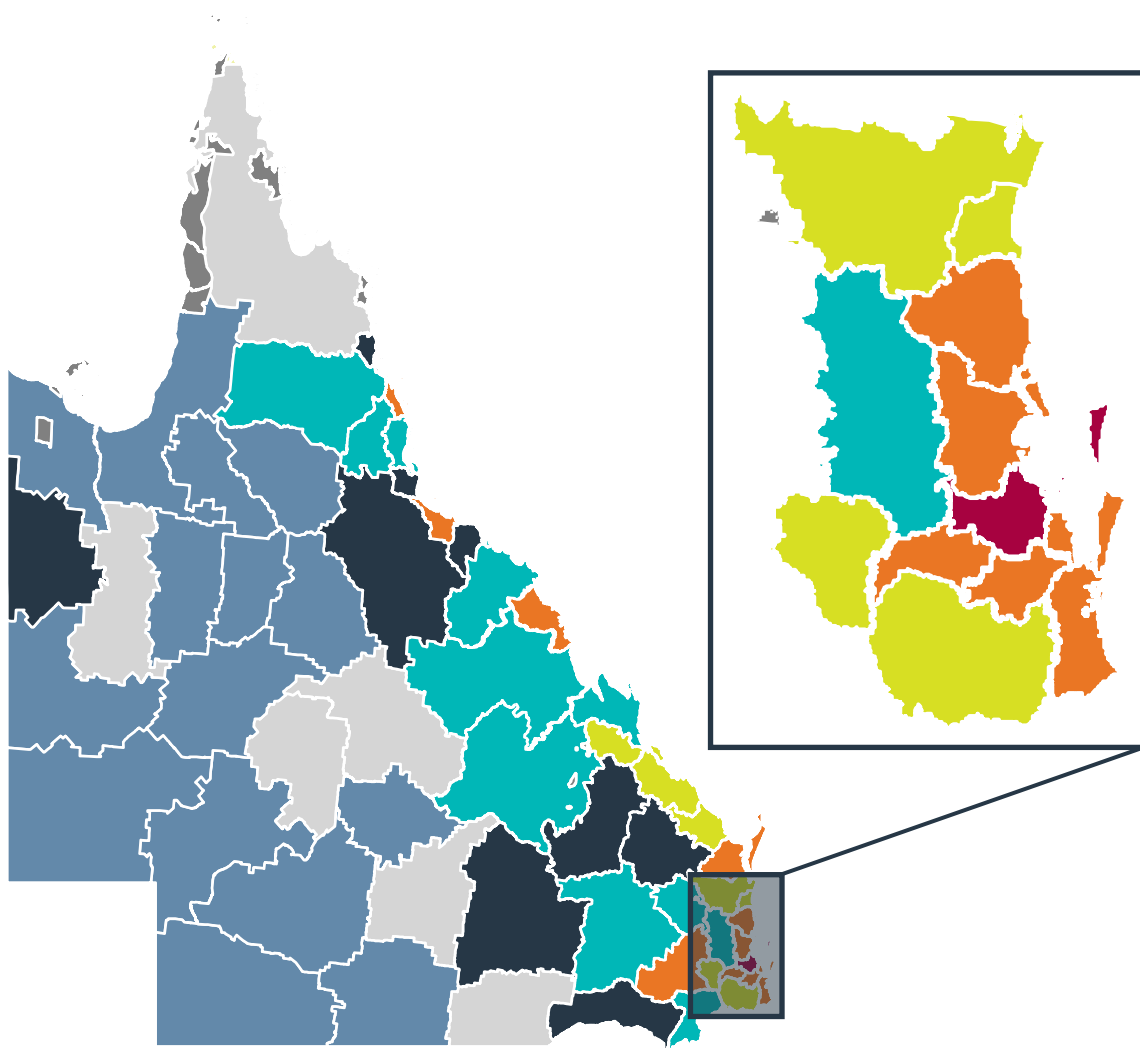


Table 1: Sustainability reporting groupings of councils

Tier	Remoteness Area Factor ¹	Population Band ²	No. of Councils	
1	Major Cities	1,000,000+	1	
2	Major Cities Inner Regional Outer Regional	100,000-999,999	11	
3	Major Cities Inner Regional	40,000-99,999	7	
4	Inner Regional Outer Regional	20,000-39,999	11	
5	Outer Regional Remote	10,000-19,999	9	
6	Remote Very Remote	2,000-9,999	7	
7	Very Remote	0-1,999	15	
8	Indigenous	<10,000	16	

¹ Remoteness Area Factor classified as more than 50% of the LGA's population residing in that area.

² Population figures as per the Australian Bureau of Statistics most recent estimates.

Sustainability Measures

The following are the financial sustainability measures for the Queensland local government sector, to be calculated and published by every council as part of their annual statutory financial reporting process. Depending on the individual council's circumstances, they will be required to report a minimum of eight and maximum of nine ratios.

#	Type	Measure	Rationale
1	Financial Capacity	Council Controlled Revenue Ratio [^]	Capacity to generate revenue internally
2	Financial Capacity	Population Growth Ratio ^{*^}	Population growth/decline pressures on council
3	Operating Performance	Operating Surplus Ratio	Holistic overview of council operating performance
4	Operating Performance	Operating Cash Ratio	Cash operating performance (less depreciation and other non-cash items)
5	Liquidity	Unrestricted Cash Expense Cover Ratio	Unconstrained liquidity available to council
6	Asset Management	Asset Sustainability Ratio	Capital renewals program performance
7	Asset Management	Asset Consumption Ratio	Extent to which assets are being consumed
8	Asset Management	Asset Renewal Funding Ratio ^{**^}	Asset replacement program performance
9	Debt Servicing Capacity	Leverage Ratio	Ability to repay existing debt

**Data source - ABS category number 3235.0 (Population by Age and Sex, Regions of Australia) This ratio is calculated for the previous financial year i.e., FY2022-23 will report FY21-22 population growth. The Department will advise the councils of the figures to use for this ratio.*

***The transition periods for the Asset Renewal Ratio for council groupings can be found in the Asset Renewal Funding Ratio section.*

^ The Council-Controlled Revenue Ratio, Population Growth Ratio, and Asset Renewal Funding Ratio are contextual measures, which are published but not audited.

To normalise the impacts of one-off events, all ratios with the **exception** of the unrestricted cash expense cover ratio and the asset renewal funding ratio are reported on a rolling five-year average basis, as well as a single-year result. This will provide more context about the long-term trend of these ratios.

The Queensland Audit Office (QAO) will audit measures **3, 4, 5, 6, 7, and 9** (for those councils which report it, explained below), regardless of their grouping. These measures highlight the core council financial sustainability areas of operating performance, liquidity, asset management and debt servicing capacity.

Councils with Queensland Treasury Corporation (QTC) debt or other loans as at the reporting date are required to report on measure **9** (the Leverage Ratio), which is also audited by the QAO as noted above.

- Councils that repay the entirety of their debt balances within the current reporting period are also not required to report this measure for that financial year however will still need to calculate and publish the five-year average.
- Councils which have held no QTC debt or other loans during the preceding five financial years are not required to report this measure.

Measures **1, 2, and 8** are contextual measures to be reported by all councils regardless of their grouping and will be used for contextual purposes only. These measures will provide further information about a council's financial capacity and asset management, however, are not required to be audited.







The Asset Renewal Funding Ratio (ARFR) will be implemented over a phased transition period to recognise the differing circumstances and capacities of councils with their asset management. Tier 1 and 2 councils will be expected to report the ARFR from the 2023-24 financial year, while Tier 3 to 8 councils will gradually transition to reporting this measure over time (see ARFR section below outlines transition timeframes).

During the transition period, the department will work with councils to improve their asset management capability to enable them to report on this ratio in time.







Appendices B and C contains suggested reporting formats for councils to use when publishing their current- and long-term financial sustainability statements. Councils may also report any additional measures they feel provide additional information to stakeholders about their financial sustainability.

More information about each individual measure, including its calculation, interpretation, and target bands for each respective sustainability grouping, can be found on the following pages.







1. Council Controlled Revenue Ratio

Type 	Financial Capacity
Overview 	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.
Interpretation 	<p>A higher council-controlled revenue ratio indicates a stronger ability to generate operating revenue without relying on external sources. Councils with a high ratio generally have a healthy rate base and are better able to respond to unexpected financial obligations such as natural disaster recovery.</p> <p>A lower council-controlled revenue ratio indicates that a council has limited capacity to influence its operating revenue and that it is more reliant on external (and usually less reliable) sources of income such as operational grant funding, sales and recoverable works contracts, and rental income.</p>
Calculation 	$\frac{\text{Net Rates, Levies and Charges add Fees and Charges}}{\text{Total Operating Revenue}}$ <p>See Definitions below for more information about the inputs for this measure.</p>
Targets 	As council-controlled revenue is a contextual measure, there are no targets specified for this ratio.
Reporting 	<p>This measure is required to be calculated and published by all councils.</p> <p>This measure is to be reported as both a single-year result and a five-year average result.</p> <p>To support the user's interpretation of the council's result for this measure councils are required to provide a narrative identifying key drivers and contributing factors (that may or may not be beyond a council's control).</p> <p>See Appendices B and C for example reporting formats.</p>







2. Population Growth Ratio

Type 	Financial Capacity
Overview 	Population growth is a key driver of a council's operating income, service needs, and infrastructure requirements into the future.
Interpretation 	<p>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.</p> <p>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.</p>
Calculation 	$\frac{\text{Prior year estimated population}}{\text{Previous year estimated population}} - 1$ <p>The Department will publish population figures for councils to determine this ratio. See Definitions below for more information about the inputs for this measure.</p>
Targets 	As population growth is a contextual measure, there are no targets specified for this measure.
Reporting 	<p>This measure is required to be calculated and published by all councils.</p> <p>This measure is to be reported as both a single-year result and a five-year average result.</p> <p>To support the user's interpretation of the council's result for this measure councils are required to provide a narrative identifying key drivers and contributing factors (that may or may not be beyond a council's control).</p> <p>See Appendices B and C for example reporting formats.</p>







3. Operating Surplus Ratio

<div>Type</div> <div></div>	Operating Performance																				
<div>Overview</div> <div></div>	<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>																				
<div>Interpretation</div> <div></div>	<p>An operating surplus ratio above 0% is an indication that council is managing its finances within its existing funding envelope and generating surplus funds for capital funding or other purposes.</p> <p>An operating surplus ratio below 0% is an indication that a council’s operating expenses exceed its revenue. An operating deficit in any one year is not a cause for concern if, over the long term, a council achieves a balanced operating result or small surplus. Operating deficits over the long term affect a council’s ability to internally fund its capital requirements and other initiatives as and when they fall due, potentially requiring external funding support.</p>																				
<div>Calculation</div> <div></div>	<div><div>Operating Result</div><div>Total Operating Revenue</div></div> <p>See Definitions below for more information about the inputs for this measure.</p>																				
<div>Targets</div> <div></div>	<p>The target bands for this measure for each local government group apply only to the five-year average result, and are as follows:</p> <table><tr><th>Group</th><th>Target Band</th><th>Group</th><th>Target Band</th></tr><tr><td>Tier 1</td><td>Greater than 0%</td><td>Tier 5</td><td>Greater than -2%</td></tr><tr><td>Tier 2</td><td>Greater than 0%</td><td>Tier 6</td><td>Contextual</td></tr><tr><td>Tier 3</td><td>Greater than 0%</td><td>Tier 7</td><td>Contextual</td></tr><tr><td>Tier 4</td><td>Greater than 0%</td><td>Tier 8</td><td>Contextual</td></tr></table>	Group	Target Band	Group	Target Band	Tier 1	Greater than 0%	Tier 5	Greater than -2%	Tier 2	Greater than 0%	Tier 6	Contextual	Tier 3	Greater than 0%	Tier 7	Contextual	Tier 4	Greater than 0%	Tier 8	Contextual
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4. Operating Cash Ratio

Type		Operating Performance																				
Overview		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.																				
Interpretation		<p>A positive operating cash ratio indicates that a council is generating surplus cash from its core operations, which suggests that council has the ability to self-fund its capital expenditure requirements.</p> <p>A negative operating cash ratio is a significant indicator of financial sustainability challenges and potential future liquidity issues as, all other things being equal, a negative result means that a council’s cash position is declining and revenues are not offsetting the cost of core operational requirements.</p>																				
Calculation		<div><div>Operating Result add Depreciation and Amortisation add Finance Costs</div><div></div><div>Total Operating Revenue</div></div> <p>See Definitions below for more information about the inputs for this measure.</p>																				
Targets		<p>The target bands for this measure for each local government group apply only to the five-year average result, and are as follows:</p> <table><tr><th>Group</th><th>Target Band</th><th>Group</th><th>Target Band</th></tr><tr><td>Tier 1</td><td>Greater than 0%</td><td>Tier 5</td><td>Greater than 0%</td></tr><tr><td>Tier 2</td><td>Greater than 0%</td><td>Tier 6</td><td>Greater than 0%</td></tr><tr><td>Tier 3</td><td>Greater than 0%</td><td>Tier 7</td><td>Greater than 0%</td></tr><tr><td>Tier 4</td><td>Greater than 0%</td><td>Tier 8</td><td>Greater than 0%</td></tr></table>	Group	Target Band	Group	Target Band	Tier 1	Greater than 0%	Tier 5	Greater than 0%	Tier 2	Greater than 0%	Tier 6	Greater than 0%	Tier 3	Greater than 0%	Tier 7	Greater than 0%	Tier 4	Greater than 0%	Tier 8	Greater than 0%
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5. Unrestricted Cash Expense Cover Ratio

<div>Type</div> <div></div>	Liquidity																				
<div>Overview</div> <div></div>	<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>																				
<div>Interpretation</div> <div></div>	<p>A higher unrestricted cash expense cover ratio indicates that a council has sufficient free cash available to contribute to the cost of future planned and unplanned expenditures such as infrastructure investment or disaster recovery. An excessively high ratio may be indicative of cash hoarding, poor cash management, or large upcoming capital investment requirements.</p> <p>A low ratio suggests limited unconstrained liquidity available to council to use for capital investment or in an emergency. For councils with efficient cash management practices and strong borrowing capacity, this is not a concern. Where a council also has a negative operating cash ratio, a very low or negative unrestricted cash expense cover ratio is an indicator of potential solvency concerns.</p>																				
<div>Calculation</div> <div></div>	<div><div>(Total Cash and Equivalents add Current Investments add Available Ongoing QTC Working Capital Facility Limit less Externally Restricted Cash)</div><div><div></div><div><div></div><div></div></div></div><div><div>(Total Operating Expenditure less Depreciation and Amortisation less Finance Costs)</div><div><div></div><div><div></div><div></div></div></div></div><div>* 12</div><p>See Definitions below for more information about the inputs for this measure.</p></div>																				
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6. Asset Sustainability Ratio

Type	Asset Management																				
Overview	The asset sustainability ratio approximates the extent to which the infrastructure assets (see Definitions) managed by a council are being replaced as they reach the end of their useful lives.																				
Interpretation	<p>An asset sustainability ratio close to 100% suggests that a council is spending enough on the renewal of its assets to compensate for the deterioration in its asset base as loosely proxied by its reported depreciation, with outcomes too far below this level being potentially indicative of underspending against capital replacement requirements.</p> <p>However, as this measure uses depreciation in lieu of more rigorous asset planning data, it does not account for councils with large investments in new capital assets such as those with strongly growing population bases. In these instances, a lower asset sustainability ratio is not of concern provided a council is meeting the capital needs of its current and future community.</p>																				
Calculation	<div>Capital Expenditure on Replacement of Infrastructure Assets (Renewals)</div> <div>Depreciation Expenditure on Infrastructure Assets</div> <p>See Definitions below for more information about the inputs for this measure.</p>																				
Targets	<p>The target bands for this measure for each local government group apply only to the five-year average result, and are as follows:</p> <table><thead><tr><th>Group</th><th>Target Band</th><th>Group</th><th>Target Band</th></tr></thead><tbody><tr><td>Tier 1</td><td>Greater than 50%</td><td>Tier 5</td><td>Greater than 90%</td></tr><tr><td>Tier 2</td><td>Greater than 60%</td><td>Tier 6</td><td>Greater than 90%</td></tr><tr><td>Tier 3</td><td>Greater than 80%</td><td>Tier 7</td><td>Greater than 90%</td></tr><tr><td>Tier 4</td><td>Greater than 80%</td><td>Tier 8</td><td>Greater than 90%</td></tr></tbody></table>	Group	Target Band	Group	Target Band	Tier 1	Greater than 50%	Tier 5	Greater than 90%	Tier 2	Greater than 60%	Tier 6	Greater than 90%	Tier 3	Greater than 80%	Tier 7	Greater than 90%	Tier 4	Greater than 80%	Tier 8	Greater than 90%
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7. Asset Consumption Ratio

Type	Asset Management																				
Overview	The asset consumption ratio approximates the extent to which council’s infrastructure assets (see Definitions) have been consumed compared to what it would cost to build a new asset with the same benefit to the community.																				
Interpretation	<p>The minimum target of 60% indicates that a council’s assets are being broadly consumed in line with their estimated useful lives.</p> <p>Councils with lower than target ratio will need to invest more in those assets (in terms of replacement or maintenance) to ensure they are maintained at a standard that will meet the needs of their communities. On the other hand, if the ratio is much higher than the target ratio, councils may need to revisit their asset management plans to assess their current service levels or whether their estimates of the assets’ useful lives are appropriate.</p>																				
Calculation	<div>Written Down Replacement</div> <div>Cost of Depreciable Infrastructure Assets</div> <div></div> <div>Current Replacement</div> <div>Cost of Depreciable Infrastructure Assets</div> <p>See Definitions below for more information about the inputs for this measure.</p>																				
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8. Asset Renewal Funding Ratio

<div>Type</div> <div></div>	Asset Management																				
<div>Overview</div> <div></div>	The asset renewal funding ratio measures the ability of a council to fund its projected infrastructure asset renewal/replacements in the future.																				
<div>Interpretation</div> <div></div>	<p>Ideally, the asset renewal funding ratio should be as close to 100% as possible, as this indicates that a council is appropriately funding and delivering the entirety of its required capital program as outlined by its asset management plans.</p> <p>A ratio that is too far in excess of 100% indicates capital spending above and beyond what is proposed by a council’s asset management plans. A ratio that is too far below 100% may indicate an underfunded capital program and therefore a potentially increasing infrastructure backlog and asset failures. Either scenario suggests a mismatch between a council’s capital requirements and forecast capital program, whether due to poor planning and/or limited resources or skills to deliver the assets required by the community.</p>																				
<div>Calculation</div> <div></div>	<div><div>Total of Planned Capital Expenditure on Infrastructure Asset Renewals over 10 years</div><div>Total of Required Capital Expenditure on Infrastructure Asset Renewals over 10 years</div></div> <p>See Definitions below for more information about the inputs for this measure.</p>																				
<div>Targets</div> <div></div>	As the asset renewal ratio is a contextual measure, there are no targets specified for this ratio.																				
<div>Reporting</div> <div></div>	<p>This measure is required to be calculated and published by all councils on a single-year basis. The transition period for this measure for each local government group are as follows:</p> <table><tr><th>Group</th><th>Transition Timeframe</th><th>Group</th><th>Transition Timeframe</th></tr><tr><td>Tier 1</td><td>Commencing 2023-24</td><td>Tier 5</td><td>Commencing 2026-27</td></tr><tr><td>Tier 2</td><td>Commencing 2023-24</td><td>Tier 6</td><td>Commencing 2026-27</td></tr><tr><td>Tier 3</td><td>Commencing 2024-25</td><td>Tier 7</td><td>Commencing 2027-28</td></tr><tr><td>Tier 4</td><td>Commencing 2025-26</td><td>Tier 8</td><td>Commencing 2027-28</td></tr></table> <p>To support the user’s interpretation of the council’s result for this measure councils are required to provide a narrative identifying key drivers and contributing factors (that may or may not be beyond a council’s control).</p> <p>See Appendices B and C for example reporting formats.</p>	Group	Transition Timeframe	Group	Transition Timeframe	Tier 1	Commencing 2023-24	Tier 5	Commencing 2026-27	Tier 2	Commencing 2023-24	Tier 6	Commencing 2026-27	Tier 3	Commencing 2024-25	Tier 7	Commencing 2027-28	Tier 4	Commencing 2025-26	Tier 8	Commencing 2027-28
Group	Transition Timeframe	Group	Transition Timeframe																		
Tier 1	Commencing 2023-24	Tier 5	Commencing 2026-27																		
Tier 2	Commencing 2023-24	Tier 6	Commencing 2026-27																		
Tier 3	Commencing 2024-25	Tier 7	Commencing 2027-28																		
Tier 4	Commencing 2025-26	Tier 8	Commencing 2027-28																		

9. Leverage Ratio

<div>Type</div> <div></div>	Debt Servicing Capacity																				
<div>Overview</div> <div></div>	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.																				
<div>Interpretation</div> <div></div>	<p>A higher leverage ratio indicates an increasingly limited capacity to support additional borrowings due to already high debt levels and/or decreasing operational performance, while a lower ratio indicates the opposite.</p> <p>Note: Council borrowings are assessed and approved through a separate process coordinated jointly by the Department and QTC, which takes multiple factors and metrics into consideration.</p> <p>A lower leverage ratio is not itself a guarantee that further debt will be approved for a council, while councils with higher leverage ratios are not necessarily precluded from having additional borrowings approved due to other mitigating circumstances.</p>																				
<div>Calculation</div> <div></div>	<div>Book Value of Debt</div> <div><div></div><div>Total Operating Revenue less Total Operating Expenditure add Depreciation and Amortisation</div></div> <p>See Definitions below for more information about the inputs for this measure.</p>																				
<div>Targets</div> <div></div>	<p>The target bands for this measure for each local government group apply to the five-year average result, and are as follows:</p> <table><tr><th>Group</th><th>Target Band</th><th>Group</th><th>Target Band</th></tr><tr><td>Tier 1</td><td>0 – 5 times</td><td>Tier 5</td><td>0 – 3 times</td></tr><tr><td>Tier 2</td><td>0 – 4 times</td><td>Tier 6</td><td>0 – 3 times</td></tr><tr><td>Tier 3</td><td>0 – 3 times</td><td>Tier 7</td><td>0 – 3 times</td></tr><tr><td>Tier 4</td><td>0 – 3 times</td><td>Tier 8</td><td>0 – 3 times</td></tr></table>	Group	Target Band	Group	Target Band	Tier 1	0 – 5 times	Tier 5	0 – 3 times	Tier 2	0 – 4 times	Tier 6	0 – 3 times	Tier 3	0 – 3 times	Tier 7	0 – 3 times	Tier 4	0 – 3 times	Tier 8	0 – 3 times
Group	Target Band	Group	Target Band																		
Tier 1	0 – 5 times	Tier 5	0 – 3 times																		
Tier 2	0 – 4 times	Tier 6	0 – 3 times																		
Tier 3	0 – 3 times	Tier 7	0 – 3 times																		
Tier 4	0 – 3 times	Tier 8	0 – 3 times																		
<div>Reporting</div> <div></div>	<p>This measure is required to be calculated and published by all councils with debt as of 30 June of the reporting year. It is not required for councils that have no debt at that date. Councils that repay the entirety of their debt within the reporting period are also not required to report this measure for the financial year however will still need to calculate and publish the five-year average result. Councils which have held no QTC debt or other loans during the preceding five financial years are not required to report this measure.</p> <p>This measure is to be reported as both a single-year result and a five-year average result.</p>																				

To support the user's interpretation of the council's result for this measure councils are required to provide a narrative identifying key drivers and contributing factors (that may or may not be beyond a council's control).

See **Appendices B and C** for example reporting formats.

Definitions

All inputs for each measure should be taken directly from the council's audited general purpose financial statements and associated notes. A summary of measure inputs and their associated definitions can be found in the table below:

Term	Definition
Available Ongoing QTC Working Capital Facility Limit	The unused balance of an approved ongoing QTC Working Capital Facility (WCF) as at the reporting date. For example, if the total limit of WCF is \$10 million and the council has drawn down \$2 million, the available limit is \$8 million.
Book Value of Debt	The book value of the council's debt (QTC or other loans) as at the reporting date (i.e., 30 June).
Capital Expenditure on Replacement of Infrastructure Assets (Renewals)	Expenditure on an existing infrastructure asset to return the service potential or the life of the asset up to that it had originally.
Current Investments	An investment that has a maturity of 12 months or less (such as term deposits or other interest-earning investment/deposits), or an investment that council intends to convert into cash within 12 months from the time the investment was made.
Current Replacement Cost	The amount of money required to replace an existing asset with an equally valued or similar asset at the current market price.
Depreciation and Amortisation	The systematic allocation of the depreciable amount (gross value less estimated residual value) of an asset over its useful life. Depreciation should be calculated in accordance with the Australian Accounting Standards on infrastructure assets.
Externally Restricted Cash	A local government's cash that is subject to restrictions or conditions by a third party which govern the use of these funds for general purposes. This does not include internal reserves of a council which can be accessed by a council resolution.
Fees and Charges	All statutory fees and charges levied by a local government including charges for services provided by local governments, such as building application, development, town planning and property connection fees, licences, permits and parking fees, infringements, refuse fees, and other adhoc fees and charges.
Finance Costs	Finance costs only includes interest charged on a local government's existing QTC's debt balances and any other council loans. Any other items included in this line item of your financial statements should be excluded.
Infrastructure Assets	Those significant, long-life assets that provide ratepayers with access to social and economic facilities and services. Examples include water and sewerage treatment plants, roads, bridges, drainage, buildings, airports, and other community assets (does not include right of use assets).
Net Rates, Levies and Charges	Rates, levies and annual charges levied by a local government less discounts and concessions.
Operating Result	Total operating revenue less total operating expenditure.

Planned Capital Expenditure on Infrastructure Asset Renewals	The total of all capital expenditures on infrastructure renewals in the forecast period included in the 10-year financial model.
Previous Year Estimated Population	The estimated population for the year previous to Prior Years Estimated Population (see below) for a local government area.
Prior Year Estimated Population	The prior year's estimated population (relative to the reporting date) for a local government area i.e., for FY2022-23 this will be the FY2021-22 population figure.
Required Capital Expenditure on Infrastructure Asset Renewals	The total of all required capital expenditures on infrastructure renewals in the forecast period as indicated in the asset management plans or asset forecasts.
Total Cash and Equivalents	A local government's cash and cash equivalents which are short-term or are at call in nature. Council should refer to Australian Accounting Standards 107 for guidance on what should be included in cash and cash equivalents.
Total Operating Expenditure	<p>All council expenses minus capital items such as:</p> <ul style="list-style-type: none"> » losses on disposal of assets, and » impairment losses » depreciation on right of use assets » interest on finance leases associated with right of use assets » other capital expenditure items as identified by the council
Total Operating Revenue	<p>All council income minus capital items such as:</p> <ul style="list-style-type: none"> » capital grants, subsidies, contributions, and donations » gains on disposal of assets » other capital revenue items as identified by the council
Written Down Replacement Cost	An asset's current replacement cost less accumulated depreciation.

Appendix A: Sustainability Groupings of Councils

Tier 1

Brisbane City Council

Tier 2

Cairns Regional Council

Ipswich City Council

Moreton Bay Regional Council

Toowoomba Regional Council

Fraser Coast Regional Council

Logan City Council

Redland City Council

Townsville City Council

Gold Coast City Council

Mackay Regional Council

Sunshine Coast Regional Council

Tier 3

Bundaberg Regional Council

Gympie Regional Council

Noosa Shire Council

Scenic Rim Regional Council

Gladstone Regional Council

Lockyer Valley Regional Council

Rockhampton Regional Council

Tier 4

Cassowary Coast Regional Council

Livingstone Shire Council

South Burnett Regional Council

Western Downs Regional Council

Central Highlands Regional Council

Mareeba Shire Council

Southern Downs Regional Council

Whitsunday Regional Council

Isaac Regional Council

Somerset Regional Council

Tablelands Regional Council

Tier 5

Banana Shire Council

Douglas Shire Council

Hinchinbrook Shire Council

Mount Isa City Council

Burdekin Shire Council

Goondiwindi Regional Council

Maranoa Regional Council

North Burnett Regional Council

Charters Towers Regional Council

Tier 6

Balonne Shire Council	Cloncurry Shire Council	Longreach Regional Council	Torres Shire Council
Barcaldine Regional Council	Cook Shire Council	Murweh Shire Council	

Tier 7

Barcoo Shire Council	Burke Shire Council	Etheridge Shire Council	Quilpie Shire Council
Blackall-Tambo Regional Council	Carpentaria Shire Council	Flinders Shire Council	Richmond Shire Council
Boulia Shire Council	Croydon Shire Council	McKinlay Shire Council	Winton Shire Council
Bulloo Shire Council	Diamantina Shire Council	Paroo Shire Council	

Tier 8

Aurukun Shire Council	Kowanyama Aboriginal Shire Council	Napranum Aboriginal Shire Council	Torres Strait Island Regional Council
Cherbourg Aboriginal Shire Council	Lockhart River Aboriginal Shire Council	Northern Peninsula Area Regional Council	Woorabinda Aboriginal Shire Council
Doomadgee Aboriginal Shire Council	Mapoon Aboriginal Shire Council	Palm Island Aboriginal Shire Council	Wujal Wujal Aboriginal Shire Council
Hope Vale Aboriginal Shire Council	Mornington Shire Council	Pormpuraaw Aboriginal Shire Council	Yarrabah Aboriginal Shire Council

Appendix B: Example Current-Year Sustainability Statement Format

Type	Measure	Target (Tier X)	Actual Current Year	5-Year Average	Actual Current Year	5-Year Average	Council Narrative
			Council		Consolidated		
Financial Capacity	Council-Controlled Revenue*	N/A	XX.X%	XX.X%	XX.X%	XX.X%	
	Population Growth*	N/A	X.X%	X.X%	X.X%	X.X%	
Operating Performance	Operating Surplus Ratio	Greater than X% (or N/A)	XX.X%	XX.X%	XX.X%	XX.X%	
	Operating Cash Ratio	Greater than X%	XX.X%	XX.X%	XX.X%	XX.X%	
Liquidity	Unrestricted Cash Expense Cover Ratio	Greater than X months	X.X months	N/A	X.X months	N/A	
Asset Management	Asset Sustainability Ratio	Greater than XX%	XX.X%	XX.X%	XX.X%	XX.X%	
	Asset Consumption Ratio	Greater than XX%	XX.X%	XX.X%	XX.X%	XX.X%	
	Asset Renewal Funding Ratio*	N/A	XX.X%	N/A	XX.X%	N/A	
Debt Servicing Capacity	Leverage Ratio**	o to X times (or N/A)	X.X times	X.X times	X.X times	X.X times	

* The **Council-Controlled Revenue**, **Population Growth**, and **Asset Renewal Funding Ratio** measures are reported for contextual purposes only and are not audited by the QAO.

** The **Leverage Ratio** is not required to be reported if a council has not held any QTC or other debt within the last five financial years.

Appendix C: Example Long-Term Sustainability Statement Format

Council (and Consolidated if applicable)

Type	Measure	Target (Tier X)	Actuals as at 30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX	30 June 20XX
Financial Capacity	Council-Controlled Revenue*	N/A	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%
	Population Growth*	N/A	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%
Operating Performance	Operating Surplus Ratio	Greater than X% (or N/A)	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%
	Operating Cash Ratio	Greater than X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%
Liquidity	Unrestricted Cash Expense Cover Ratio	N/A	N/A for long-term sustainability statement									
Asset Management	Asset Sustainability Ratio	Greater than XX%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%
	Asset Consumption Ratio	Greater than XX%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%
	Asset Renewal Funding Ratio*	N/A	N/A for long-term sustainability statement									
Debt Servicing Capacity	Leverage Ratio**	o to X times (or N/A)	X.X times	X.X times	X.X times	X.X times	X.X times	X.X times	X.X times	X.X times	X.X times	X.X times

* The Council-Controlled Revenue, Population Growth, and Asset Renewal Funding Ratio measures are reported for contextual purposes only and are not audited by the QAO.

** The Leverage Ratio is not required to be reported if a council has not held any QTC or other debt within the last five financial years.

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